

2 TRADERS

[EP19: The Right System For Your Time Zone](#)

Darren: We tend to make bad decisions and be more alert early in the day when we've not been awake too long. The longer the day goes on in theory we start to make more errors and bad judgement.

Announcer: Two traders, Darren and Walter, pull back the curtain on profitable trading systems, consistent money management and profitable psychological triggers. Welcome to the Two Traders Podcast.

Walter: Welcome back to the Two Traders Podcast. I'm Walter. I've got Darren on the line and today Darren, we're going to look at whether or not your trading system is disadvantaged or if you're behind the eight ball because you're trading a system that doesn't suit the timezone that you live in. Now I found this to be a fascinating idea.

We were talking about this earlier. I just want to get your thoughts on this because I think there's something to it. I think a lot of people probably don't realize they're making this mistake until it's too late. Can you explain to everyone exactly what you mean by this?

Darren: Yeah, recently I've been going through a system that trades entries on the H1 time frame and you're kind of looking for a daily trend. Then you're looking for a retrace to enter on the lower time frame, so say H1 or M15. A lot of people have been following perhaps in Australia and around trade in the Asian session and the Australian session.

Not necessarily around the London and New York open times. The interesting thing is that the high and low of the day is nearly always made in London and New York in those two sessions. For my system you need to hold your trades. The whole idea is that you're trying to get in at the low of the day or sell at the high of the day. Then let it run all day.

You get a large risk to reward. Obviously if you're taking a signal in the Asian session and then the high and the low is created after that, then you're nearly always getting stopped out. You're not able to get those, the full move of the day. It's quite interesting because I imagine there's a lot of people that try and trade at specific time frames in a system that might well work if you're up for London open every day, but if you're starting trade in the evening when Tokyo or Sidney is opening, then you might be at a disadvantage.

Walter: That reminds me of a system that I trade called the Home Run Trade. I use it sparingly, but the rule that I built into the system is that you can't take a trade for the first eight hours of the day at a minimum. I guess really the reason for that rule is what you're talking about because when I say the first eight hours, what that basically is is that's the Asian session.

If I'm trying to catch these one hour peaks or troughs, I'm not even allowed to look at the chart until I see at least eight one hour candles on the chart. I guess that would sort of fit with what you're saying. Are you saying that in general, I know this isn't 100% fail proof, but you're saying in general the high and the low? Or is it the high or the low is established during London or New York?

Darren: I'm saying I don't know the exact percentage but I think it's about 70% of the high and the low of the day occur in the London and New York session. When you think about it, that's kind of to be expected. The only thing I'm not sure about is if you trade in New Zealand, Japanese yen, does it swing the other way? If you're trading in the yen, is it not so frequent?

I tend to trade the pound, USD or the euro USD. I notice it more in them. I recently had a little indicator, a bracket on the first, like you said, the first seven hours of the day I had and it bracketed it to high and the low and it had a line at the end of that session. I was just counting through and that's what reminded me actually of it.

It's something I was kind of instinctively doing. I'd wait for price to start moving and sort of move out of that arrange to some support and resistance before I entered into a trade. It just kind of highlighted it for me and a lot of traders were contacting me from there. I think really what you have to do is perhaps move up a time frame to H4 or daily. Or even down a time frame so you're able to trade in that smaller range of the Asian session.

Walter: Well, so that means that where you are in Europe, you're in a really good position if you're trying to find the high and low because you've got the day during the London session, then you've got sort of into the evening, you've got that overlap with the New York session. You're missing out really, you're sleeping really, well basically, during the Asian session now, so that's not really an important thing for you if you're trading that way.

Do you think Darren, that well, for example, when you're off in Asia riding your motorcycle around, do you not trade? Is that what you do? How do you deal with living in a different time zone? I guess my question is, if you lived in a different time zone as you often do sometimes, how do you adapt?

Darren: Well exactly that. When I'm traveling I tend to trade the H4 charts because then I've got more time to actually go out and enjoy myself. I don't want to be sort of staring at the screen all day. Then you're kind of looking for the high and the low of the week rather than the high and the low of the day. You don't have to actually be there the specific hour that it happens.

