

# 6 SIMPLE STRATEGIES FOR TRADING FOREX



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# HOW TO GET THE MOST OUT OF THIS BOOK

Thank you for downloading “6 Simple Strategies for Trading Forex”. This book is designed for beginning, intermediate and advanced traders. The presenters in this book are leading experts in trading the Forex market. As a bonus, you will also be exposed to a chapter on Trading Psychology and how to trade Forex pairs on the Nadex exchange.

As you read this book, you will be exposed to multiple strategies that have high probabilities of success and/or high profit. Many of these strategies were selected by pouring over webinars that have been hosted by TradingPub in the recent past. Each webinar was transcribed into a “game plan” for executing the strategy. Most of the strategies in this book is divided into three sections:

## THE GAME PLAN

An introduction to Forex. The individual strategy for trading Forex is then thoroughly explained along with illustrations and examples.

## THE MOVIE

Once you have read the chapter, you can view the complete webinar on the strategy. You will gain a better understanding of the strategy along with multiple examples not covered in the chapter. In some cases, the presenter switches in to live trading to demonstrate the strategy in action. In many of the webinars, the presenter also fields questions from attendees.

## SPECIAL OFFERS

If you really like a strategy, you can follow the presenter and the strategy. There are thousands of dollars’ worth of trading tools, indicators, training and mentoring services, books and videos available at steeply discounted prices.

In short, you will have all of the information you need to trade your new favorite strategy tomorrow. Some of the things you will learn in this book are:

## **SOME OF THE THINGS YOU WILL LEARN IN THIS BOOK ARE:**

- **How to gain control of your emotions when trading (Trading Psychology)**
- **How a simple strategy can help you spot trend continuation and reversals**
- **How to win up to 75% of the time with a trend continuation strategy**
- **How to stay within a defined Forex Profit zone.**
- **How banks manipulate Forex and how to trade on their side**
- **How banks balance their currency portfolios and how you can profit from his.**

At [TradingPub](#), it is our sincere hope that you take away several strategies that you can use when you are done reading this book. You will also learn about markets that you currently don't trade, and you will find out if they are suited to your trading personality.

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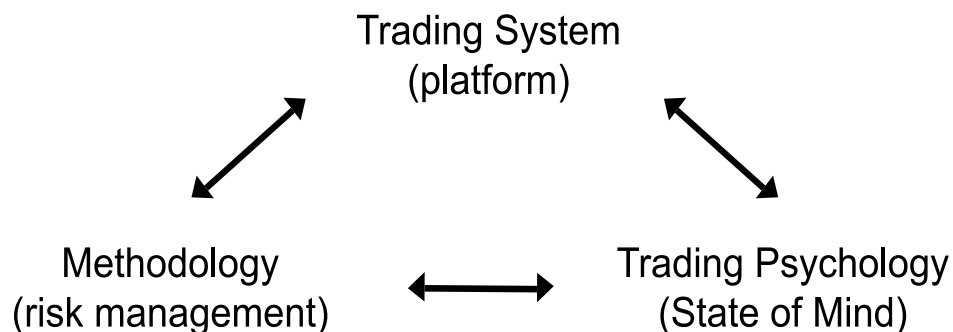
# MASTERING YOUR INNER GAME

BY RANDE HOWELL, MED, LPC TRADER'S STATE OF MIND

As a trader, do you ever wonder why you can't achieve the results that you want to achieve? Do you find yourself constantly making the same mistakes? Are you controlled by your emotions? These are mistakes that all traders make, but the successful traders have learned how to manage their inner game. In this section, we are going to learn how to overcome the eight road blocks to successful trading.

To get started, let's first look at the components that make up a successful trade:

## The Components of Successful Trading



Without integration of each component, you are an incomplete trader - **risk is stacked against you.**

First you need to have a trading platform, trading methodology and a trading state of mind. There are multiple trading platforms and numerous trading methodologies you can use, so it's important that you choose risk management strategy and trading platform you're most comfortable using. But it's also critically important to have the right trading psychology. If you don't have the right mindset, it really doesn't matter about your trading platform or methodology. You need to have balanced integration of these three critical trading components. It doesn't matter how good you are at knowing how to trade if you can't hold your wits together.

Let's face it, most traders early on are looking for the magical secret, or the "Holy Grail" of successful trading. They chase the best charting software, newest indicators, data and news services, mentoring programs, you name it. What they are looking for is the magic solution to trading, when they don't recognize that they themselves are the problem. There is no magical "Holy Grail" for trading success **"out there"**. The secret to trading success lies within yourself, just waiting to be discovered. Remember this adage: **"80 percent of trading is in your head"**.

What separates the elite golfers from the rest of the field? They all have the best equipment in the industry. They have spent countless hours practicing and perfecting their craft. They know how to drive, chip and putt. So what separates the elite golfers from the rest of the crowd? They know how to do it in the clutch, when the money is on the line. This lesson is about learning how to develop the mindset of a peak performance trader – to separate yourself from the sea of traders who are inconsistent and bleed out their accounts.





# WHAT THE UNTRAINED BRAIN SEES WHEN THE UNTRAINED MIND EXPERIENCES UNCERTAINTY

Since the beginning of time, our brains have been trained to see uncertainty and fear as one in the same thing. How many times have you had your finger on the trigger, but you just couldn't bring yourself to execute the trade? How many times have you bailed out early on a trade, only to watch it run in the direction you thought it would? That is your brain perceiving psychological discomfort as a biological threat. Unless you can untangle that association, and re-train your mind, you are likely to repeat these behaviors over and over again.

The markets don't care about you. You can trade them as long as you have capital, but sooner or later, usually after drawing down your accounts, you come to the realization that you need to work on yourself if you are going to be successful at trading.

Recognizing that we have been historically wired to associate psychological discomfort (fear) with a biological threat, let's break down the components of emotions. An emotion is how the body/brain/mind gets triggered to any disruption of a familiar status. It's a common buzzword in trading to talk about simply taking the emotion out of trading. The reality is that the only time humans can do anything without emotion is if they're dead. Emotions are biological and they take over our psychology. We need to accept that we are emotional creatures and that our psychology is governed by our emotions. So the key is - how do you manage your emotions? We don't have freedom from emotions, but we can have freedom of emotions. **You can become the designer of the emotions that you respond to.**



# EMOTIONS CAN BE BROKEN DOWN INTO FIVE MAJOR COMPONENTS:

## 1.- Arousal

That's the revving-up of an emotion. Think about yourself when you are in the midst of engaging in a trade. Your body starts tensing. You stop breathing, or your breathing may be "high" and "low". Your heart accelerates. Your eyes are fixated on the screen. That's arousal, and it's the first aspect of your emotions that you must learn to manage. If you can't, then you will lose control of your emotions.

## 2.- Feeling

This is where the biological chemistry creates a subjective experience of the emotion. If cortisol is pulsing through your body, it can produce a sense of fear. If testosterone levels become elevated, it produces a sense of grandeur. Both of these responses can lead to costly trading mistakes. You can be afraid to pull the trigger on a trade, exit a trade early or double-down on a risky trade.

## 3.- Motivation

Once the chemistry is released into your system, your body will usually pointed into a "fight or flight" response. You perceive a threat, and you are either going to attack it or avoid it. If you hesitate on a trade, you are in avoidance. If you revenge-trade after a losing trade, you are in attack mode. It's important to have a trained mind to regulate these responses to a perceived threat. Developing a curious mind allows you to act with patience and discipline, keeping your long-term interests in mind.

## 4.- Meaning

These are the beliefs you have developed to manage uncertainty. We need to rationalize our behaviors so they make sense to us.

## 5.- Temperament

Quite simply, this is genetics. How is your body genetically predisposed to handling emotion?

# SEPARATING UNCERTAINTY, WORRY AND

Understanding that we are emotional creatures, the first task in re-training your mind is to separate **uncertainty, worry and fear**.

## UNCERTAINTY

You can't control the markets. The markets do what they want to do. Nothing can be predicted with absolute certainty, only varying degrees of probability. We have been trained as we grew up not to make mistakes. We have conditioned ourselves and our brains are biased to predict with certainty.

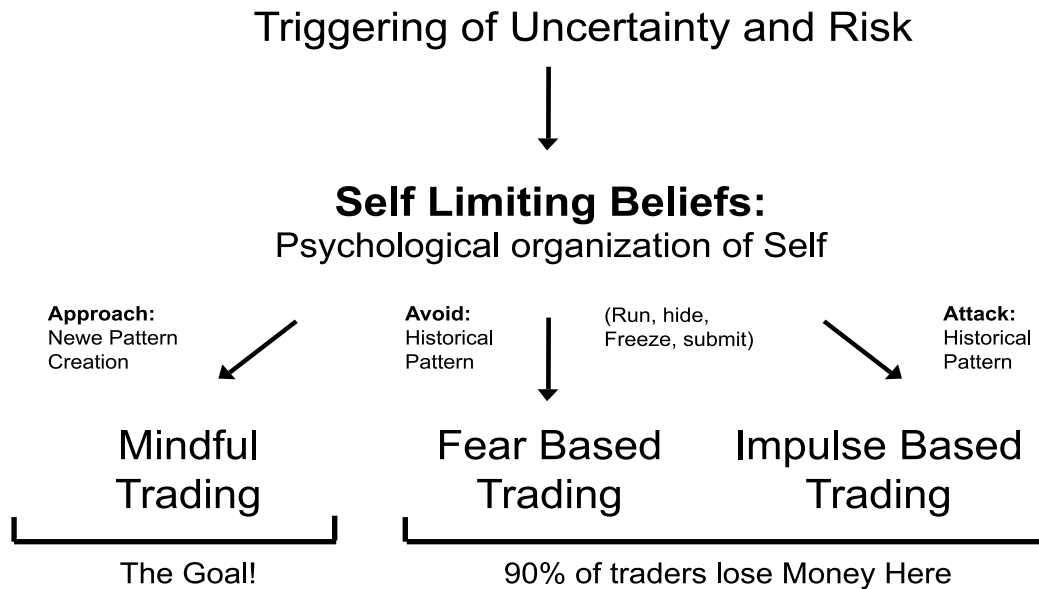
## WORRY

If you feel that you can't control the outcome of a trade, then worry sets in. Your brain starts to project into the future and it's seeing bad things on the horizon. So your brain becomes a negative assessment machine, and you continually traumatize yourself by worrying.

## FEAR

Fear is when all thought becomes hijacked, and you panic or freeze.

# The Mind You Bring to Trading



The mind that you bring into trading isn't necessarily a mind that is conducive to successful trading. Remember that the brain associates psychological discomfort with biological threat, and we need to learn to avoid fight or flight behaviors. Ninety percent of traders lose money because they are making fear-based trades or impulse-based trades. On the fear side, they are afraid to pull the trigger at the right time, or they get out of trades too early. The impulse-based trader gets involved in revenge trading, throwing good money after bad. What you're looking for is mindful trading where you make well-reasoned decisions with your emotions under control.

So the question then becomes,

**“How do I organize my mind for higher function in trading?”**

# THE IMPACT OF EMOTIONS ON YOUR TRADING

Fear, until mastered, blocks the development of your potential. To develop as a trader, you need to be able to confront fear to change your pattern of reacting to an uncertain world. Your brain is a negative assessment machine that does not distinguish uncertainty from fear. It's organized for avoidance, and trying to keep you in your comfort zone, which is the familiar. It forms self-fulfilling patterns based on the avoidance of fear and uncertainty. These patterns are set on "cruise-control" and dominate your state of mind, forcing you to trade from avoidance and greed rather than calm impartiality.

The best way to get started in gaining control of your emotions  
**is to label your fears:**

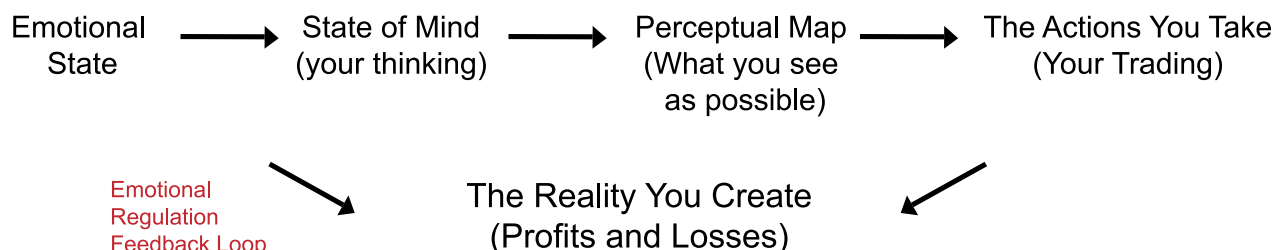
1. Fear of uncertainty (**hesitation**)
2. Fear of loss (**pulling the trigger at the wrong time**)
3. Fear of missing out (**impulse trades and exits**)
4. Fear based urgency to make up for prior losses (**revenge trading**)
5. Fear of not being right (**making a mistake**)
6. Fear of inadequacy (**not feeling that you're good enough to trade**)
7. Fear of self-sabotage (**blowing yourself up**)
8. Fear of success or failure
9. Fear of growth and change (**moving out of your comfort zone**)

Which one of these fears drives your trading? If you're honest with yourself, you may have experienced most or all of these fears at some point in your trading

# The Cost of a Fear-Based Mindset

What Happens if you Don't Address This?

90% of traders lose money because they do not know how to conquer their fear



Leavin your emotions at the Door is NOT an Option  
Instead, You can Design wich ones create your Trading Mind

In this flowchart, everything starts with your emotional state. That feeds your state of mind, which forms a decision, and triggers a trade which ultimately has a profit or loss. The results of that trade feed into your emotional state prior to your next trade. Trading without emotion is not possible, but it is possible to design the mindset you need to trade with calm impartiality. Your trading account is the scorecard if your emotions are under control.

## MANAGE THE BIOLOGY OF YOUR EMOTIONS FIRST

Emotions have biological components that you can control on your own to alter the emotion. Once you realize that fear or anger affects your breathing, whether you stop breathing, or breathe in “high” or “low” patterns, you can change that. If you regulate breathing with steady diaphragmatic breathing, you lower your heart rate and alter the emotion. This in itself doesn’t solve the problem you are experiencing, but it makes it much easier to prepare the mind when you face uncertainty.

## BECOMING MINDFUL OF YOUR THOUGHTS: WHO IS DOING “YOUR” TRADING?

There comes a time when you start noticing your thoughts, and you start thinking “Where are these thoughts coming from?” Pink Floyd had a lyric “There’s someone in my head, but it’s not me.” So who is this person in your head? Our thoughts and our beliefs are not us, we are separate from them. Knowing that, you can step outside of yourself and question your thoughts and beliefs. You can use powers of observation and curiosity, and dissect the voices in your head that are governing your trading decisions.

