

# The Nicolas Darvas Breakout Trading System

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# Nicolas Darvas Trading System



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# Nicolas Darvas Trading System

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# Nicolas Darvas Trading System - 15 min Trading Strategy

## The Nicolas Darvas Trading System

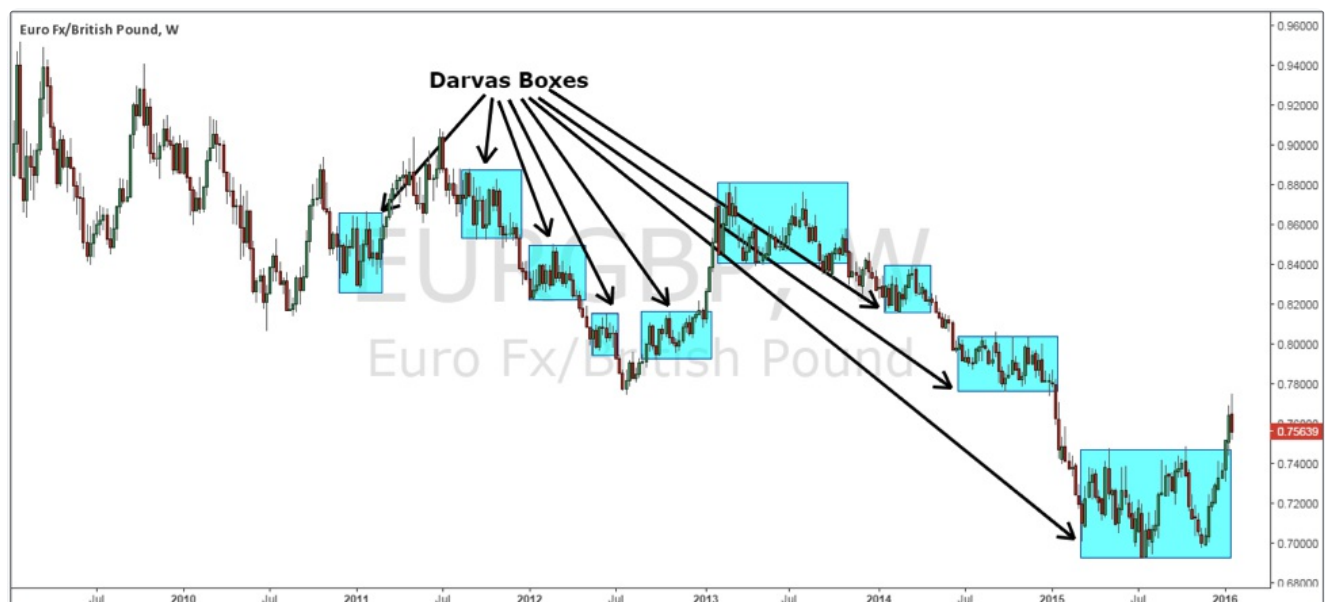
Even though this system is designed for trend followers and **swing traders** because of the fractal nature of the market the same trading principles can be applied to the **15-minute chart** as well. This strategy is quite useful on today's volatility to go both long and short and because of this in today's article we're going to look to a strategy designed especially for day traders who want to look for a quick profit on a daily basis.

Nicolas Darvas story is an intrigued one as it's a story of a young dancer used a relatively small amount of money and transformed his small trading capital into an impressive six figure portfolio over the course of only 18 months, which in itself, it's a exceptionally incredible performance especially if you consider that this was happening back in 1970 and in the stock market without any leverage (like Forex). The Darvas trading system can be found in greater details in the book "How I Made \$2,000,000 In The Stock Market" which was written by Darvas himself. Although his system was designed just to trade stocks and to only go long, his trading principles can be applied to other asset classes like currencies as well. The basic idea behind the Darvas Trading System was when a box was formed in a stock consolidation area, he will go long when it broke out and exit once another box formed.

## Nicolas Darvas – 15 min Trading Strategy

# Nicolas Darvas Trading System - 15 min Trading Strategy

The 15-minutes Darvas system is quite easy to understand and implement as the system only makes use of the 20-day moving average in combination with Darvas Box. First thing what we need to learn how to determine on a price chart the Darvas Box. Nicolas Darvas found out that once a defined bullish or bearish trend has established they tend to continue in “boxes”. According to his words:” They would oscillate fairly consistently between a low and a high point – boxes.” Nicolas Darvas defines this area, which enclosed this up-and-down movement, as a box (see **Figure 1**).



*Nicolas Darvas Trading System*

One important note to be made here is that you will notice that some currency pairs will exhibit this boxes more accurately than the others and based on my own experience trading this system through the crosses will yield a better performance. Our system uses the 20-day MA in order to make sure we'll only take trades in the direction of the predominant trend. The reason why our system uses the 20-day MA and not other moving averages is because 20 is multiple of 200, and we all know that the 200-day MA is regarded as one of the most powerful moving averages and the most popular among professional traders.

# Nicolas Darvas Trading System - 15 min Trading Strategy

## The 15 Min Trading Strategy Rules

- **Currency pair:** Any, but works best on the crosses
- **Time Frame:** 15 Minutes (higher time frames like 4H will have higher consistency)
- **Indicators:** 20-day EMA
- **Buy Signal:** If the box is formed above the 20-day EMA we're only going to look for buy setups, and buy once the upper end of the box has broken using as a protective stop loss the lower end of the box. Take profit will be 1-standard deviation move from the box, which means that we're going to project the box range to the upside and take profits once we reach that distance in price.
- **Sell Signal:** If the box is formed under the 20-day EMA we're only going to look for sell setups, and sell once the lower end of the box has broken using as a protective stop loss the upper end of the box. Take profit will be 1-standard deviation move from the box, which means that we're going to project the box range to the downside and take profits once we reach that distance in price

# Nicolas Darvas Trading System - 15 min Trading Strategy



*Nicolas Darvas Trading System – Trading on 15 minute chart*

This system has clear rules and very predictive outcome, however, we must be flexible in the way we manage our trades and once a trade signal has been triggered we can trail our stop loss above/below the 20-day EMA in order to minimize our losses as in the long run this will make a big difference.

## Darvas Box MT4 Indicator Download

If you like how the Nicolas Darvas Trading System works, then you will love the Darvas Box MT4 Indicator that we have prepared for you. The Darvas Box MT4 Indicator is based on the Nicolas Darvas Trading System and we find it extremely helpful for Forex Traders trading on the [MT4 Platform](#).

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