Hedging – one person's method

Comments? Kent Johnson, webmaster

Using your normal rule-based trading strategy for all trades, and only if you're past 5-10 pips negative from your entry, **based on 5% risk**:

Hedge at **more than 62% retrace**, but **less than 3% loss** — *only if the long-term indicators are still good for the original trade, and short-term for the hedge**

Close <u>hedge</u> at **hedge = 0 profit** — re-hedge only if necessary, 1-2 more times

Close <u>both</u>:

- **re-hedging not working** — *you're just wasting time or losing opportunities*
- **at original trade = 0 profit** — *set hedge SL = trade TP = original trade's entry point*
  - Can leave the original trade going if it looks good — *can make up for all or part of the loss*

While hedging, **keep trading** based on **available margin** — *so you don't miss great opportunities*

Limit the number of hedged trades to 2 — *so you have some margin left*

**For instance, the H1 chart says BUY, but the trade makes a nasty retrace, but stays in the channel. Only take the hedge if the retrace is going strong on a shorter timeframe chart.*