Observation is a strong mindfulness tool. Once you observe your fear-based emotions, confront them and question them, then you can start becoming mindful. If you ignore the voices and patterns you have developed in your head, then a perfectly good trading plan can become wasted. Since you can’t escape your internal dialog, you must learn to manage the fear-based aspect of it. Once you do that, you can develop the foundation of a strong psychological trading plan. You learn to become the author

# BENEATH OUR FEARS ARE BELIEFS.

Some of the self-limiting beliefs we need to master are:

## 1.-A sense of inadequacy

“I’ll never be good enough, smart enough. I can’t make mistakes. Mistakes are proof of my inadequacy.”

## 2.-A sense of not mattering

“I only matter based on what I do, not who I am.” Self-loathing or arrogance.

## 3.-A sense of being unworthy

“I have to prove myself by my performance to have value.”

## 4.-Powerlessness

“Nothing I do seems to make a difference.” Victimhood.

This fear-based thinking shows up in our minds as thoughts, and our avoidance of them is what keeps us fused to them.

### Other internal voices that can make up the “Trading Committee of your Mind” include:

#### The Inner Critic

The voice that judges you  
The voice that criticizes  
Never measuring up  
Never good enough  
Tempts (You need more)  
Predicts doom

#### The Adapted Voice

The Doubter (I never win)  
Chicken Little (negative appraisal)  
Gambler (leave no money on the table)  
Perfectionist (must win every time)  
Entitled One (greed)  
Con (lying to yourself)  
Fraud (pretending to look good)  
Orphan (missing out)  
Saboteur (blowing things up)  
Alpha (have to win to prove worth)

You are born into self-limiting beliefs, but that’s no reason to stay stuck in them. It’s important to identify and be aware of our fears and self-limiting beliefs before we can become mindful.



## DEVELOPING THE MIND TO BECOME A SUCCESSFUL TRADER

### The Inner Game: Your Mind as a Committee Meeting Where Your Beliefs Are Traded!



#### **Who Controls Your Trading Committee?**

**If you remain  
mindless, you  
continue trading from  
self-limiting beliefs**

- The Internal Dialog controls the story you create about trading
- Being mindless of the voices on the stage of the self leads to fear-based or impulse-based trading
- Disrupting the grip of fear opens you to the potential living within you
- **You have the power to reinvent the conversations of the self**

If the members at the “Trading Committee Table of Your Mind” are fear-based, self-limiting beliefs, then you are doomed to repeat the same trading mistakes over and over again. What you need to do is clean house and invite some new guests to the table.

Changing self-limiting beliefs requires recognizing what they are, and addressing them for long-term re-organization of self. Compassion is the emotion that reorganizes the self for internal validation rather than external validation. Think about this for a minute – whenever you “beat yourself up” after making a mistake, does it every really do you any good? No it doesn’t. All it does is continue to feed self-limiting beliefs of inadequacy or powerlessness. Re-building the “Committee of the Mind” will help you create a new playing field for trading.

Just as we have built-in programs for fear, we also have programs for courage, patience and impartiality. As a trader, you need to build a mind for the management of probability. There are four major programs, hard-coded in your DNA that you need to invite to the “Trading Committee of the Mind:

**1.- The Courage of a Warrior**

To be able to push through fear and face adversity head-on

**2.- The Discipline of a Ruler**

To keep your act together under pressure

**3.- The Impartiality of a Sage**

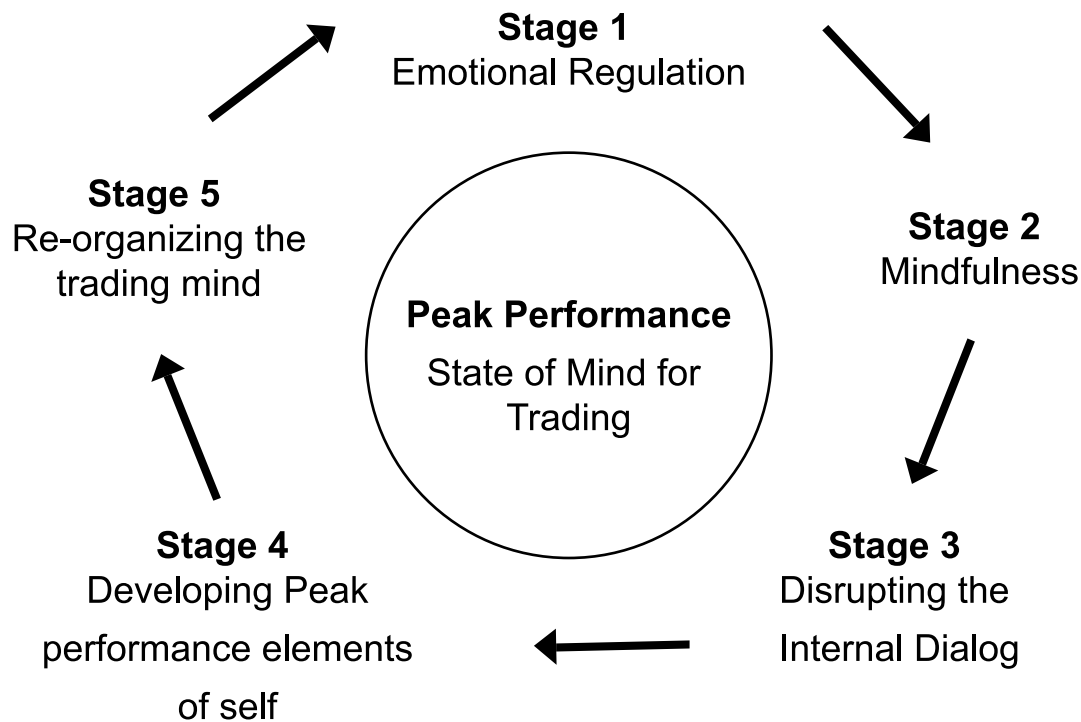
Once fears are put to rest, you can exercise impartiality

**4. Self-Compassion of a Caregiver**

Recognizing you are valuable and important

From time to time, each of these programs has been called into service, and you can remember instances when you faced a challenge head-on, showed extraordinary discipline, exercised impartiality and demonstrated compassion. These traits are inside you, and they need to be called to the surface. They are your friends in the trading world.

# The Stages of Long Term Change



If you really want long-term change, you start with emotional regulation

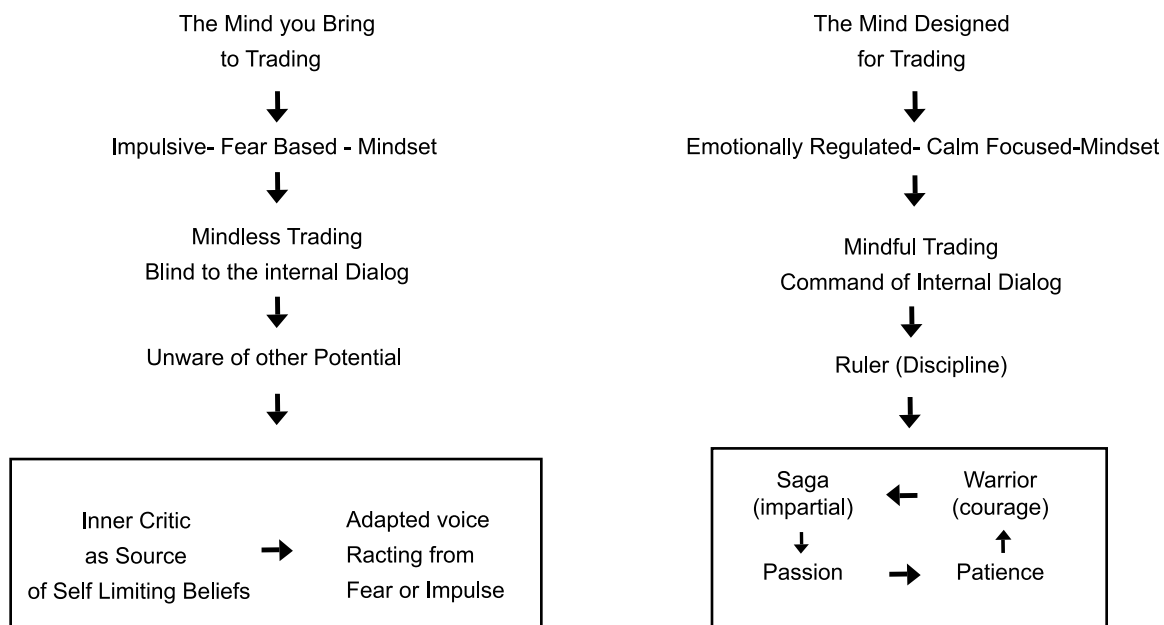
**Stage 1.** That gets you to mindfulness

**Stage 2.** Next you disrupt the self-limiting beliefs that have been developed without your knowledge

**Stage 3.** Now you can engage the Warrior, the Ruler, the Caregiver and the Sage ‘

**Stage 4.** When you can trigger the emotions of courage, discipline, compassion, patience and impartiality, then you have re-organized the trading mind

**Stage 5.** You are developing a calmer mind that thinks and processes information, rather than knee-jerking to perceived threats. With an empowered mindset, you approach uncertainty from a position of Discipline, Courage, Patience and Impartiality rather than fear.



The diagram above clearly illustrates why over 90 percent of traders don't consistently make money. On the left side, you have traders that do not have control of their emotions, and engage in impulsive or fear-based "mindless trading". They may have the best trading platform and trading methodology, but they are controlled by self-limiting or self-destructive emotions. On the right side, you have "mindful traders" who govern their trading activities with a calm, focused mindset. Their emotions are under control and they face uncertainty with courage, discipline, patience and impartiality.

## CONCLUSION

When you look at some of the top traders in the industry, or leaders of successful corporations, you will notice that many of themselves carry themselves with a calm sense of confidence. They are almost Zen-like. They seem to process information effortlessly, and make well-reasoned decisions. These people are not operating from a fear-based mind. None of that noise is cluttering up their minds.

Successful trading requires a good trading platform, a good methodology and a trader's state of mind. You need to recognize and identify your fears, and the self-limiting belief systems you have patterned based on fear. Find out who is sitting at the table in "Trading Committee of You Mind", and replace the fear-based members with members that represent Discipline, Courage, Patience and Impartiality. When you get to this place, your trading account will look much better.

## MORE INFORMATION AND SPECIAL OFFER

[Watch the Video of this Presentation](#)

Receive this compilation of all Rande's articles eBook,  
[simply CLICK HERE!](#)

# ABOUT THE PRESENTER



Rande Howell has more than 15 years of practice as a licensed therapist with a Masters in Counseling. In addition to this, he has worked for many years as a personal development coach teaching individuals how to affect positive change, peak performance, personal growth, and leadership potential.

His work centers on how to break the fear-based, self-limiting patterns to which the brain adapts us for survival and how to reorganize the self to a higher level of functioning. This is accomplished by learning how to manage biological fear (and its impact on thought) and thus access much more empowered parts of the self

that shift our capacity for positive performance. **(Most traders trade in a state of fear, so they never can open the possibility of performing on a higher level.)**

Rande's work teaches you how to change the way you understand and work with your biology; which allows you to succeed in regulating your emotions and breaking out of life-limiting patterns (really important in trading success). His emotional regulation training has been used to treat violent prisoners, break the cycle of domestic violence, and free people from the limitations of fearful thinking.

His belief is that, until you understand the power of your biology and how to manage it, you will be overwhelmed by it. Momentary success will be sucked down the drain of the pattern-making machinery of your brain. To break free of old limiting patterns, you must reorganize the brain -- not the mind.

The mind follows the brain. What does this look like? Go to any standard motivational seminar and feel the emotion -- it feels like you can change the world and it will last forever. Then where are you 4 weeks later (or less) -- back to the same old place.

His work with traders began when one came to him seeking improvement in his trading performances. Applying his emotional regulation and peak performance training to the trader's lack of performance produced a dramatic impact on the trader's fortunes. More traders showed up seeking training due to this success.

# A SIMPLE 123 FOREX STRATEGY

JODY SAMUELS, CEO, FX TRADER'S EDGE

## HELLO TRADERS!

Welcome to this mini Forex Foundation course, your roadmap to trading the Forex Markets. My name is Jody Samuels and my trading career began on Wall Street in the early 80's. Today I run [fxtradersedge.com](http://fxtradersedge.com), a comprehensive program that offers courses and numerous coaching and trading services.

Trading Pub asked me to explain what makes Forex a great market to trade so I thought I would start with some basic terminology and history, to show you how the market has evolved as one of the fastest growing markets to trade. I will then switch gears completely and talk about a strategy which is very easy for a new Forex trader to grasp. (It is even good for advanced traders!) The strategy is called the 123 continuation and reversal pattern and we will show how to use it during trend and end of trend cycles.

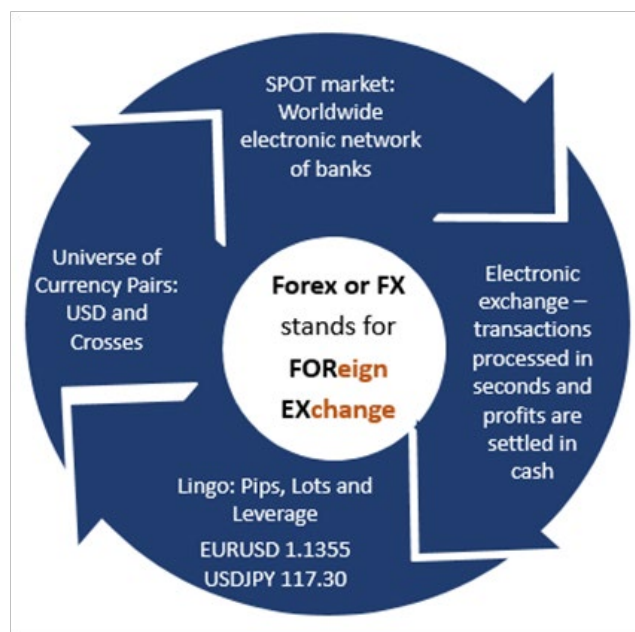
## WHAT IS FOREX?

Foreign Exchange Trading is known as Forex, or by the acronym FX. Today we are going to talk about the transactions of the foreign exchange market known as the spot market. This market involves a worldwide electronic network of banks, brokers and other financial intermediaries.



Unlike the stock exchange markets, Forex has no physical location – it's completely electronic. This ensures that transactions happen in seconds directly with the market makers. All profits are settled immediately in cash.

The Lingo in Forex is about pips and lots. What is a pip? If we look at the EURUSD at 1.1355, the pip is the last decimal place. When we talk about a move in the EURUSD of 5 pips, we are referring to a move from 1.1355 to 1.1360. The pip is 1/10,000 of a decimal place.



**FIGURE 1: THE FOREX SPOT MARKET**

A 100 pip move is from 1.1300 to 1.1400. If we look at the USDJPY at 117.30, the pip is also the last decimal place. If the USDJPY moves 1 pip in the market, it moves from 117.30 to 117.31. The pip is 1/100 of a decimal place. Nowadays, brokers quote to 5 decimal places in the EURUSD and to 3 decimal places in the USDJPY. For example, the EURUSD would be quoted as 1.13556 and the USDJPY would be quoted as 117.308.