Yeah, that's what I do. I go up a time frame, but I can still trade London open because that's in the afternoon. In general I don't want to be at the charts all day when I'm away anyway.

Walter: Exactly, yeah. I'm reminded of my friend, he had gone away from home to someplace warm for the summer and so he had a really hot summer. He was doing a lot of fun things, but one of his trades he forgot about and he left his trade on the whole summer. That was the best trade of his year. He actually forgot about it. He didn't touch it, he didn't manage it or anything.

I think that there's a lesson in that, right? We're always fiddling and watching and sometimes just by checking the charts as you say like every four hours or something the decisions that you make can be much more profitable because you're not getting in your own way by allowing the charts to unfold as they wish instead of trying to jump in there and manage things.

Yeah, so that's interesting. All right, so if I'm a trader and I'm interested in trading the one hour charts and finding maybe a swing high or a swing low and picking that off and I live, let's say I live in Los Angeles, what would you suggest that I do Darren? What would be a plan for me?

Darren: Are you saying someone that can't be around for the London session basically?

Walter: Yeah. Yeah, basically because it's 1:00 in the morning Los Angeles time and I'm sleeping or whatever. Let's say I've got a job, let's say I want to trade the one hour charts, but I live in Los Angeles. What am I going to do?

Darren: That's a good question actually. I was reading a post by someone recently about he was suggesting that if you're really confident about trading support and resistance then the time frame shouldn't be relevant on your entry and you should just pick your places where you're going to enter, sort of pending and give it however much stop you want to give it. Perhaps over the next support and resistance or something.

One option is to do that, do a touch trade basically. You've decided on the buyers for the day and you decided where the likely retrace points would be, where you're going to look for a H1 confirmation and just set a pending there. That's one way of doing it. It might actually be a really great way of trading. It's not something that, I remember doing a little bit of it a long time ago and I find it really difficult when I was watching the charts to actually let it trade that way.

It is an option. It might be a really good way because you're not going to be reading too much into the price action then at the key moment when you enter if you sit there and watch the H1. You might like well, I don't particularly like the shape of that bar so

I'm going to sit out. You can have indecision and make mistakes. That's one way. Use a touch trade.

Walter: Yeah, that's a good point. I trade a system called Ghost Peaks and Ghost Valleys which is kind of like that, but there is still a setup before you actually put your entry in. I'm still at the point where I found I think that looking at the pattern at the support resistance level, it just gives me more comfort. Whether or not it actually does much for my trading I don't know.

I tend to believe that my testing shows that it does, but I think that what you're saying, Darren can probably be done if, I'm applying my filter, right? The way that I look at the markets. I think you could do what you're saying, but you would have to pay attention to things like when was the last time the market touched that level? That sort of thing. I think to me, if I were going to do that where I would just take a blind entry right off that level, I would really want to know what the market did last time it was there and how long ago that was and what is the market doing now leading up to that level.

These are the sorts of things that I would be looking at as a trader to make sure that I felt like the odds were in my favor. As we've talked about in other podcasts, some of these things that we do like this might only just be for psychological comfort and have nothing to do at all with your bottom line, but for me I know that's how I trade. That's an interesting one.

Darren: Yeah. Are you saying you like to see how it approaches the line? You want to see how quickly it moves towards the line and how it reacts around that price as well as the actual sort of the close of the buy? You want to get a feeling for the whole market basically and how the market is feeling.

Walter: Yeah. Well, there's two ways. There's two ways. Let's say that I'm going to do as you say, I'm going to take a blind entry. I'd like to see the candle start to slow down and show more wick. Let's say that I'm going to take a sell off of a resistance level, right? I'd want to see the candle start to slow down.

Beyond that I'd want to make sure that we haven't seen two touches to the left recently. Because if this is the third, fourth or fifth touch I'm almost certain that I wouldn't take the trade just because I would assume that it's going to break sooner or later, right? If I can't watch the actual pattern that's being printed on that zone, that support and resistance zone, then I've got to assume that this is the fourth touch we've seen in 40 candles or something like that, maybe it's time for me to just step aside and not take this trade.

Whereas maybe it's only touched once in the last 100 candles on this level and the candles are starting to slow down and it's not quite there yet, well then maybe I would

feel more comfortable putting an entry in there with like you say a really wide stop and then just going to sleep and waking up in the morning to see what happens if I am that Los Angeles trader.

