

SuperADX™



Written on: October 11th 2009

Congratulations on your purchase. And I mean that! You are now in possession of a powerful trading tool. It is what I believe to be the most 'leading' and most 'profitable' of all indicators in existence. The SuperADX has been the mainstay of my trading strategies for a number of years and I can contribute my long term success as a trader to this one indicator. Still, with that in mind, trading is hard work so don't get me wrong... there is not a money tree out there. You will still have to trade diligently and have the right mindset to trade profitably. Continue to read this guide carefully and absorb every word. Study well and then load the indicator; do some manual back testing and see what this indicator has done. I am sure you will be impressed.

Now... some of you may be asking yourself why I am selling such a great indicator. The answer is simple and I am very sincere and I have a selfish reason. That is I want to improve the results of my own trading. See, the SuperADX does present a challenge, specifically the 'Big Move' Red Bar. While I know I have created a magnificent leading indicator that accurately predicts a big move, the tough part still remains in how to best capture this move, but not just some of the time, but all of the time. My 'straddle' and 'going with the overall trend' techniques have worked well over the years, but I still think there is room for improvement. And, I am hoping that by distributing this indicator to a limited number of good traders, that I will eventually be exposed to an additional tool or technique that can compliment this indicator in such a good way that profits explode and this truly becomes the Holy Grail. My development and research of the SuperADX will continue in the months going forward as in the years past and I commit to you that I will share any improvements and I ask the same of you... Please provide your observations, suggestions, results and/or ideas and I will surely put it through the torture test of automated long term back testing if I have not already done so. I possess 125+ months of Tradestation tick data on the 16 major currency pairs, however, keep in mind that a simple script can take over 30 hours of computer crunching back-testing. Thanks again and best of trading success to You! I look forward to hearing from you.

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Background

The standard ADX was invented by Welles Wilder along with several other fascinating indicators including the RSI, Parabolic SAR and many others. As a student of Welles Wilder in the 80's, he mentored me during my younger years as a trader. I took great interests in his ADX and continued to refine it over the next two decades. I can say that I picked up where Welles left off. Today, my ADX is drastically different and does not resemble the conventional ADX as I have refined and tuned it to be my most valuable indicator and I am sure you will agree. My SuperADX continues to use the core ADX algorithm engine, however, it is now a histogram with color coded bars predicting upcoming events.

What to Look for:

RED BAR's

When you get a Red Bar, you can expect a Big Move to happen soon. The ADX is a non-directional indicator so it does not suggest the direction. While the Big Move is most imminent, it can be a bit tricky to catch the move. I often play the Red Bar using a straddle. That is a Buy and Sell stop order above and below recent price highs and lows. Or, I may take a position with the overall trend. The deciding factor of which method I use comes down to the size of the previous range. For example, if the previous range over the past couple days to week (depending on your time frame), was thin and tight, I will place a Buy and Sell Stop order just above and below recent price highs and lows. I prefer the straddle technique; however, if the previous range was large whereas it would not make sense to straddle due to the market having to move over 50 pips before you get into a trade, then I will take an immediate position with the trend based on a higher time frame. For example, if the Red Bar triggered on a 15 minute chart, I would then look at an hourly chart and choose the direction based on the overall trend. I then set targets and stop losses based on support and resistance levels using the table below and a guideline of the expected move. For example, when the Red Bar triggered on a 30M chart, I assume the move is going to be around 80

pips. I looked at the area around 80 pips and determine a target and a stop loss at around 60 pips the other direction. Both the target and stop loss is based on locating support and resistance. Use the table below as a general guideline to the expected size of move after getting a Red Bar.

Time Frame	Expected Move
5 Min	20-40 pips
15 Min	40-70 pips
30 Min	70-120 pips
60 Min	120-250 pips
240 Min	250+ pips

On a side note, Option traders can easily do straddles with Call and Put Options.