Currencies used to only be traded in specific Lot or Unit sizes. If the unit is USD, a standard lot is \$100,000. A Mini lot is \$10,000. And a Micro lot is \$1,000. Today brokers allow traders to vary the Unit size without sticking to the standard Lot sizes. If you are wondering how a small investor can trade \$100,000 without depositing that amount of money, it's because of Leverage. The broker where you set up your trading account will require margin to trade \$100,000. That margin will vary according to the leverage the broker is willing to offer. At 50:1 leverage, the amount required to trade \$100,000 is \$2,000. The broker "lends" you the rest. Of course, any losses or gains on the position will be added to or deducted from the balance in the account.



# WHY TRADE FOREX?

The Forex market has evolved faster than any other financial market in history. According to the Bank for International Settlements, the central bank for central banks, average daily turnover on the world's foreign exchange markets reached almost \$1.5 trillion in 1998, increased to \$1.9 trillion of daily trading in 2004, and skyrocketed to an unprecedented level of almost \$5.3 trillion in 2013.

However, foreign exchange transactions existed a long time before that. Let's learn a little history together.

Between 1876 and 1931 currencies gained a new phase of stability because they were supported by the price of gold. The Gold Standard replaced the age-old practice in which kings and rulers arbitrarily devalued money and triggered inflation. The Gold Standard was a commitment by participating countries to fix the prices of their domestic currencies in terms of a specified amount of gold. The Gold Standard prevailed until WWI, was reinstated in 1925, and broke down again in 1931 following Britain's departure in the face of massive gold and capital outflows.

Beginning in 1944, countries operated under the Bretton Woods Accord. A total of 44 countries met in New Hampshire to design a new economic order. The Bretton Woods Conference of 1944 established an international fixed exchange rate regime in which currencies were pegged to the United States dollar, which was based on the gold standard at a fixed value of \$35 per ounce.

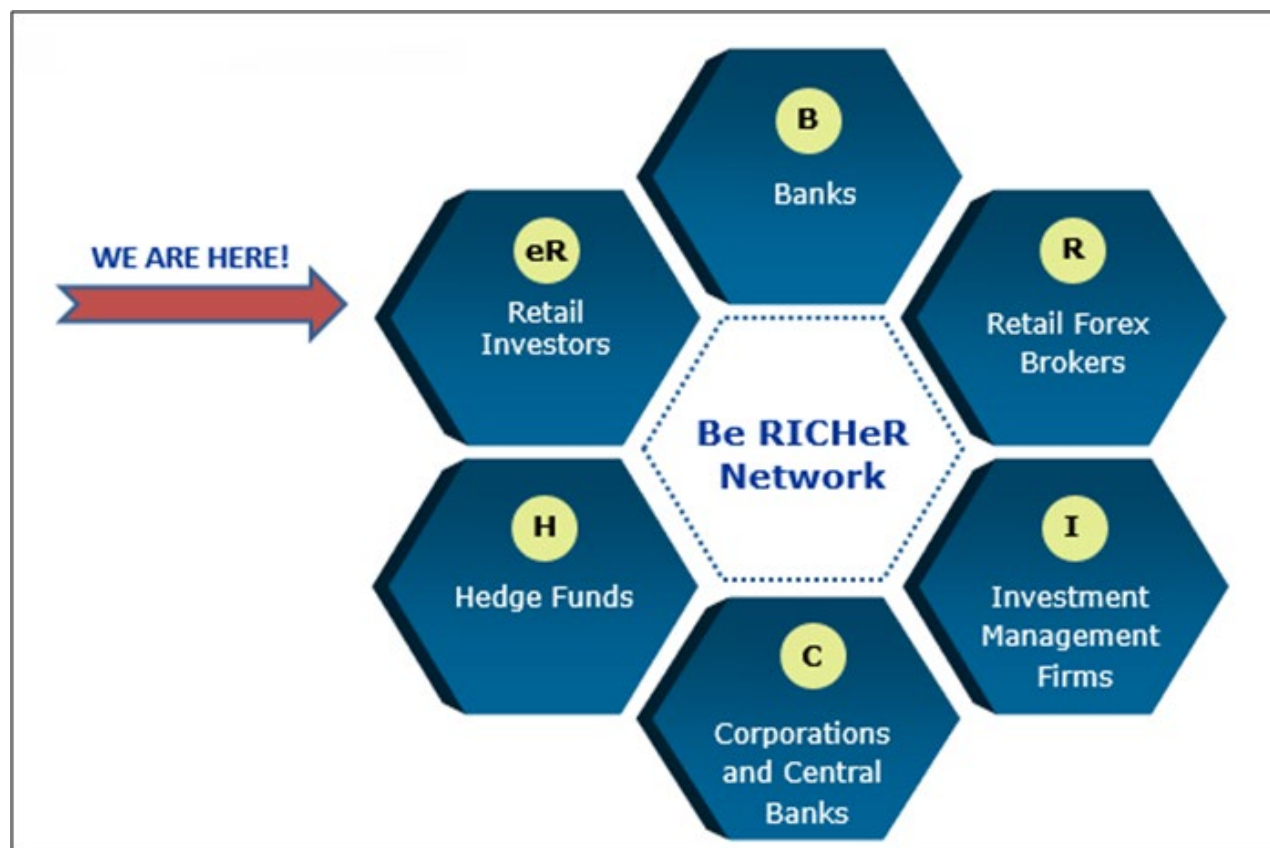
However, heavy American spending on the Vietnam War led to persistent U.S. balance-of-payments deficits and steadily reduced gold reserves. Finally, on August 15, 1971, President Nixon announced the suspension of converting dollars into gold, unilaterally devaluing the U.S. dollar and effectively ending the Bretton Woods Accord.

After the Bretton Woods Accord, the Smithsonian Agreement was signed in December of 1971. This agreement was similar to the Bretton Woods Accord, but it allowed for a greater fluctuation for foreign currencies. The US trade deficit continued to grow, however, and the US dollar needed to be devalued beyond the parameters established by the Smithsonian Agreement and this resulted in its collapse in 1973.

Finally, the first on-line trade happened in 1997 which marked the beginning of the retail

# WHO TRADES FOREX?

An acronym I developed is the Be RICHeR network and this network trades Forex.



**FIGURE 2: WHO TRADES FOREX?**

The Banks were involved in the Forex markets at its inception in the 1970's.

The Retail Forex Brokers came on the scene after 1997. Investment Management Firms have foreign exposures from their stock and bond portfolios and they transact with the banks.

Corporations in their daily, monthly and yearly foreign exchange transactions deal with the banks. The Central Banks are also key players managing their currency exposures and dealing with investment banks. Hedge funds manage a variety of asset classes, including currencies, and they transact with Banks.

Finally, we have eRetail, dealing electronically through trading platforms of retail Forex Brokers. When you take your first currency trade, you too will become part of this Be RICHeR Network! Welcome.

# OVERVIEW

## Tradable Markets on a Forex Platform

In the Forex market, there is a Universe of Currency pairs to trade which include the USD pairs and the Crosses. On the majority of Forex trading platforms, one can trade CFD's as well as currencies. A CFD, or contract for difference, is a product whose price is based on the underlying instrument and is considered an over-the-counter (OTC) product, which is not traded on any exchange. CFD's include stock indices, metals and energy products. For most brokers, the lists of offered instruments continues to grow. Now, Forex trading platforms are beginning to add CFD's on stocks and ETFs as well. As retail traders, we have the ability to trade all of these instruments on Forex trading platforms. The number of markets quoted will vary from broker to broker.

## CAPTURE THE “FLAVOR OF THE DAY OR WEEK”

Once we understand which markets can be traded on the trading platform, how do we decide which markets are trending? One way to do that, is to look at several markets at once to compare them. In this example we are looking at the major USD pairs to see if there is a particular trend in these pairs. Then we can do the analysis and decide which pairs to trade and when. Scanning charts like this is done to capture the “Flavor of the Day or Week” in order to stay with the trend. In the example below, the USD pairs that have the cleanest price action include the commodity currencies, the USDCAD, NZDUSD and AUDUSD. The three other pairs – the EURUSD, USDJPY and the GBPUSD - illustrate choppy, sideways markets which are not high probability charts for the upcoming trading session.

In addition to scanning the charts for clean price action, it is necessary to review the news releases to be prepared for events which could move the markets. An understanding of the fundamentals is key to relating the price action to the economic backdrop affecting the markets.



**FIGURE 3: SCANNING THE USD PAIRS FOR OPPORTUNITIES**

## THE 123 PATTERN AS A REVERSAL TRADING STRATEGY

Now we are going to move into the trading strategy section of this course. The simple trading strategy that I have selected is the 123 strategy for continuation trades and end of trend trades. First we are going to look at the 123 pattern as an end of trend, or reversal trading strategy, also called the 123 top and bottom pattern.

The 123 top and bottom pattern is a very powerful pattern that signals a trend reversal. It can also be used as a trend continuation, which will be described shortly. First, the reversal pattern.

Scenario 1: In an uptrend, the market hits a new high, labelled point 1. Price then pulls back to a short-term support level, labelled point 2. Finally, price moves up to an area between points 1 and 2, labelled point 3. It then reverses down again and begins a trend in the new direction.

Trade Entry: The pattern is complete when the price trades below point 2. At a 123 top, the strategy is to sell on a break of point 2. The measuring objective is the distance between point 2 and point 3 projected below the break at point 2. The stop loss is set just above point 3 but a more conservative stop loss is above the start of this move, at point 1. This is a choice that the trader must make and only by trading it over and over again will the trader feel comfortable with the choice of a stop loss.

An optional sell is at point 3, only if point 3 is at the 50% retracement level of the move from 1 to 2. Also watch for reversal candlestick patterns at point 3 to trigger the entry.

Figure 5 summarizes the 123 top and bottom trade. We just looked at scenario 1 which is the 123 top. Now we will discuss the opposite scenario of a 123 bottom.

Scenario 2: At a 123 bottom, the market hits a low at point 1, trades up to point 2, trades back down to point 3, and back up through point 2 to begin a new uptrend.

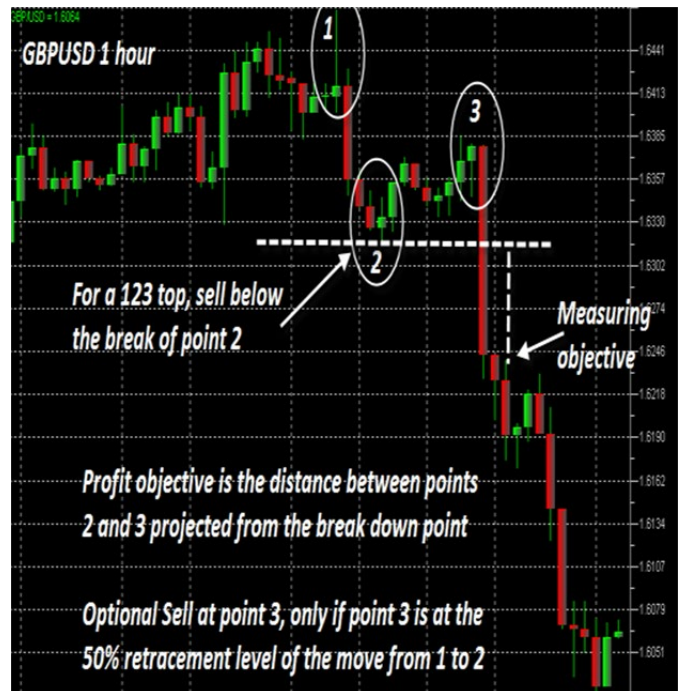


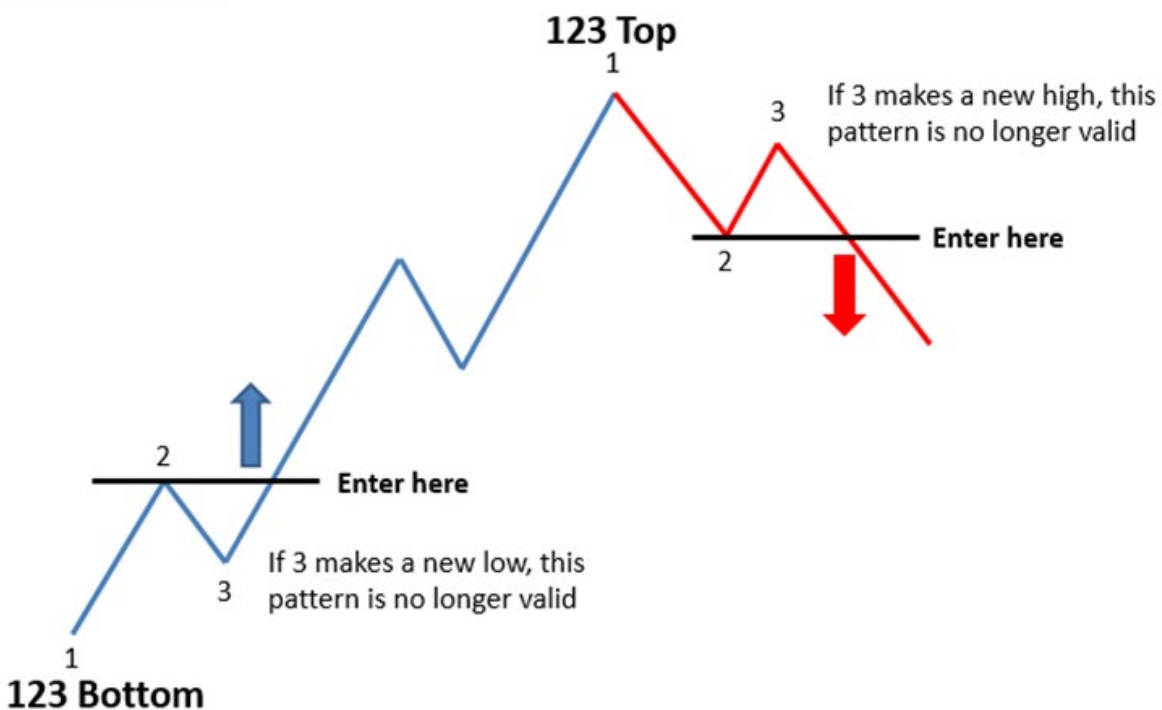
FIGURE 4: 123 REVERSAL TRADE ENTRY

## OBSERVATIONS:

I like to see point 3 retrace at least 50% of the move down from point 1 to point 2. I also learned that if the pattern has between 10 and 20 bars between points 1 and 3, it is more likely to succeed. What I have to say about that is back test and see for yourself. I take most of my trades based on this pattern alone. It is very powerful. You can also use this pattern on a smaller time frame once the market reversal is identified. You will get a closer entry to point 1 and will therefore be able to take a larger position, using the same money management rules.

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## NOTES

1. The 123 formation is classified as a major reversal pattern and is one of the best indicators of a trend reversal. They are found on every time frame. The swing or position trader will look for these patterns on the weekly, daily and 4-hour charts. The day trader will look for 123's on the hourly and 15-minute charts. The momentum trader will trade these patterns on the 5-minute, 1-minute and tick time frames.