I think that time zone is a tough time zone to trade in, but I think that yeah, that would be one way to do it. To go ahead and do that. Yeah, I guess if you're an Asian, let's talk about this. Let's say you were a trader and you lived in Singapore. You're in that time zone over there, I guess potentially you could trade the London market and probably even some of the New York market if let's say you had a regular 9:00 to 5:00 job and you lived in Singapore. You would have more opportunity to find those swing highs and swing lows during the London market.

Because as you say, the London market starts what, in the afternoon over in that part of the world, so by the time you're home you'd be deep into London and probably into New York Session.

Darren: Yeah. I think actually that's a really good part of the world to trade from actually. You can still get the London and New York session, but if you've got other commitments in the day then you've also got time to deal with them. There is one downside to that though and that is that we tend to make better decisions and be more alert early in the day when we've not been awake too long.

The longer the day goes on in theory we start to make more errors and bad judgements. That is an issue. Although at the same time sometimes around that time I personally feel a little bit more relaxed. I've got stuff out of the way and I can perhaps focus a little bit more. A lot depends on your outward environment as well and what's happening around you when you're trading.

I think it's a really good zone to trade in there. The only thing I'm not sure about is are the high and the low of the Asian currencies and the Asian crosses, are they being made in New York and London sessions as well? Or do the central banks play a bigger role in the currencies than anything and are those highs and lows say if the New Zealand dollar and the Japanese yen, are they being made other times.

I have noticed before when trade in the euro yen, if it's trending it can quite often take off in the Asian session. You get up in the morning and you've missed the opportunity to get in. I have noticed there's a distinct difference between to say the euro yen and the euro dollar, even if they're both trending, they can sort of move at different times.

Walter: Yeah absolutely. I miss a lot of trades because I wait for that Asian session to sort of go through. Then once we push through the Asian session, that's when I get in my daily and weekly trades. I do miss some of those. I think it depends, doesn't it? If

you're talking about a pair like the New Zealand yen then maybe you could make the argument that okay, most of what's going to happen is going to happen during Asia.

If you're talking about the dollar yen, you're still talking about a lot of volume pushing through during New York and London for that matter. I don't know. It's a tricky thing. You really have to go and test it. Like you say, just having that visual on your chart is a wonderful way to see it, isn't it? To have those first seven candles boxed out so that you can see where the market goes the rest of that day. That would be one way to do a visual check. I think you'd have to go back and do some testing to really get a handle on it.

What I've found is that some of my favorite daily patterns don't work as well on some of the yen crosses. That might be, that could be that it's just the pattern doesn't hit the same, or it doesn't have the same win rate or it could be what you're talking about Darren, which is it's related to sort of the movement, the cyclical movement of the three sessions, Asian, London and New York. It could be related to that as well which is something that I hadn't really attributed it to, but it could be that. It could definitely be that.

Darren: Yeah, definitely. Last thought on this was what I have noticed is when something is trending then this is more pronounced. If you're a trend trader and you like to trade intra-day then if the trend is long then the low is most likely not been made during the Asian session. When price spikes down in the morning don't get sucked in thinking that it's a reversal of the trend. It's most likely, we're talking about in an uptrend now, it's most likely going down to find that low of that say.

That's a really good price action technique. It sucks people in sure, and then the trend resumes off the support and resistance and you miss out on the move. You know it can be used as a really good little setup, but it only really works when there's a clear trend happening.

Walter: It's a great point. We'll probably have to leave this for another session, but I'd love to get your thoughts as a trader who lives over in the UK, someone who's used to seeing the London open, I'd love to get your thoughts in a later podcast on any trading techniques that you use off of that hour before London and the hour after London opens. Because there's some funny things that happen and I bet you have some really good thoughts and techniques for trading that pre-London open. I'd be interested in getting your thoughts on that at some point, Darren.

Darren: Yeah. Cool. We'll do that next week. I've got a few really good tips about that London open.

Walter: All right, great. Well thanks for your time. We'll see you next time, Darren. Thanks a lot.

Darren: Okay. Cheers Walter.