Reversal Trades:

The reversal signals are an awesome indicator which suggests the Market will reverse to the MoneyLine2 (white dotted moving average). This is my most common trade as it is the simplest. It provides direction (long or short) and the target based on the distance to the MoneyLine2 which has been highly optimized for use with the SuperADX. Since the ADX is not a momentum based indicator, it is common to see a trade go against you before moving towards your target. When this happens, don't panic, but learn to expect it. Occasionally price will come within a few ticks of the MoneyLine2 target. To ensure that I get out, I set my target at approximately 85% to the distance of the MoneyLine2. The standard

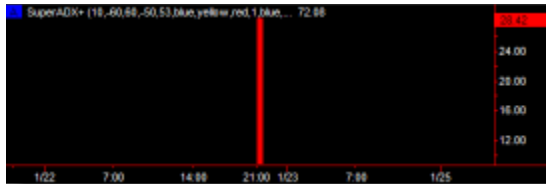
White Bar with Purple Tip trade has a historical win percentage of greater than 73%. Higher on longer time frames, less on faster charts. The SuperADX reversal trades are my primary trades in both the funds which I trade... both equities and forex. See Below for chart examples of some of my recent Purple tip trades. Take any chart, any market; apply this indicator and scroll back to visually see the historical performance. Since the target is always just shy of the MoneyLine2, be sure you have a decent size target before you enter your trade. I like to see price as far from the MoneyLine2 as possible before I decide to take the trade.

Solid White Bars: These are trend indicators which gives you heads up to the possible end of trend. With most trend indicators, you often give back too much when exiting your trend trade. The SuperADX has a remarkable ability to pinpoint tops and bottoms. How to trade: If you are in a trend trade and you get one white bar, exit half your position. If you get a second white bar, exit the remaining half. The 3rd white bar will have a purple tip and this is when you can expect a trend reversal. (see Reversal trades rules). If you get a dark magenta bar, exit your entire position. There is a great chance the trend is over and may reverse.

Magenta Bars with Yellow Tips: This is my latest update to the SuperADX indicator. The Purple-Tip trades are absolutely awesome, but very rare, and I wanted more of them so, I have developed a separate “leading” algorithm and infused it with the SuperADX to create a very powerful reversal signal.

**Prepare to see an absolutely Amazing
“Leading” Indicator**

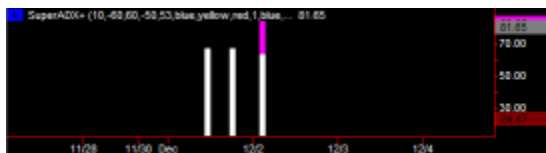
The Signals



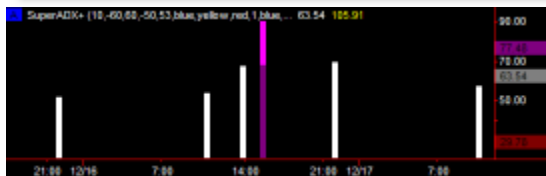
RED Bar: Big Move is Near

The 5 Primary Reversal Signals

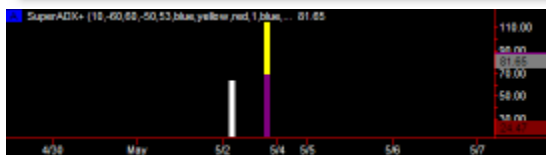
(Listed from Weakest to Strongest)



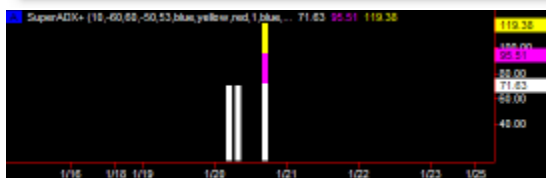
White Bar with Purple Tip



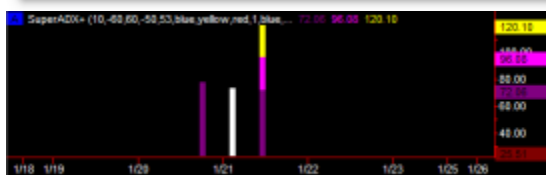
Magenta Bar with Purple Tip



Magenta Bar with Yellow Tip



White Bar with Purple & Yellow Tips



Magenta Bar with Purple & Yellow Tips

This bar is the holy grail of this indicator. It is the strongest and most reliable of all signals.