2. Stop losses for 123 tops should be set above point 1 initially, and positions need to be sized accordingly so as not to exceed the risk limit for the trade. Another option is to place stops above point 3. However, the odds are increased of being stopped out early. It is better to take a smaller position and leave the stop above point 1. Stop losses for 123 bottoms are set below point 1, or alternatively, below point 3.

3. Optional: On a 123 reversal using any time frame, wait one or two candles for confirmation. Ideally price will come back and retest the breakout or breakdown point for a safer entry. This helps to avoid whipsaw.

At this point in the video we look at more 123 reversal examples using market data.

## THE 123 PATTERN AS A TREND CONTINUATION STRATEGY

We have just completed the section on the 123 reversal pattern as confirmation of the end of the trend. However, while the end of trend 123 top and bottom is a great entry method for taking reversal trades, most of your trades as swing and day traders will be trying to get into a trend move – getting into the trend in the middle of it. You may have heard that “the trend is your friend” so now we will learn a method to get into a trend move using the 123 trend continuation pattern.

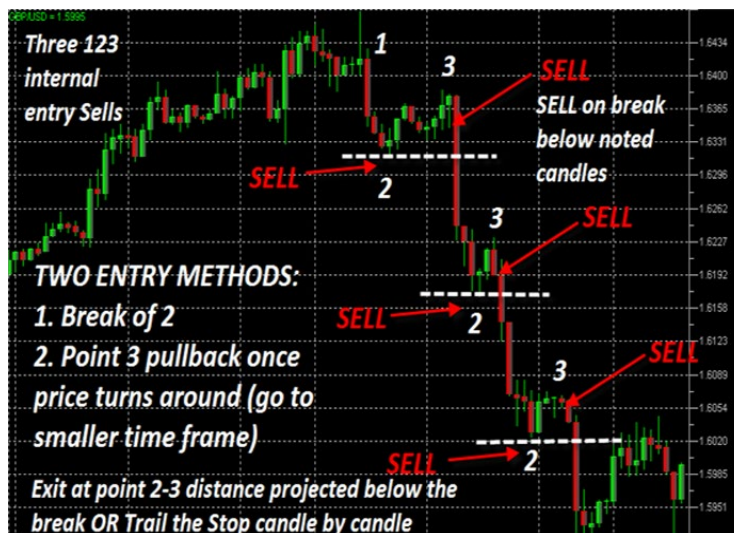
How do you get into the trend in the middle of it? The safest trades you can make are the ones where you are trading in the direction of the current trend. In other words, if the trend is up, you should be long – and if the trend is down, you should be short. If you miss the start of the trend, you still need a method to enter a confirmed trend during its progress. I am going to suggest two entry methods using the 123 pattern for trend continuation called internal 123's.

## METHOD 1

Draw your 123 points as price moves in the direction of the new trend.

Enter on a break of the newly established point 2 with a stop above point 3.

Follow the market up or down, depending on the trend.



## METHOD 2

Draw your 123 points.

Enter at point 3 (once price turns down) with a stop above the new point 1.

Figure 7 illustrates both the 123 reversal and the 123 continuation, back to back, on



FIGURE 7: 123 TREND CONTINUATION TRADE ENTRY WITH 123 REVERSAL



# NOTES

1. When the “Trend is your friend”, we need to make sure we get into the trend at various points along the way. Why? The safest trades are taken in the direction of the current trend. Trade entry is easily done with the internal 123 formation.
2. In a trend, the first 123 pattern is the reversal pattern that occurs at market tops and bottoms. The second and third set of internal 123's continue to confirm the uptrend or downtrend.
3. Take note how each point 3 becomes the new point 1 for the next internal 123 pattern. In a very strong trend, point 3 will not always retrace to at least the 50% mark, and that's ok. It is more important for that to occur with reversal 123's. In a strong trend, the retracements can be as shallow as 23.6% or 38.2%.
4. If you miss the initial reversal 123 pattern, look to get into the subsequent internal 123's. Preferred entry is on the break of point 2. However, alternatively, you may enter at point 3. And, wait for the candles to start trending again before entering.
5. Profit taking is recommended along the way for day traders. Position and swing traders may hold the positions and trail the stop every time we trigger a new trade. The stop would then be placed above the new point 1, and previous stops would be moved to the new point 1. These positions would be considered “add-ons” for position and swing traders. At this point in the video we look at additional 123 continuation examples using market data.

# CONCLUSION

The Forex markets offer an opportunity to trade various currency pairs and CFD's as well. Once a trader understands that all of the markets are related in some way – currencies, commodities and stocks – and that correlations exist between certain markets, the excitement comes in understanding these relationships in order to confirm market moves day in and day out. Learn the fundamentals, scan the markets for the best markets to trade, and select a simple strategy such as the 123 Strategy to stay with the trend, or find the end of the trend for a market reversal.

# MORE INFORMATION AND SPECIAL OFFER

Jody Samuels covers the 123 pattern over multiple markets

[Watch the Video Here](#)

Discover the missing ingredient that will help your trading with Jody.

[Simply CLICK HERE AND LEARN MORE](#)



## ABOUT THE PRESENTER

Jody Samuels is one of North America's leading coaches for successful traders, and the creator of The FX Trader's EDGE™ Program. She works with members of her program in group and private coaching sessions and is passionate about teaching individuals how to trade the market cycles and use entrepreneurial skills and habits to effectively manage their business.

Jody Samuels, a professional trader with 15 years' experience trading currencies with a New York international investment bank, successfully made millions of dollars using the proven theories of Elliott Wave analysis. The Elliott Wave Ultimate Course, Jody's latest accomplishment, illustrates the convergence of Elliott, Fibonacci and Harmonics in a ground breaking program to combine precise analysis with a simple strategy.

## THE SPECIAL OFFER

The FX Trader's EDGE Forex Foundation Course covers A to Z trading basics, including a multitude of trading strategies to use in today's volatile markets. In this program, we are going to take you on a journey to further your trading education. That means that we will start with the basics, cover the intermediate levels, and end with more advanced concepts.

[\*\*CLICK HERE TO LEARN MORE!\*\*](#)

# THE CONTINUATION METHOD

BY CECIL ROBLES, FOUNDER/CEO YOUR FOREX MENTOR

Allow me to be blunt... because you won't achieve trading success if you aren't willing to call a spade a spade.

With that said, the report you have in your hands is not like the majority of the Forex fluff or hype you'll find on the Internet.

When you apply this information, you'll get more value out of this free report than you have probably gotten out of many of the books, products and courses you've actually paid for.

What's more, when you follow the simple strategy inside you'll be well on your way to making consistent Forex profits and winning as many as 7 out of 10 trades you place.

The report is broken down into a four different sections:

**Section 1: Forex Basics** – Whether you are new to Forex trading or have some experience under your belt, this section helps lay a solid foundation.

**Section 2: The Continuation Method** – This trading strategy has been one of my closely guarded secrets until now. Read and re-read this section and then put the strategy to the test.

**Section 3: Three-Step Quick Start Checklist** – Follow these simple steps to implement this strategy, whether you paper trade at first or you're ready to put real money on the line.

**Section 4: Forex Lingo** – This is a glossary of some important Forex-related words and phrases.. Bone up on these as you begin and/or advance your trading journey.

Alright... let's get you started.

# FOREX BASICS

In case you're wondering, "Forex" stands for the "Foreign Exchange Market."

Although it doesn't get as much media attention as the stock and bond markets, The Forex is actually the largest financial market in the world. There are over **\$5 trillion** in transactions occurring every day.



On the simplest level, Forex is the market in which currencies are traded. When you trade the Forex you are essentially buying and selling money.

The currency market used to only be the playground of central banks, large institutional banks, hedge funds, and international companies with a lot of money. This all began to change in the early 2000's due to the widespread access to the Internet.

Now the average investor can gain access to this incredibly exciting market 24 hours a day 5 ½ days a week. All you need is a computer and Internet access.

If you've ever traveled to another country and you exchanged your home currency for that of the place you were visiting then you've already participated in the Forex market.

Compared to the stock market currency pairs don't move as much. In fact on average most currencies fluctuate less than 1% per day.

This may not sound very exciting but a 1% movement can equate to 100 or more pips. Pips are similar to ticks or points in the stock market.



Here is where it gets really interesting...

Trading the Forex requires most traders to use leverage (using margin) to increase their potential return for small moves in the exchange rate.

If you live in the U.S. then you can trade with as high as 50:1 leverage. Traders who live outside of the U.S. can use as much as 500:1 leverage (this is not suggested).

For example, to trade \$100,000 worth of currency with a broker that requires 2% margin, you would only need \$2,000 deposited into your account – giving you leverage of 50:1.

This is not as risky as it may initially sound and here's why:

- Currencies don't fluctuate as much as stocks
- The currency market rarely gap stops
- I'll show you how to cut your losses quickly and let your profits ride



When you place a position to buy a currency 9 times out of 10 you are going to get your position filled at that exact price.

Also, unlike the stock market, there is no central market location. Trades are conducted through a lot of individual dealers or financial centers.

## 10 REASONS WHY YOU SHOULD BE TRADING THE FOREX

**1. Non-Correlated Price Movement:** For the most part, currency prices are uncorrelated to the stock market. This means that if you are a stock trader who is long the stock market, you can benefit from fluctuating currency prices that are completely uncorrelated.

**2. Fewer Rules:** Unlike the trading of stocks, futures or options, currency trading does not take place on an exchange with rules like the NYSE or CME. In fact, if you had exclusive information, and it was used to make a lot of money, legal issues would not arise, like they would in the stock market. In other words there are no insider trading rules in the Forex.

**3.No to low commissions:** For the most part there are no exchange, brokerage or clearing fees in the Forex market. Instead, brokers make money on the difference in price you pay to buy, or the amount you receive when you sell, currencies, also known as the spread.

**4. 24 Hour-Market:** The Forex market is a 24 hour market which means that you can trade when best suits you. If you are a night owl you can trade at 3 AM if you want to.

**5. Less Market Manipulation:** Because the Forex market is so large there is less market manipulation, with the only real manipulation coming from the Central Banks. This kind of manipulation is actually good because it creates large trends in the market.

**6. Buy and Sell With Ease:** Unlike the stock market there is no uptick rule in Forex. This means that you can sell just as easily as you can buy. In other words you can make just as much if not more money by shorting a currency as you can by buying it.

**7. Tax Benefits:** When you trade Forex, 60% of your gains are taxed as capital gains and the remaining 40% is taxed at your regular income tax rate. I am not a tax specialist so make sure to consult your tax preparer to confirm that this will work for your situation.

**8. Historically A Trending Market:** There has been no shortage of trends in the Global Currency Market since the end of the Nixon era gold standard. Trends are where the money is made and the Forex market usually has at least 2-3 big trends every year.

**9. Technical Traders Dream:** Technical analysis tends to work very well for currency trading. This allows short-term traders to pull quick and precise profits from the market and long-term trend followers to profit along the way of the big trends.

**10. Low Barrier of Entry:** Unlike other markets such as the stock and futures market, the Forex market doesn't require much capital to start with. There are some brokers that will allow you to trade with as little as \$250. The beauty is that you can add to your account regularly and use the power of compounding to grow your wealth over time.



# HOW DO I MAKE MONEY & WHAT ARE THE RISKS?

Understanding how to make money by trading Forex is pretty simple. In Forex, unlike stocks or futures, you are trading two countries rather than one stock or one instrument.

Essentially you are betting that the value of one countries currency will go up or down relative to the value of another countries currency. Since currencies are traded in pairs, when you buy one currency you are simultaneously selling the other currency.

Let's take a look at an example of how you can make money from a Forex transaction:

Let's suppose that you have \$900 U.S. dollars and you exchange that for \$1,000 Australian dollars. One week later, the AUD/USD exchange rate goes up from 0.90 to 1.0/

In this example, the Australian dollar has increased in value to the U.S. dollar. You could then exchange back the \$1,000 AUD back to U.S. dollars and you would have received a \$100 profit. Essentially, you started with \$900 and you now have \$1,000.

If the AUD had decreased in value to the USD you would have lost money on the transaction instead of making a profit.

You can also look at the process of buying currencies as buying shares in a country in that you are betting on the success or failure of a particular country's economy.

Forex trading, like any form of trading, is not without risk. Some may even suggest that trading in the Forex market actually carries above-average risk. There are two reasons for this:

1. **No Central Exchange** – While having no central exchange can be a benefit there is also a risk involved. The main risk from this comes from less regulation which means that some brokers are unscrupulous. **That is why choosing the right broker is so important.** I'll show you how to make sure you choose the right broker below.

2. **Leverage** – Leverage (margin trading) can be a double-edged sword. When the new trader starts trading with leverage there will often notice right away that the dollars in their account generally stretch a lot farther. This can lead to two things:

- a. Taking too much risk on a position and/or
- b. Overtrading. These are both things that can really decimate your account.

Trading with margin is no different than trading without it as long as you respect it and use it wisely. I'll teach you how to do this using proper money management techniques.

# THE CONTINUATION METHOD TRADING STRATEGY

## Laying The Foundation for Winning 7 Out of 10 Trades

The Continuation Method is a trend following technique that works across all markets. Using this method gives you good odds of winning from 50-70% of the time and even up to 80%.

Trend following is a scientific and mechanical way to approach trading that removes most of the guesswork. It has a strong history of performance during crisis periods and is at the core of most of my trading methods.

The idea behind the Continuation Method is to wait for a setback in the market and then jump in the direction of the trend. We are using only technical analysis meaning that we are going to be looking at price charts for different currency pairs to make our decisions.

You can trade this method based on long-term or medium-term trends (this means that it doesn't have to take a lot of time).

## TOOLS YOU WILL USE

**1. The Williams % R** – Williams % R or just %R, is a technical analysis oscillator showing the current closing price in relation to the high and low of the past N days (for a given N). Its purpose is to tell whether a commodity or currency market is trading near the high or the low, or somewhere in between, of its recent trading range.

We will use this in combination with a simple trend finding technique to determine the best possible entry during a correction in the trend.

**2. The 50 Exponential Moving Average** – EMA is a type of infinite impulse response filter that applies weighting factors, which decrease exponentially. The weighting for each older datum decreases exponentially, never reaching zero. This helps us to measure trend by taking all previous data into account.

**3. The 5 Simple Moving Average** – The Simple Moving Average is the unweighted mean of the previous N data. We will use this as a way to exit the market and trail our stop loss to protect profits.

**4. These indicators can be found in most charting software programs.** - Our preferred software for trading currencies is Meta Trader 4, which is free or Ninja Trader, which has a small monthly cost for the data feed but gives you a larger range of instruments to trade.



# CHART SETUP

Your charts should look very clean with these indicators on there.

