

Trader Mike
Failed 2s Strategy

FX REPLY

Backtesting Reimagined

Educational Components

#3 candle defined*: For this strategy, an engulfing #3 candle will be a candle that sweeps both sides of the previous candles H/L and then closes beyond the body of the other side. See examples below. Note, the candles **do not** have to be different colors for this model.

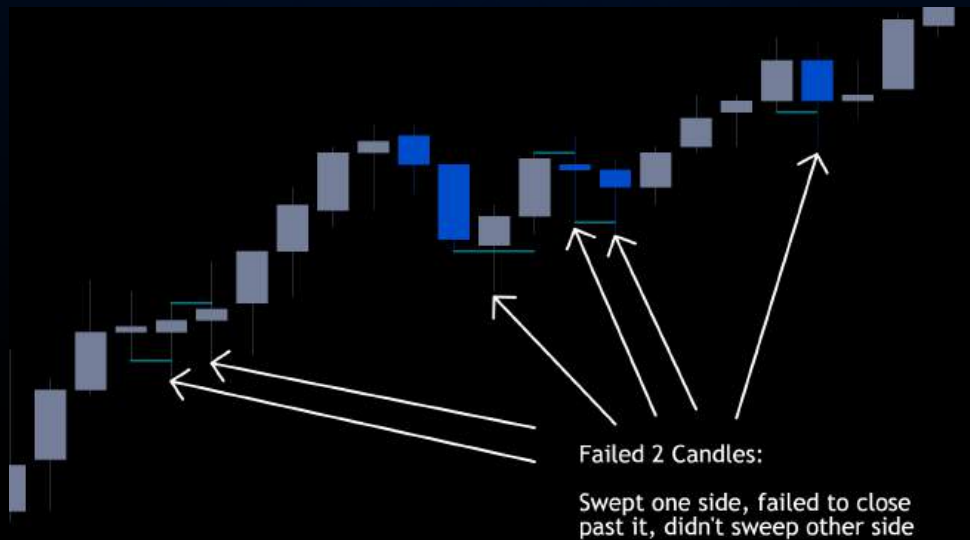
Bullish #3



Bearish #3



Failed 2 candle defined: A candle that wicks past one side of the previous candle but *fails to displace* past it (i.e. does not close past that sweep). General idea is that failure to displace more often than not means a reversal is next.



LTF Shift: For his entry model, he requires an MSB with a 'strong close' + FVG.



*He requires close beyond the wick for #3, but reduces trade frequency a lot, so that's why we're using Omar Agag EBP candle definition w/ close past body.

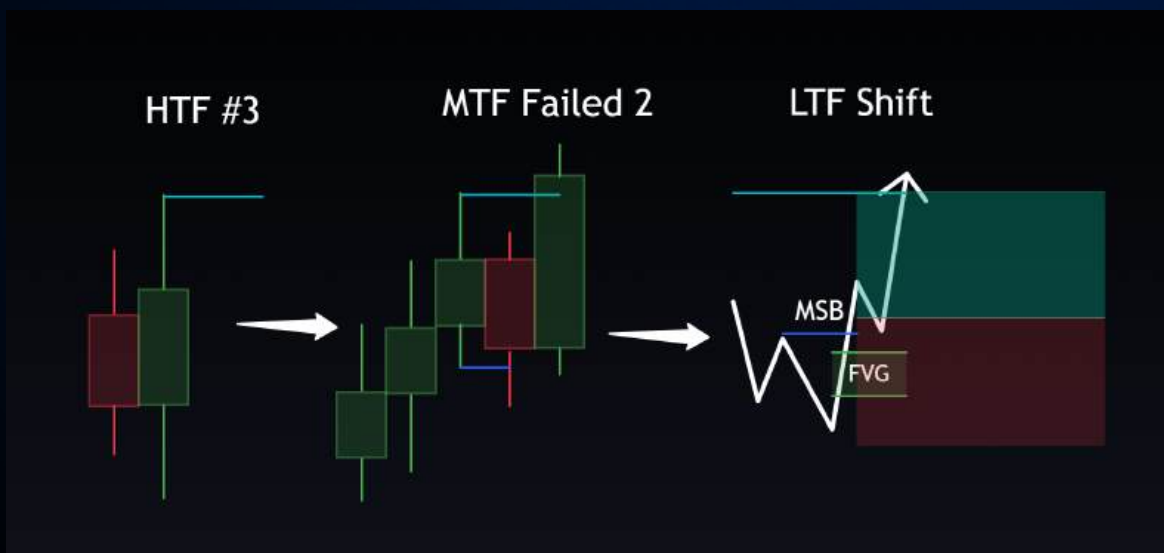
Strategy Details

General parameters: 3 time-frames used. 1hr, 15m, and 1m. Indices assets such as ES, NQ best for 1m execution, but could also test 4hr/1hr/5m for forex. NY session trading window 9:45 - 4pm ET.

Step #1: HTF #3 candle. Wait for 1hr #3 candle to form. Provides you with a high probability target. If the target is hit before steps 2/3 below, no trade.

Step 2: Wait for MTF failed 2 in line with target. If target is higher, look for an m15 failed 2 candle that sweeps previous candles low, fails to close past it, and doesn't sweep the other side.