EXAMPLES BELOW:

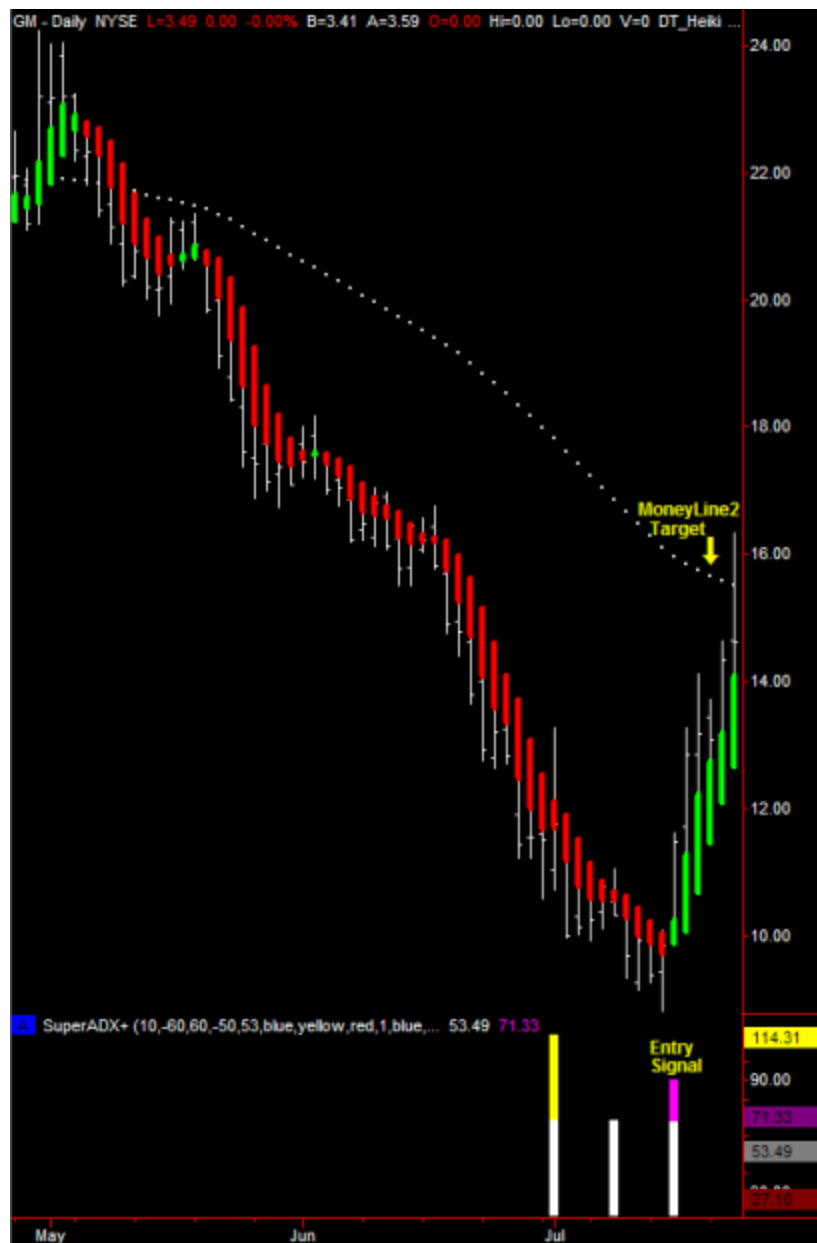


Red Bar: Big Move is Near: Notice the vertical move just after the Red Bars formed.

White Bar: Possible End of Trend (notice how it called the bottom extremely well)



Trade was triggered off the Magenta Bar with Yellow Tip



Purple Tip Trade



Here's a perfect example of how a Reversal trade can move against you before it heads to target. This is very common. Be sure to allow a generous stop. I typically use a stop loss which is approximately 80% of my profit potential. Also, since the MoneyLine2 degrades profit as time progresses, be sure to adjust target frequently.

As of July 30th, 2008, (at the time of this writing): Here are a couple trades I am currently in:







The PurpleTip on a Dark Magenta bar is a very good signal of this indicator.