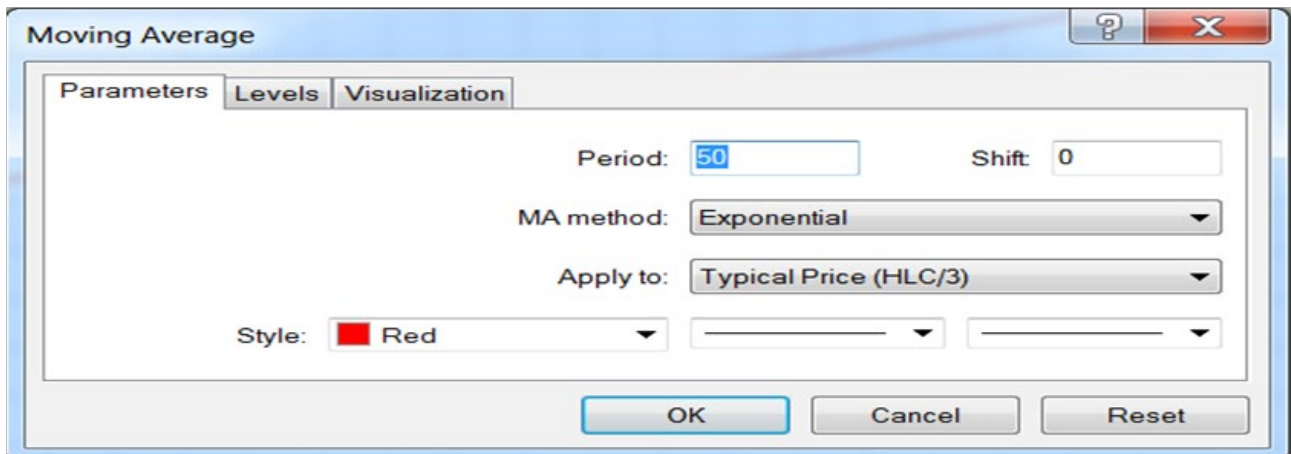
Here is a screenshot showing how the chart looks with each of the indicators in place.



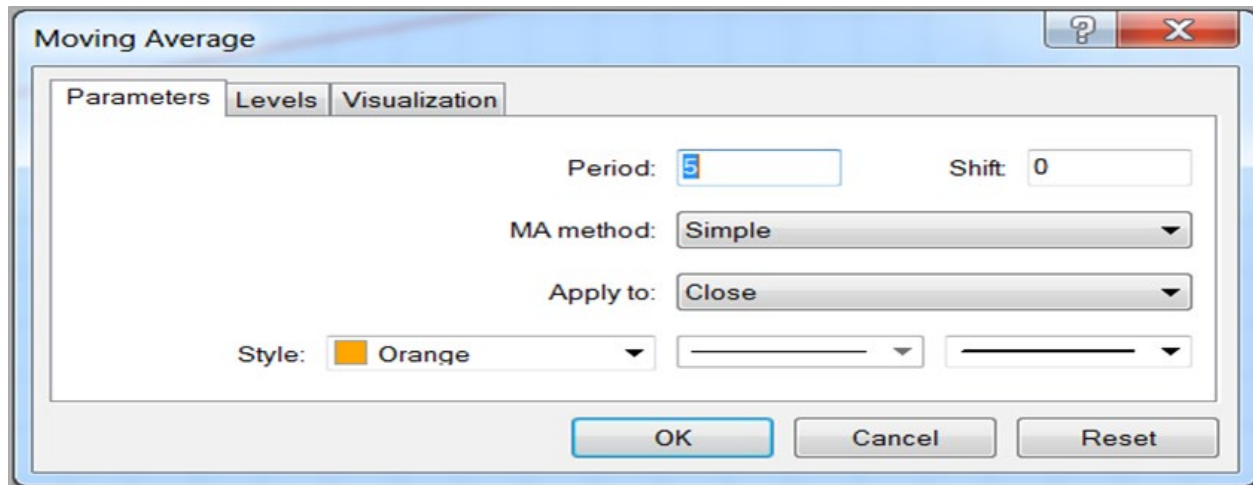
## Parameters For Indicators On Your Charts

Below you will find screenshots for each indicator's parameters inside of the MT4 platform.

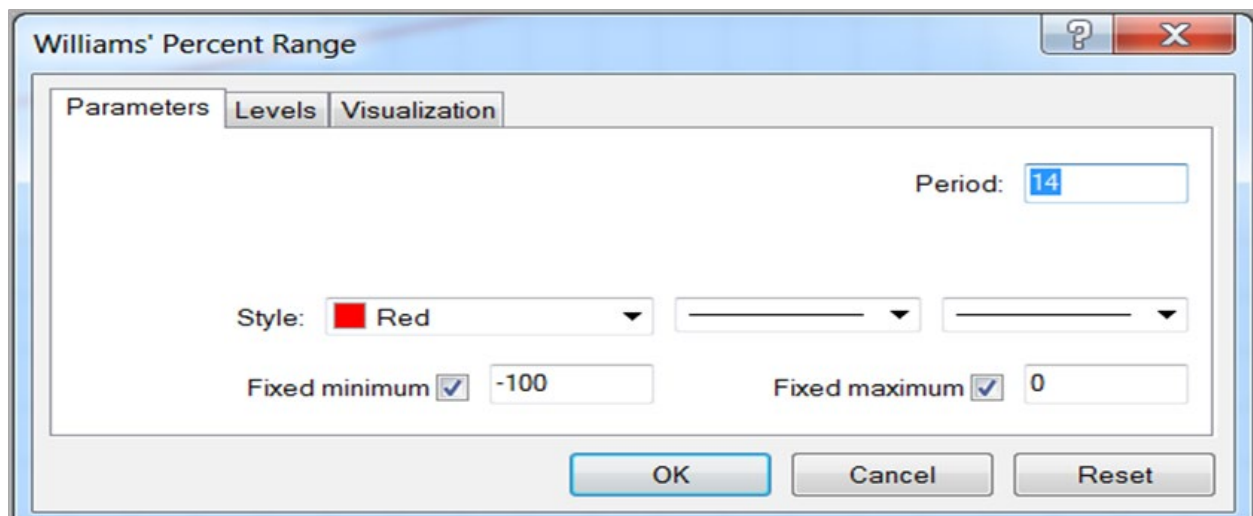
## The 50 Exponential Moving Average



## The 5 Simple Moving Average



## Williams % R



For a free MT4 template that will allow you to instantly set your charts up like this for MT4 [click here](#).

Once you have installed the template for MT4 simply right click on any chart and select template. Then select the Continuation Method template.

# RULES OF ENGAGEMENT

Now it is time to learn how to use this simple system. With this method you have the option of trading in multiple time frames. Here is a breakdown for how to use the different time frames.

**End of Day Trading** – This means you will look at the charts one time a day at the end of the day. You will be in trades for 4-30 days.

**Charts to use:** Weekly and Daily Charts – Confirm trend on the weekly and trade the daily.

**Swing Trading** – This means that you will look at the charts a few times a day and you will be in trades from 1-4 days.

**Charts to use:** Daily and 4-Hour Charts – Confirm trend on the daily and trade the 1-hour.

**Intra-Day Trading** – This means that you will look at the charts several times a day and you will be in trades from 1-2 days.

## RULE #1:

### FIND THE TREND ON THE HIGHER TIME FRAME.

If you are doing End of Day trading then you will be using the weekly and daily chart. The first thing you want to do is find the trend on the higher time frame chart (weekly).

The way you do this is very simple. You look at the 50 EMA and count back ten bars and determine whether or not it was sloping up more over the last ten bars or if it was sloping down more over the last ten bars.

If the 50 EMA was is sloping up then the trend is up. If the 50 EMA is sloping down the trend is down. If the trend is up you can only take buy trades. If the trend is down you can only take sell trades.

Here is a look at the GBP/USD weekly chart:



The 50 EMA (red line) on the chart begins to change at bar one by beginning to slope up, however you won't consider a trend change until bar ten. After bar ten you can begin to look for buy trades on the Daily Chart. This leads to Rule 2.

## **RULE #2:**

**MOVE DOWN TO THE LOWER TIME FRAME (DAILY CHART IN THIS EXAMPLE) AND LOOK FOR A PULL BACK AGAINST THE TREND.**

A pullback is identified by anytime a candle closes on the opposite side of the 50 EMA against the trend.

Let's look at a chart example:



The first thing you want to verify is that the trend on the Daily chart is the same as the trend on the Weekly chart. The trend on the weekly chart turned up and the trend on the Daily chart is up as well.

The next thing that you want to do is to look for a pull back against the trend. The way you identify this is very simple. If a candle closes below the 50 EMA while the trend is up then this is considered a pullback against the trend. If a candle closes above the 50 EMA while the trend is down, then this is a pullback against the trend.

This leads to Rule #3.



### RULE #3:

## VERIFY WHERE THE WILLIAMS %R IS IN RELATION TO THE -80 LEVEL OR THE -20 LEVEL.

In the case of this current example you can see an uptrend and you are looking to buy the market. So you will be looking for the Williams %R to go below the -80 level. Once it goes below the -80 level you are now looking for it to rise back above the -80 level.

The bar that corresponds with the rise of the Williams %R back above the -80 level will be your signal candle.



The green dotted line shows where you would place our entry and the red dotted line shows where you would place our stop loss.

You would place a buy stop above the high of the signal candle (or below the low for a sell). The stop loss will go below the low of the closest swing point in the opposite direction. A swing point is defined as a candle with a lower low than the previous candle and the following candle.

Notice that the previous example was a loss. Not every trade will be a winner. I wanted to show you a losing trade right off so that when you see all of the winners you will understand that losses will happen.

Let's look at another example.



This is the very next trade that happens just a few days later. In this case you can see that the trade makes a tidy profit.

Here's the process again to get to this point:

1. Is the trend up in-line with the weekly chart? – **Yes**
2. Do we have a pullback? – **Yes a candle closed below the 50 EMA**
3. Did the Williams %R go below the -80? – **Yes**
4. Did the Williams %R go back above the -80 – **Yes**

As you can see, all of the requirements of the first 3 rules of engagement have been met. Let's look at the profit taking strategy next.

## RULE #4:

# PROFIT TAKING

Once you are in a trade you will look to trail your stop using the 5 Simple Moving Average.

First, before you can consider trailing your stop you must reach a 2/1 reward to risk ratio. In this example your pip risk is 233 pips. That means the price must move 466 pips in your favor before you can move your stop.

Here's how it breaks down:

**Entry = 1.60773**

**Stop = 1.58439**

**Difference = 233 pips**

Price must reach 1.65430 in order to move your stop using the trailing stop method.

Once price reaches this price you will use what I call the “Money Line Close” in order to trail your stop. This enables you to dynamically follow the market as far as possible before cashing out and taking profits. This way you can let our winners run and cut your losses short.

Once price reaches 1.65430 you will only move our stop once there are two full candle closes below the 5 SMA. Let's look at this same example.



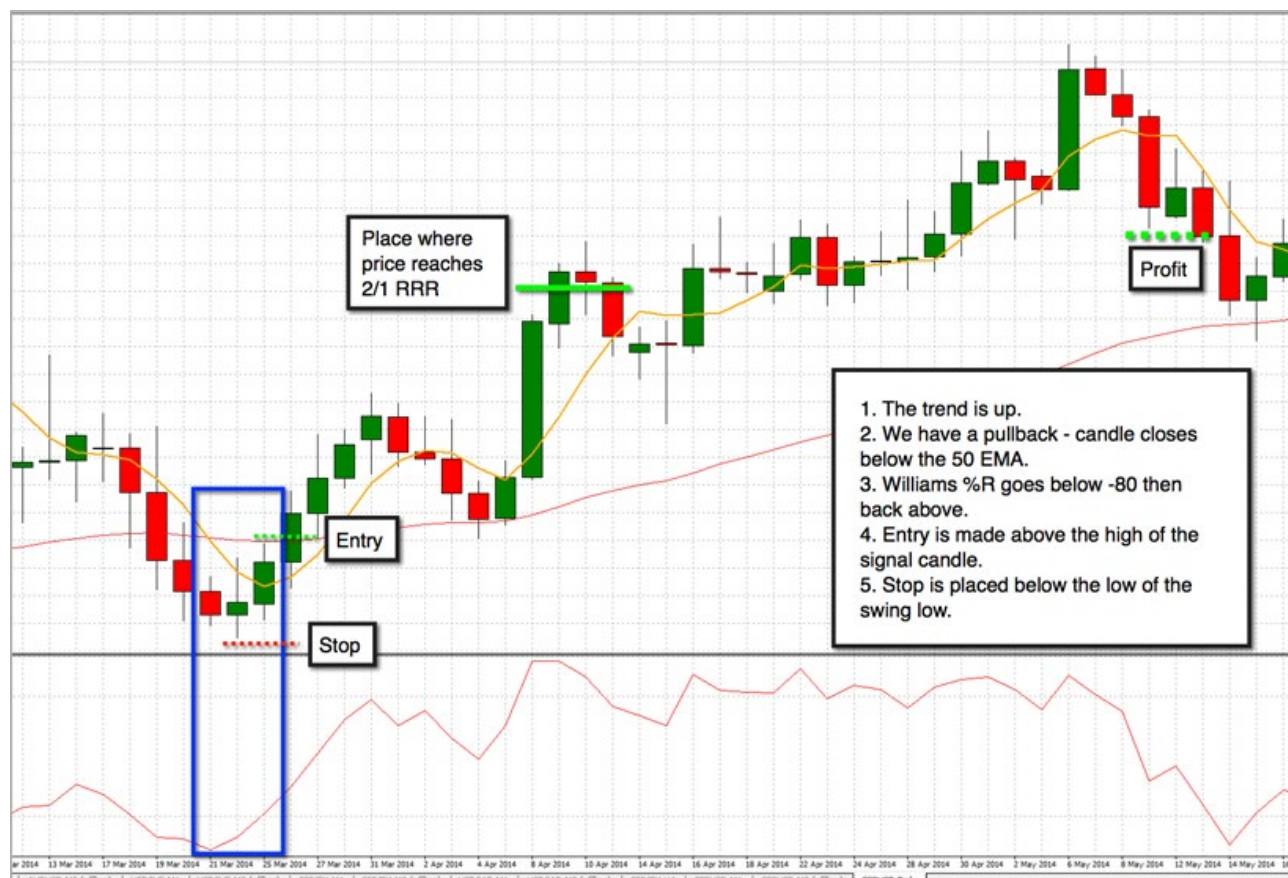


Once price reaches the green line level above you can then look to use the Money Line Close.