Step 3: LTF shift for execution: after failed 2, check if there has already been an m1 shift (in which case you can market enter), or wait for one to form. Best if the entry is in premium/discount from shift h/l to target.



Take profit, SL, and trade management: Most often after the LTF shift, TP will be the #3 continuation with SL set so it's a 1:1. If not in premium/discount because it's too close to TP, can use a limit order to try & catch the move.

Strategy Details

Other rules & considerations:

- For a long, if LTF shift doesn't show up before a strong m15 bearish candle (sweeps low & closes past it), wait for another failed 2 candle.
- Probably best not to take trades if you are trading into an opposing m15 FVG before take profit (unless you want to just target the FVG for TP)
- Probably best to stop after one loss.
- Helpful confluence to track could be FVG+ if the failed 2 is 'delivering' from a supporting FVG.
- If there is a significant pullback prior to the failed 2, you can go for base hit targets along the way. This requires some discretion though.
- Could also use tags and a little discretion to still take failed 2s even if the #3 candle target already hit. If another likely target is beyond it.

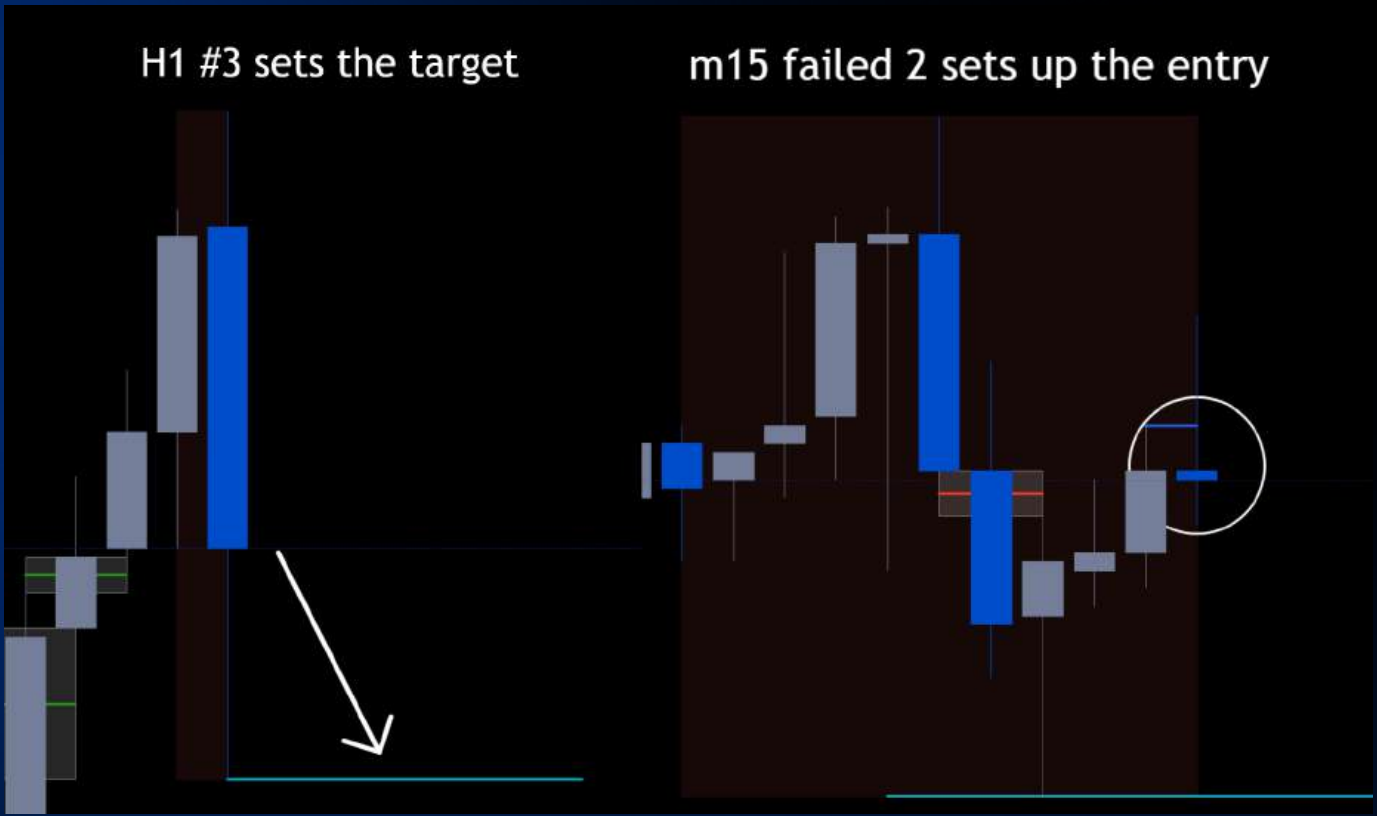
Trade Checklist

- ✓ *Wait for a HTF #3 Candle*
- ✓ *Wait for m15 Failed 2 in line w/ target*
- ✓ *M1 shift (strong close MSB + FVG)*
- ✓ *1:1 based on target, no trade mgmt*

Remember, if any of the parameters are missing, the trade quality is reduced. Aim to only take A+ setups!

Example

HTF #3 and m15 failed 2



LTF Shift Entry



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