Stochastic Oscillator Trading Strategy

Stochastic Oscillator Forex trading strategy — it's an interesting system with a rather low fail rate. It's based on a standard Stochastic Oscillator indicator, which signals a trend fatigue and change. That means that you will almost always enter on pull-backs, guaranteeing rather safe stop-loss levels.

Features

- Simple to follow.
- Only one standard indicator used.
- Safe stop-loss levels.
- Take-profit level isn't optimal.

Strategy Set-Up

1. Any currency pair and timeframe should work. But longer timeframes are recommended.
2. Add a Stochastic Oscillator indicator to the chart, set its %K period to 14, %D period to 7 and slowing to 7, use Simple MA method.

Entry Conditions

Enter Long position when the cyan line crosses the red one from below and both are located in the bottom half of the indicator's window.
Enter Short position when the cyan line crosses the red one from above and both are located in the upper half of the indicator's window.

Exit Conditions

Set stop-loss to the local maximum if going Long and to the local minimum if going Short.
The most comfortable level for take-profit is between 1 * SL and 1.5 * SL.
Close position immediately if another signal is generated.

Example

5 signals for this strategy can be seen on the example chart above. All stop-loss levels are marked with the yellow horizontal lines on the chart. The first signal is for Short position with a close stop-loss; take-profit is achievable here. The second one is a bullish signal, which turns out to be a wrong pull-back, but, fortunately enough, the stop-loss is quite tight here. The third signal is not a signal actually, because it's a bearish figure cross that appears in the bottom half of the window and thus is disregarded. Fourth signal is bullish with a stop-loss quite far away, but even the most aggressive take-profit level would work here. The final signal is for Short, with tight stop-loss and a lot of place for a rather profitable TP setting.
Ideally bullish and bearish signals should follow one after another but due to the occurrence of the false signals (bearish in the bottom half and bullish in the upper half of the window) it's not always so.

Warning!

Use this strategy at your own risk. We can't be responsible for any losses associated with using any strategy presented on the site. It's not recommended to use this strategy on the real account without testing it on demo first.