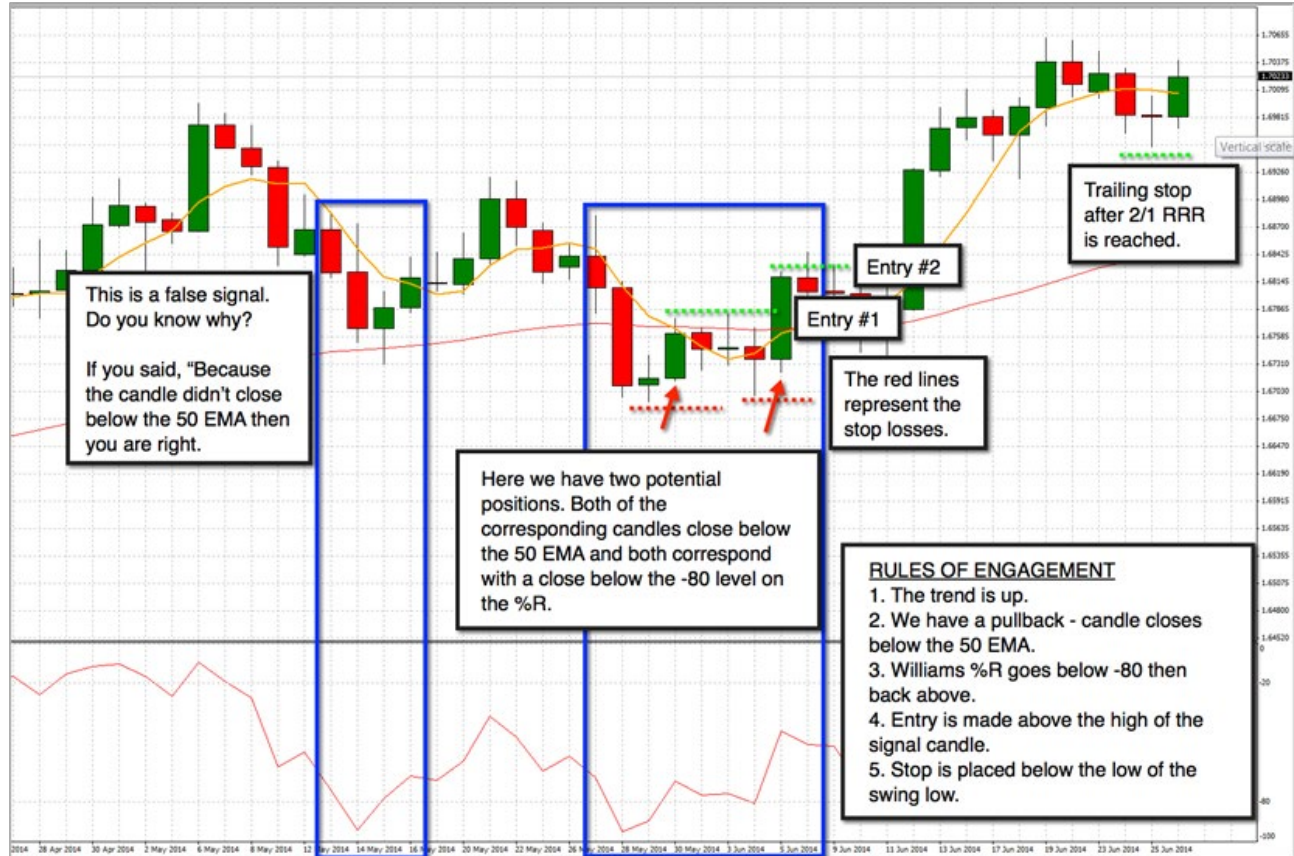
Notice that price is above the 5 SMA at the point of the green line. Then abruptly it closes below the 5 SMA. The next day it closes below the 5 SMA again. At this point you move your stop to the lowest of the two closes as identified by the green dotted line.

The following day price breaches the lowest of the two closes and you are stopped out of the trade with a profit of 310 pips. The end reward to risk ratio is 1.16.

In other words, for every \$100 you risk on this trade you make back \$116.



Let's look at some more examples:



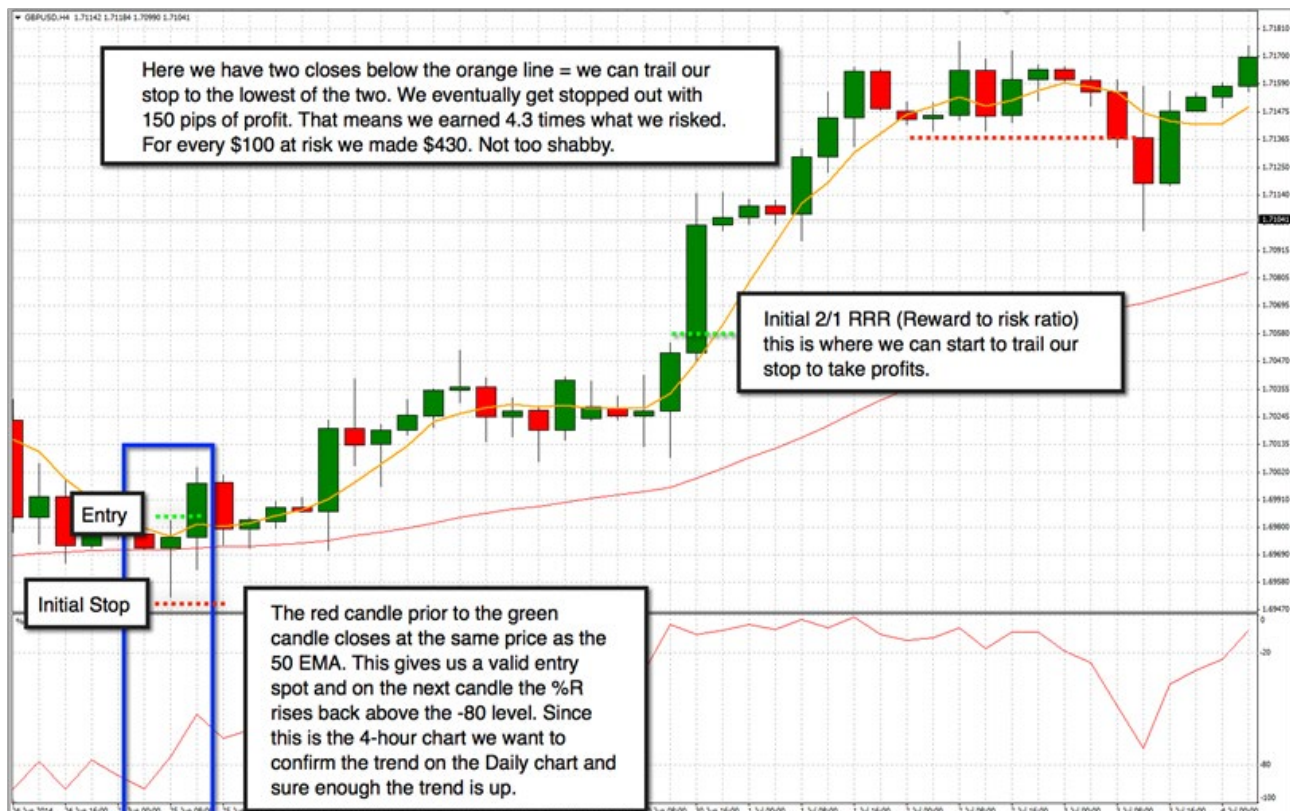
In this example we will look at this same strategy but how it works for swing trading using the 4-hour chart. As you'll see nothing changes between how we use it for end of day trading and for swing trading.

In case you aren't familiar with the terms swing trading and end of day trading let me give you a definition:

**End of Day Trading Order:** A buy or sell order that specifies a price for the security, and keeps the transaction open until the end of the trading day. If a transaction is not made as the desired price is not met by the close of trading, the end of day order will be canceled.

You can keep an end of day order open by making it a 'Good Till Cancelled' order (GTC for short). In this case the order will not be cancelled until it is filled or until you manually cancel it.

**Swing Trading:** A short-term strategy used by traders to buy and sell a market whose technical indicators suggest an upward or downward trend in the near future -- generally one day to two weeks.



In this example you can see how everything works the same no matter what chart you are on. If you want to spend even less time in a trade you can drop down to the 60 minute chart and do the exact same thing.

**The key is trading in the direction of the trend  
and being precise on following the rules.**

Remember... you are trying to capture the big trades with this that earn you much more money than you risk. By doing this you could be right less than 50% of the time and still win. However you'll find that by using this method you will win 6 to 8 times out of 10.

## POSITION SIZING

Position sizing (also known as money management) is critical to your success as a Forex Trader. When trading the Forex you are using high leverage and position sizing becomes even more critical.

Position size is the only real determining factor as to how much you will win and how much you will lose on a trade. I recommend using a fixed fractional position sizing method. This means that on every trade, no matter where your stop loss goes you'll always trade a percentage of your account value.

As to percentages, I recommend never risking more than 1% of your starting account balance on any trade. Here is a simple example of how to use Fixed Fractional Position Sizing:

**Account Balance = \$10,000**

**Dollar Risk of Trade = \$100 or 1%**

**Pip Risk of Trade = 100 pips**

**Position Size = Dollar Risk / Pip Risk or  $\$100/100 = 1$**

So in this example you would risk 1 mini lot which equates to \$1 per pip.

That's it. You are ready to start this wonderful and potentially very profitable journey of Forex trading. The Continuation Method has been responsible for hundreds of thousands of dollars in profit for myself and many other traders and investors... and it can be for you too.

But you have to take action today. You have to take a risk if you want to get any kind of reward. Don't procrastinate and don't waste any more time.

Use the quick start checklist on the next page as your motivator to move forward with your dreams and goals of a bright financial future trading the Forex.

## **Quick Start Checklist**

Now that you have some working knowledge on the subject of Forex trading it's time to get started. Below is a simple Quick Start Checklist to help you get moving fast.

Get started today.

### **Step 1: Choose A Broker & Open A Demo Account**

I recommend starting with a demo account first. This is going to allow you to get familiar with how to read quotes and place trades on their platform.

### **Step 2: Pick Your Trading Platform**

The two recommended charting and trading platforms of choice are MetaTrader 4 and Ninja Trader. MetaTrader 4, or MT4 for short, is the most widely used Forex charting and trading platform in the world. Ninja Trader is another common charting and trading platform that can be used with multiple brokers.



If you are using MetaTrader 4 then I have prepared a template that you can use to load The Continuation Method indicators on your chart with.

[Click here to download it.](#)

Once you have downloaded MetaTrader 4 from your broker of choice you can download and install the template. To load the template on a chart simply

[follow the instructions here.](#)

### **Step 3: Look For Trade Setups Using These Four Simple Steps**

1. Identify the trend on the higher time-frame (see rule #1 above)
2. Move down 1-2 time frames and look for a pull-back against the larger trend (see rule #2 above)
3. Verify that the Williams %R is at the -20 level (for selling) or -80 level (for buying) see rule #3 above.
4. Enter the trade using no more than 1% risk and follow the Profit Taking Rules (see rule #4 above). In this case you will use a buy stop to buy and a sell stop to sell.

## **CONCLUSION**

Keeping things simple as a trader is a way to almost guarantee long-term success. The best traders in the world have become very good at mastering simple strategies. Simple strategies give you as the trader a better ability to execute the strategy with precision and accuracy thereby reducing the number of mistakes you make.

In my experience mistakes are one of the greatest cost factors to a new trader. Some mistakes can even be devastating to a newbie trader. This makes it all the more important to keep things simple. My philosophy has always been centered around what I call the K.I.S.S. technique. K.I.S.S. stands for *Keep It Simple To Succeed*.

The Continuation Method is a simple strategy that newbies to veterans alike can put into their trading arsenal immediately and start to see results. I've been trading full-time for over a decade and this is still my most used and favorite strategy. Try it out today and let us know what you think.

## MORE INFORMATION AND SPECIAL OFFER

Watch the Video and learn more about Cecil's special offer below-  
[Click Here Now To Discover How To Win 84.9% Of  
Your Trades Practically On Auto-Pilot](#)



### ABOUT THE PRESENTER

Cecil Robles has been a professional currency trader since 2004 and hasn't looked back since. His first experience in trading was interning with a currency trading fund. He was so convinced that trading would be a big part of his future that he sold his mortgage brokerage firm, and went to work as an intern for minimum wage.

After 12 months as a junior trader he got an opportunity to manage a small private fund for the firm. Twelve months later he had recorded a 435% profit. Shortly after, in 2006, Mr. Robles became a CTA and launched his own currency-trading firm, YourForexMentor.Com. Mr. Robles has since traded millions of dollars in client funds and has educated thousands of traders around the world through his books, seminars and online courses.

In his book, "How To Profit From The Falling Dollar" he accurately predicted the collapse of the housing bubble, the devaluing of the dollar against other major world currencies, the bull market in gold, and the rise of China. Mr. Robles presently serves as founder and chief editor of Currency Investor's Alliance, a financial publishing company that provides traders with strategic information for turbulent times.

Mr. Robles also speaks in the U.S. and abroad on trend following, technical analysis and money management for the FOREX markets.

# WHY YOUR ENTRY STRATEGY [ALMOST] DOESN'T EVEN MATTER

CASEY STUBBS, FOUNDER, WINNERS EDGE TRADING

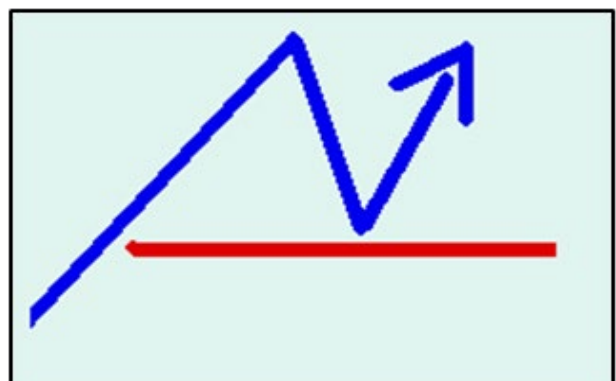
As traders, almost everyone would agree that getting into the market at the right price and the right time is the key to making money. But did you know that a good entry is the least important part of a profitable trading equation? The truth is that your exit in the trade is far more important than your entry.

The exit in a trend ultimately determines whether you take a profit or a loss. That means the right exit can help you maximize profits and minimize losses.

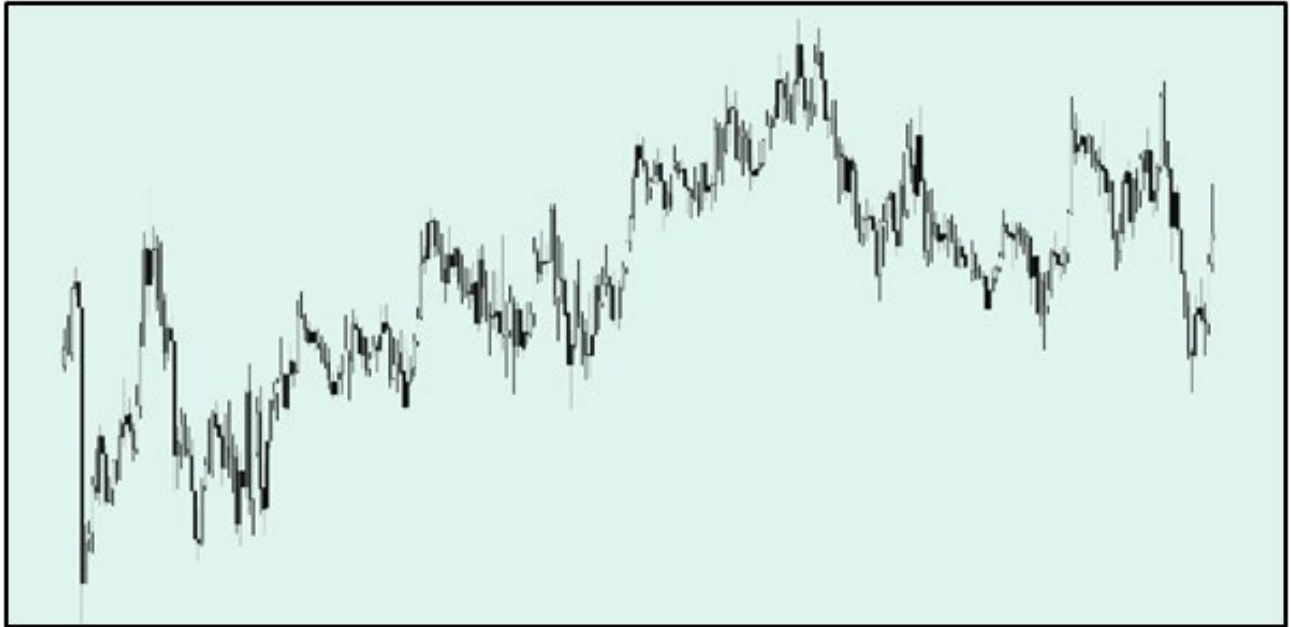
The right exit can turn a losing trade in to a winning trade. Conversely, the wrong exit can turn a winning trade in to a losing trade. Perhaps you have had this problem before:

- Scenario One: You enter a trade, and you are up 50 pips, and the trade turns around and stops you out.
- Scenario Two: You enter a trade and you are stopped out for a 30 pip loss. Then market reverses and crosses over where your Take Profit was set.

