

## **Free Money Trades Using the THD ADX Histogram**

The THD ADX Histogram was designed using Dr. Mike Storey's ADX rules. Dr. Storey is a retired chiropractor in Canada and a professional trader. His ADX rules are:

1. You must use two timeframes. In this example, I will be using a 3 minute and 12 minute and looking for a long position.
2. On the 3 minute, you wait for the magenta histogram bars. The magenta histogram bars mean that the ADX line is above 50.
3. The previous 3 minute histogram bar must be green (more than likely it will be bright green but this is not a requirement). The green histogram bars tell you that buyers are in control.
4. The 12 minute chart must have a green histogram bar and the ADX must be above 30. The green histogram bar will normally be bright green, in this case. (Dr. Storey uses 25 on his ADX but mine is slightly faster and, therefore, I look for the ADX line to be above 30.)
5. Wait for the 3 minute to make a high (we are looking for a long entry). Price will begin to retrace.
6. Price will typically retrace to the 20 period simple moving average. It will make a low. This is what you are looking for on the 3 minute chart. If you are trading a higher timeframe, expect a stronger retracement (ie 50 period simple moving average).
7. Once price makes the retracement or low, then closes upwards (ie, close is greater than the open), you can enter a long position. Your first profit target will be the previous high.

### **Special Notes:**

- Look at the distance between the retracement and the target (previous high). Is there enough room for profit?
- If there is a magenta peak on the 12 minute, DO NOT TAKE the trade.
- If your target is the previous high, calculate your profit, divide by 2 and that is your stop.
- You can use the THD Clipper for stops and profit targets, as well. However, you must ensure that you have a low risk entry (less than 12 ticks) and, again, make sure that you have sufficient ticks for profit.