Purple Tip on Magenta Bar

Recently Closed:





What are potential downsides (negatives) to the Red Bar?

I have been trading with the SuperADX for many years successfully, and I know its personality very well. While the SuperADX is as close to the holy grail as we will ever get, it is important you know its potential downsides...

- 1. The Red Bar is a non-directional indicator** - Think of the Red Bar as a tightly compressed market such as a spring that is ready to and pop. The Red Bar can only trigger during choppy markets when the upcoming big move direction can not be determined. See below example on how I trade the Red Bar.
- 2. The Red Bar does not trigger ahead of every big move** Do not expect the Red Bar to give us advance notice of every big move, however, when you do get a Red Bar, you can be assured a big move will happen.
- 3. The Red Bar is not a momentum indicator** - Do not expect price to take off in one direction after a trigger by the Red Bar. Many times price will breakout strongly, have a large retracement and then take off with a nice trend move. During the trend move, price action will often stair step, so do not be afraid of pullbacks.
- 4. Possible huge whipsaw** - While a big move is just about guaranteed, sometimes the move will result in a huge whipsaw. A big swing to the upside and then another swing to the downside with price ending up where it started.
- 5. An exit signal is not always generated.** While the White and Purple bars are extremely accurate in calling tops and bottoms, the exit bars of the SuperADX work totally independent and are not connected to the algorithm of the Red Bar. Do not expect the exit bar to trigger each time you are in a trend trade, but consider it a bonus when it does trigger. You must be ready to manage your own trade at all times.
- 6. This is Not a Scalping Indicator** - I can not recommend the SuperADX for fast traders. Either slow down your trading or you can never take full advantage of this indicator.

There Are Two Ways I Trade The Red Bar

Straddle

**Place a Buy Stop Order Above Recent Highs AND
a Sell Stop Order Below Recent Lows**



OR

Take an Immediate Position **With the Overall Trend**

Based on a Slower Timeframe.

For example, If Red Bar triggered on a 15 Minute Chart, I Will Load a 1-Hour Chart and Take an Immediate Position in the Direction of the General Trend Based on the One Hour Chart.

Excellent With Options Traders!

A straddle is a common options traders strategy whereas you buy a put and call option practically guaranteeing you'll make money. If price goes up - you make money! If price goes down - you make money! The only way you lose with a straddle is if price does not move... and this rarely happens.

What are potential downsides (negatives) to the Reversal Signals?

- 1. Failure May Happen in Strong Markets** - In strong momentum moves, you may see failed reversal signals. To lessen the amount of failed signals, I like to see price start consolidating sideways and have at least 1-2 regular white bars just prior to the reversal signal.
- 2. Target not reached** - To ensure the most winning trades, I set a target of approximately 80% towards the MoneyLine2. In addition, understand that the MoneyLine2 is a slow moving average and will move closer to your entry point as time lapses. Therefore you need to adjust your profit target as time is decaying your original target.
- 3. Signals can be rare** - Do not expect many signals everyday. The SuperADX is based on a complex formula of algorithm's that must rely on several factors to agree before a signal will generate. For example, I run the SuperADX on 16 Forex currency pairs across four timeframes, 15, 30, 60, & 120 minute charts (that's 64 charts) and I get 3-5 signals per day on average, but some days you will get zero signals and some days you may see up to eight. **(See my 64 chart workspace image link below).**

4. Price can move against you before taking off towards target -

The SuperADX is not a momentum indicator, but a leading indicator on what market has a high possibility of doing. Do not expect a reversal signal and then price to zoom towards its target. Price will often move against you after taking a position before heading towards its target. Or price will immediately take off towards its target, get half way there and then see a retracement back to your entry point, then move once again towards your target. Either way, it is important to use a liberal stop loss. I use a stop loss which is approximately 80% of my target price.

You can maximize the number of signals you receive by running several mini SuperADX charts spread over different time frames. I have included an example 64 chart profile containing the 16 major currency pairs over four different time frames. This is the same workspace with I run on Tradestation. An image can be viewed [here](#).

Good luck and Best of Trading Success to YOU!!

I look forward to hearing from you with your comments, suggestions and ideas. The first page of this document contains my contact information.