Why do average traders lose money consistently? They don't know where to set their stop/loss and take profit targets. Here's an example:



On the diagram on the left we see a classic pullback setup, suggesting a long entry. Where do you set your stop/loss? If you set your stop/loss tight, say 5-10 pips below the pullback, you are minimizing your risk to maximize your reward. But the real problem with this strategy is that markets don't behave the way we want them to behave. Markets do this:



Markets spike up and down, taking out levels along the way. Even when a market is trending, it will find a way to take out a lot of stop/losses along the way. Why would you place your stop/loss below the most recent low? You are almost guaranteeing that the market will stop out your order for a loss.

**Here's an important point to remember:** Whether the market is planning to go up or down, it is extremely likely that it will move in both directions enough to take people out of the trade with stops set near recent levels, before the market makes its ultimate move.

How do you reverse this problem? It's simple, when you think about it. **Instead of making your stop/loss an easy target, make your take profit an easy target.** And make your stop/loss hard to find. That way, the same market moves that are taking everyone else's stop/losses out will be depositing cash into your account. This simple logic works with any entry strategy and it is designed to put active traders in a position to win more trades and deposit more money into their accounts.



Remember, the market has a tendency to whip around. It is very difficult to trade profitably in chaotic market conditions. The one surefire way to lose money is to leave your stop/loss exposed in the middle of the market. Here's an example of a trade that got stopped out because the stop/loss was set too close to the market:



Here's the secret to gaining a massive advantage, especially for traders who use time frames less than the daily charts: Place your profit target **INSIDE** the area that the market is likely to float and your stop/loss **OUTSIDE** the area that the market is likely to float. This means you have a negative risk to reward ratio. If you have a high probability of winning a trade, it is okay if your risk/reward is negative, neutral or positive. But if it's far easier to take an 80 pip stop/loss for a 50 pip target and win 70% of the time, then why not achieve success that way?

# WHERE SHOULD I PLACE MY TAKE PROFIT AND STOP/LOSS TARGETS?

- **Take Profit** – A high probability area for your Take Profit target is **4-7 times the ATR on a given time frame**.

- o For example, if the ATR for your time frame at the time of entry is 7 pips, you want your take profit to be 28-49 pips.

- The next step is to draw a zone or place lines on the chart from 28 to 49 pips and then move to a larger time frame to determine where the most sensible target in that zone would be.

- Anywhere within the 4-7 ATR zone will put you at an advantage to exit the trade with a win a high percentage of the time.

- Using technical analysis to enhance your entry point within the ATR zone will take your profitability to the next level.

- **Stop/Loss** – Placing your stop/loss outside the ATR zone is key to this strategy.

- **The stop loss zone for this strategy is 7-12 times the ATR on a given time frame**.

- o Using the example above, the stop/loss would be 49-84 pips.

- Once again, you want to revert to a larger time frame to see where the best place is to place your stop/loss within this zone. Using technical analysis to help you place your stop/loss is also helpful.

- The key to your stop/loss placement is that you don't want it to be an easy target.

- We realize that every once in a while, the market will take out a stop/loss regardless of where you place it. But if you are winning better than 70 percent of your trades, you are still making money consistently.

The combination of placing your Take Profit in a high probability area and your Stop/Loss in a low probability area will have a dramatic effect on your trading performance.

# MORE INFORMATION AND SPECIAL OFFER

## Special Offer

[Watch the Winner's Edge full video here!](#)



This is an automated tool for Forex traders that sits on top of MT4 charts and places the suggested Take Profit and Stop/Loss zones for you.

At any time on any time frame, you can click the BUY or SELL button, which will automatically draw your Take Profit and Stop/Loss Zones based on the direction you would like to trade and the current conditions of the market.

If the market is expanding, the zones are stretched. If the market is contracting, the zones are tightened. With the zones automatically plotted for you, you can find more high probability trades, and dramatically reduce your risk of getting stopped-out on your trades.

[\*\*If you would like to get this Winner's Edge Profit Zones Tool for just \\$49, simply CLICK HERE!\*\*](#)



## ABOUT THE AUTHOR

We are a group of Forex Traders who have been dedicated to helping others learn and conquer these challenging Markets since 2009 when our Founder, Casey Stubbs embarked on his Forex journey.

January of 2009 is when it all started. Winner's Edge was a small blog, maybe reaching a few people eye's every day. Since then, we have grown tremendously and are widely considered one of the premier educational resources for Forex traders.

# THE BANK TRADING FOREX STRATEGY

BY STERLING SUHR, CO-FOUNDER, DAY TRADING FOREX LIVE

The beauty of the forex market is that it allows almost anyone the opportunity to achieve financial freedom. In a world where the opportunity to make a good living is dwindling by the day the forex market still offers that dream. This market has literally changed my life and I firmly believe that with the right strategy and direction anyone can be just as successful. The trouble with most traders is they don't realize the forex market is controlled and thus manipulated. Most people see this in the news and get discouraged; I however believe this is the best way to predict future price movements. The simple truth is if you can track the manipulation then you can track the next direction in the market with a much higher probability.

## HOW THE RETAIL FOREX TRADER GETS MANIPULATED

Here is a simple question to ask yourself. Are you trading a reactive or predictive strategy? Are you reacting to movement in the market or predicting movement? The point is Smart Money often buys into a falling market and sells into a rising market. The trouble with retail trading strategies is they rely on a rising market to create buy signals and they use a falling market to create sell signals. On the other hand the banks are often selling into rising markets and buying into falling markets. It's not a coincidence that most traders feel like they consistently enter at exactly the wrong time. Blindly reacting to the action of the market often results in being the victim of smart money manipulation. The key behind this manipulation is the need or search for liquidity.



As of May 2014 the top 5 mega-banks by volume control 60.62% of the daily forex volume. If you go a bit deeper and look at the top 10 banks they control just under 80% of the daily forex market volume! In very simple terms that means the vast majority of the volume is controlled by a very small group of institutions. For the last 5 years we have been educating trader on how this consolidation of volume leads to what we term as daily market manipulation.

For years traders have been taught that the forex market is too large to be manipulated. Maybe you were taught the same thing as you first started to trade? Over the last 2 years forex market manipulation in the news has shattered the old belief that the FX market is too large to be manipulated. A simple google search for forex market manipulation will reveal 100's if not 1000's of stories that cover many different types of manipulation. Simply put the old adage that the forex market is too large to be manipulated has been completely blown out of the water time and time again.

Think about it this way. Think about a stock for a minute. In this example we will use Apple (AAPL). On the day I'm writing this AAPL has traded roughly 70 million shares which is just over 8.26 billion dollars in volume if you have an average of \$118 per share. Now imagine for a second that 80% of that volume (56 million shares) was traded by just 10 different individuals. Do you think that those 10 individuals would have the ability to move the price of that stock if they were responsible for 56 or the 70 million shares that traded hands? Of course they would! The same is thus true for the forex market. 10 banks control just over 4 trillion (80% of the daily volume) of the over 5 trillion dollars that trades hands daily. It doesn't matter whether the market size is a million dollars or 10's of trillions of dollars...if you control 80% of the volume you will at the very least control short term market direction.

Now this is just a basic overview of how even the largest market has centralized control. It is important to understand that we don't believe all banks work in unison to move or manipulate the market. What we do however know to be true is the sheer consolidation of volume forces these banks to search out liquidity.

Remember the main function of the banks is to make the market. So while it may be true that the majority of the volume is processed through them they may not be taking a position. They may be filling a position for a client, processing general order flow for worldwide commerce, or one of many other reasons.

Top 10 currency traders <sup>[64]</sup>		
% of overall volume, May 2014		
Rank	Name	Market share
1	 Citi	16.04%
2	 Deutsche Bank	15.67%
3	 Barclays Investment Bank	10.91%
4	 UBS AG	10.88%
5	 HSBC	7.12%
6	 JPMorgan	5.55%
7	 Bank of America Merrill Lynch	4.38%
8	 Royal Bank of Scotland	3.25%
9	 BNP Paribas	3.10%
10	 Goldman Sachs	2.53%

The main point is this, as retail traders we will never know the reason for every order and quite frankly it really doesn't matter. What matters is when they desire to enter or fill a position they must search out the liquidity to both enter as well as exit a position. This constant and daily search for liquidity is at the core of our bank trading strategy. How then can we identify these likely areas of liquidity (manipulation points), and how do we know if or when to enter the market?

## THE STRATEGY

I firmly believe that simplicity is the key to long term success. Over optimization and complicated strategies tend to not only be hard to follow but they also tend to do well in some market conditions only to then give back everything and more when market conditions change. The bank trading strategy has been tested through all market conditions going back to 2009. In 2009 the market had times where the average range was close to 200 pips on the EUR/USD. On the opposite side of the spectrum 2014 produced the most stagnant daily range ever seen in the last 25 years. Regardless of market type, volatility, or range the bank trading strategy stands the test of time because it focuses on the constant that does not waver...that is the majority control of the banks.



# FINDING AREAS OF LIQUIDITY/MANIPULATION POINTS

The first step in the bank trading strategy is identifying areas of liquidity which is what we term as a likely manipulation point. As I said in the beginning I firmly believe in simplicity. Therefore I use this same approach when identifying potential manipulation points. If you were to take 1,000 traders and place them in a room what is one strategy all traders would understand? Some would understand a variety of indicators, some would use chart patterns or price patterns, while others may use strategies involving volume or countless thousands of other strategies and systems. One thing however, that every single trader would more than likely understand and a strong majority would use in one way or another is, support and resistance. Nothing else attracts traders and thus liquidity like major previous turning points in the market. This fact is true of the largest hedge funds, trading institutions, prop firms, ect. More than anything else previous turning points in the market attract and consolidate liquidity from all market participants, ranging from retail all the way to institutional. So am I simply saying to look for reversals from support and resistance, NO! The vast majority of you reading this will have tried something similar to that and because you're reading this you more than likely did not experience the results you were looking for.

The key is finding areas that the rest of the market is going to view as significant. I recommend picking manipulation points from the chart that you intend to take your entries from. Because I use the 15M chart for all my entries, I also use the 15M chart to pick all manipulation points. The longer the time frame, the longer term perspective you should take with that trade. Trades taken off of 15M levels are intra-day trades and thus they should have intra-day targets. Trades taken from daily levels should have targets that correspond to longer term price swings. For the examples in this book I will use the 15M chart.

I start picking manipulation points for the following day during the Asian session. The question I'm asking myself is, "is the rest of the market looking at this level?" The first level we typically look to use is the most recent high and low that has been created. Let's break down what is happening at the last high. For those in the markets that are short the likely stop location becomes the last high. Placing initial stops or trailing stops down to the most recent high or low is one of the most frequently used techniques and unfortunately is one of the worst locations to do so. Why? If Smart Money is going to continue the price to the downside they will likely drive the market into and through the previous high (area of liquidity) before continuing the price down. This allows them to sell into any buying pressure triggered by hitting stops above the previous highs.





Because we do not know the manipulation point that will be used to reverse the price we choose multiple levels within that currency pairs average daily range. Therefore, if the market breaks through the first manipulation point without producing a trade we have additional levels selected. Beyond the most recent high or low as shown above, we will frequently use the previous days overall high or low. This often represents another point of interest that is not only a key stop location but also a breakout point. Either way these areas often attract entry and exit orders and thus are frequently broken before the market changes direction.

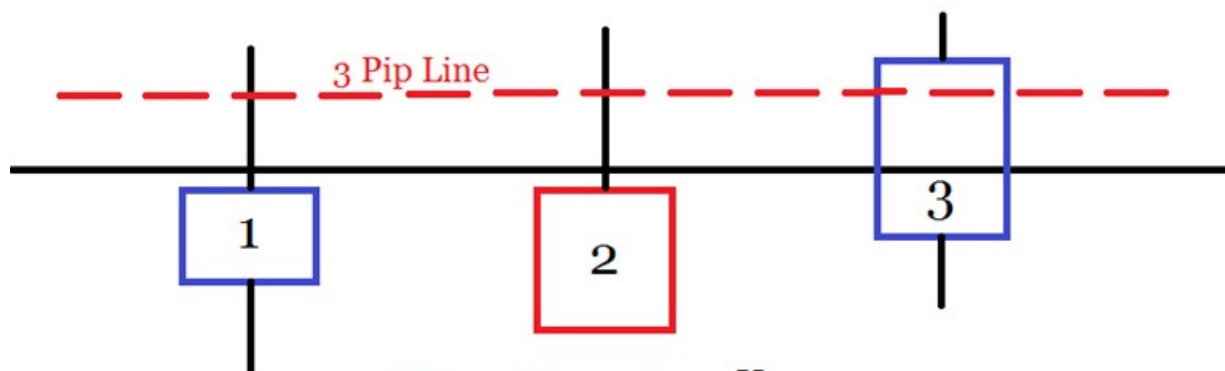


The next logical question becomes which level should we take the entry from. If we have multiple manipulation points then how do we know which level to take the trade from? How do we know if the market is just going to break through this manipulation point or if they intend to actually reverse the price from this level. To make that decision one entry technique that we use is the confirmation entry. Using this technique we look to take short positions from manipulation points that are above the current price when the trading day starts and long entries from manipulation points below the current price.

### Confirmation Entry Technique

The beauty of the confirmation entry is how mechanical it is. One of the biggest struggles new traders have is the inability to take consistent entries. Because the confirmation entry has a black and white rule set it allows traders to produce consistent results without discretionary trade analysis. This entry technique has 3 simple steps.

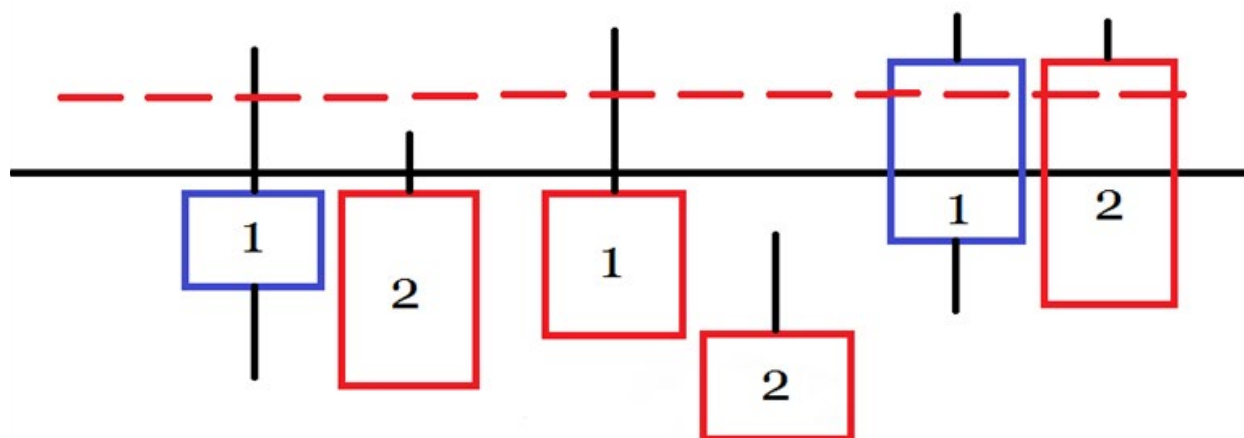
**Step #1** – The first step in the confirmation entry is a 3 pip break of the pre-selected manipulation point. This is the only rule of the stop run candle. How the candle closes is not important. The only criteria I look for is whether or not the manipulation point has been broken by 3 pips. The illustration below shows 3 valid stop run candles that visually look different. Although they all look slightly different they all satisfy the one rule of the stop run candle by breaking the manipulation point by at least 3 pips.



## Stop Run Candles

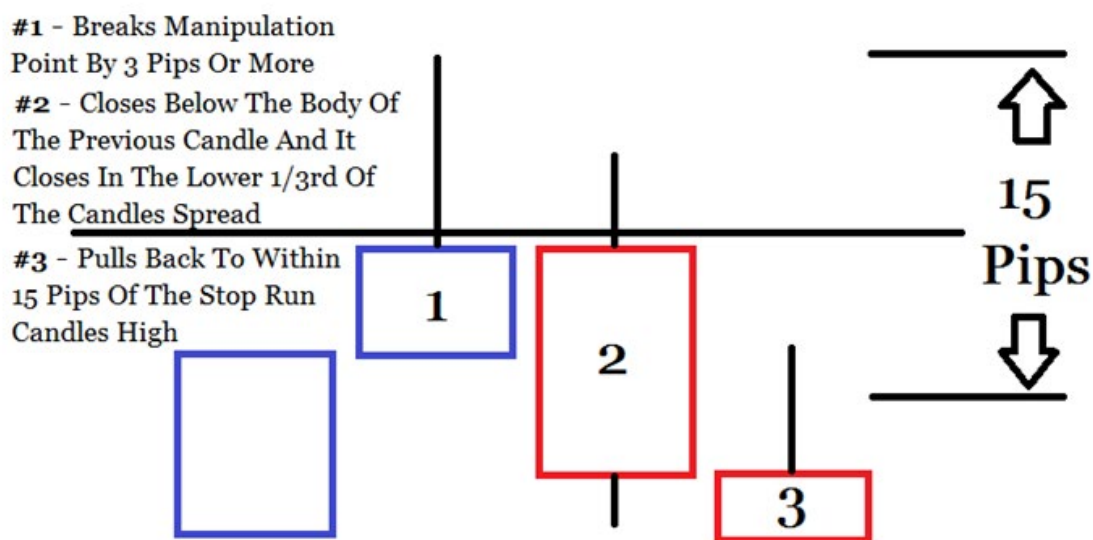
All 3 Candles Break The Manipulation Point By 3 Pips Or More

**Step #2** – The next step in the process is the confirmation candle. Let's break down a short setup. First a candle must break an upper manipulation point by 3 pips as discussed in step one. The confirmation candle must then close below the body of the previous candle and it must close in its lower 1/3rd quadrant. All three examples below show a valid stop run followed by confirmation candle.



## Stop Run & Confirmation Candles

**Step #3** – After a valid confirmation candle forms we then need to see the market pullback. The pullback serves the purpose of allowing us to use a 20 pip stop loss while still getting the stop loss above the high when taking a short or below the low of the stop run when taking a long. Simply put, when the entry price would be within 15 pips from the high or low of the stop run then the entry can be take. At that point if a 20 pip stop is used it will allow the stop to clear the high or low of the stop run candle. Here is an illustration of a 3 candle confirmation entry.



It's important to understand that the illustration of the stop run candle is a perfect 3 candle setup. The confirmation entry can however be a total of 5 candles as a maximum. Candle #1 will create the stop run but there may not be a confirmation candle until the 4th candle and then the 5th candle could provide the pullback. It is also important to understand what invalidates a trade setup. When two consecutive candles open and close beyond the manipulation point the trade gets thrown out and we then wait for the market to come into the next selected manipulation point. This is a basic overview of a confirmation entry.

The video below is over an hour long breakdown of the confirmation entry and all different aspects of it. The video is actually from one of our training sessions we run twice per week as part of the continuing education.

[Forex Confirmation Entry Training Video](#)

# THE POWER OF THE BANK TRADING STRATEGY

In 10 years of trading there is one thing that has been at the core of every successful trader I have ever met, asymmetric risk/reward ratios. If you're losing money trading I can almost guarantee that your overall R/R ratio will be less than 1 to 1. The power behind the bank trading strategy is the R/R ratios these setups produce. Because these setups often catch short term turning points in the market they lend themselves to high R/R trading. Let's do some math to illustrate the point.

Imagine you take 1 trade per day. With an average of 22 trading days a month that would give us 22 different trades. For our example we will use a risk of 2% per trade and a win/loss ratio of only 50%. Let's see how this breaks down over the course of 12 months.

22 Trades Total:

11 Winning Trades X +4% Per Winning Trade = **+44% On The Winning Trades**

11 Losing Trades X -2% Per Losing Trade = **-22% On The Losing Trades**

+44% On The Winning Trades Minus -22% On The Losing Trades = **+22% Monthly Total**

If you make 22% per month on a \$5,000 account you will have \$54,361 at the end of the year if you compound the profits each month. Obviously this is a perfect world scenario but as you can see even with a 50% win/loss ratio and a high R/R ratio the potential is huge.

So many times traders associate success with a win/loss ratio when really success often has nothing to do with a win/loss ratio and is almost exclusively related to the R/R ratio your trading strategy produces. If you take nothing else away from the information in this strategy then take away the importance of R/R ratios.

The numbers described above show the importance of R/R ratios. Obviously it's not as simple as setting your take profit to two times your risk and then hoping for the best. A strategy must be designed around R/R in order to take advantage of it successfully.

Because the primary focus of the bank trading strategy is catching market turning points the setups will always by their very nature produce high R/R scenarios. Catching turning points in the market will decrease the win/loss ratio overall. It is important however to keep in mind what your goal is. Is your goal to be profitable or produce a high win/loss ratio? As an example would you rather win 70% of the time with a 1/1 R/R or would you rather win 50% of the time with a 2/1 R/R ratio? If you do the math on it you will quickly realize the high R/R ratio and 50% win/loss ratio example is far more profitable than the 1/1 R/R strategy that wins 70% of the time. Again...is your goal to be profitable or is it to produce a certain win/loss ratio?

## **LEARN TO TRACK THE BANKS – SPECIAL OFFER**

Ever since I can remember I have had the dream to get my pilot's license. About 4 years ago I started to take flight lessons. Before I ever flew for the first time I had read most of the flight training books and I technically knew how to fly. Do you think that book knowledge qualified me to actually fly a plane? Of course not! The fact is there is a massive difference between book knowledge and applied knowledge. If people took learning to trade as seriously as they would learning to do something like fly a plane the success rate would be much higher. Most people have heard that 95% of traders lose money. Imagine if 95% of pilots crashed. Crashing a plane can literally mean your life and therefore the process of learning is extremely serious.

When we teach people to trade we take the same approach. I don't believe traders can learn by watching a course or reading a book and the statistics prove that statement to be true. That is why our bank trading course is just the start. After someone goes through the course and learns the mechanics of the strategy, next comes the application phase. We use 4 different tools to give everyone the best chance at learning to trade.



**1) Forex Bank Trading Video Course** – Our trading course is over 4 hours of video content, with another 6 hours of add-on content used to really break down the specifics of the Bank Trading Strategy.

**2) Daily Market Review (DMR)** – The DMR video averages 15 minutes and is released every day before trading begins. In that video we do review what happened during the previous day based off of the prior days DMR. More importantly we preview the upcoming day. In that preview I choose the exact manipulation points I will be looking to trade from. We also select the expected direction for the following day based on market cycle (something we did not cover). Because the confirmation entry is mechanical you know exactly what happened based on the previous days review. You also have an exact trade plan for the following day. All that is required is to simply wait for a valid entry at one of the pre-selected levels. We don't just tell people how to trade, we actually show them live and in advance of the actual move. All DMR's are in video format therefore they can be viewed at any time.

**3) Live Forex Training Room** – Our live training room runs on Tuesday as well as Thursday. During both days the room runs from 3-5AM Eastern for the London session and 9:15-11:30AM Eastern for the New York Session. During the room we cover the previous trading day as well as any trades setting up while we are in the room. The room offers a great opportunity to break down different aspects of the strategy and get questions answered on any trade setups. We also record all sessions for those who cannot view the sessions live

**4) Member Forum & Chat** – Members have access to the bank trading community forum as well as the member chat. While most prefer to email us directly, the forum allows new members to view others members trade journals, get questions answered, as well as share their own thoughts.

**5) Lifetime Access & Support** – Our membership is a one-time payment for lifetime access to the community as well as to our support.

**6) 30 Day Refund** – We have a very simple policy...if you're not 100% convinced that you're getting far more from us than what you paid then simply ask for a refund and we are happy to send it back.



## MORE INFORMATION AND SPECIAL OFFER

If you're serious about learning to trade and want someone to provide daily support and direction then we look forward to working with you. As a special discount to those who have downloaded this book we are offering our Lifetime membership at 35% discount.

**Yes I Want To Learn To Track The Banks Enter  
Discount Code For 35% Off: learnforex**



## ABOUT THE AUTHOR

Sterling has been trading for 10 years and educating for 6 of those 10 years. Like most, he started trading forex thinking it would be rather easy.

The unfortunate part of that common belief is it leads to failure. As most other forex traders do, he began searching out every strategy, software, EA, and signal service with negative results. After realizing mainstream "retail" trading strategies

were failing all traders, he went on to develop the Bank Trading Strategy designed to track the dominate force in the forex market, the banks. For the last 5 years he has been and continues to teach his bank trading strategy at Day Trading Forex Live.

# THE FINAL FRONTIER

## ORDER FLOW TRADING THROUGH VOLUME PRICE ANALYSIS

RICARDO MENJIVAR, FOUNDER, PHOENIX TRADING STRATEGIES

What you are about to learn will change the way you look at trading the Foreign Exchange markets. In this chapter, you will learn how the banks hide their plan of action through their volume activity by using algorithmic high frequency protocols that they have designed to hide their real intent from the Retail Trader. Now, if I have your attention, then don't stop reading because what I am going to show you in the coming pages will finally make you aware of the new truth. A wise man once said the truth will set you free but in this case, the truth will greatly improve your trading consistency.

You will learn about a new state of the art technology that has been created to decode the Market Makers/Banks intent. You will learn to take fear and doubt away from your decision process before entering the trade. You won't use conventional indicators like Moving Averages, MACD, Stochastic, RSI, or others because the banks have counter programmed those outdated indicators and that is why you can't get an edge on the trade. Because of this, many of you turn to chart pattern recognition programs that do not work for you either. So do yourself a favor and continue reading this chapter and make sure to watch video. We will demonstrate how we made over **700 pips in one night** using this system.

One of the things that you will discover is that with [PhoenixTradingStrategies.com](http://PhoenixTradingStrategies.com) you have reached the finish line. We are the final frontier when it comes to Order Flow trading and Volume Price Analysis.

### What Is the Forex Made Of?

The Forex is a market created by a network of banks that are in the business of buying and selling currencies. Most banks and retail traders in many cases trade twenty eight (28) pairs that are derived from the eight (8) major currencies which are the following:

## **USD, EUR, CHF, GBP, JPY, AUD, NZD, CAD.**

EUR/USD	EUR/CAD	EUR/CHF	EUR/GBP	EUR/JPY	EUR/AUD
EUR/NZD	GBP/USD	GBP/CAD	GBP/CHF	GBP/JPY	GBP/AUD
GBP/NZD	CHF/JPY	CHF/CAD	AUD/CHF	NZD/CHF	USD/CHF
AUD/USD	AUD/NZD	AUD/CAD	AUD/JPY	NZD/USD	NZD/CAD
NZD/JPY	USD/CAD	USD/CHF	USD/JPY		

Now you and I both know that everyone out there emphasizes that you should only trade the majors because that is where most of the volume is traded. There is some merit to that, but I will show you that they have a different agenda that does not always apply to the major pairs.

What are the majors?

**EUR/USD , GBP/USD , AUD/USD , NZD/USD , USD/CHF , USD/JPY , USD/CAD**

## **CURRENCY PORTFOLIO REBALANCING**

Currency Portfolio Rebalancing is a theory where the Market Makers/Banks base their decision process when they create their algorithms. The whole purpose of this theory and the protocols are designed around managing their risk and exposure with currencies in the market. You see the banks cannot have too much exposure of one particular currency and must maintain a balance between the (8) eight major currencies. So they will buy and sell currencies all day long to manage their risk. Retail traders don't think about this because they get too caught up in other information that doesn't matter.

Currency Portfolio Rebalancing is the idea that money is in continuous motion but that there is a balance that must be maintained between the portfolio of the eight (8) major pairs. While some currencies are trading within a specific frequency of balance others are taken out of balance and then brought back into balance. The example below portrays this concept.



The example above shows how each individual currency is trading against the other seven (7) currencies. It depicts how money is in continuous motion by showing that no currency can trade out of balance for too long without it being brought back into balance. For example, the orange line represents the (GBP) British Pound and shows how it had been trading at frequency of strength before being weakened and brought back into balance. The same thing happened to the (NZD) the blue line which was weakened against all seven (7) other currencies and then traded back into balance for the portfolio of (8) eight currencies. The purple line represent the (JPY) Japanese Yen that was trading in the middle and in perfect balance. This showed that there was no particular interest by the Market Makers to take it out of balance.

In theory, it seems logical but how do you apply it in a real trade? This is a good question, and we will get to how you apply it in the live trading later.

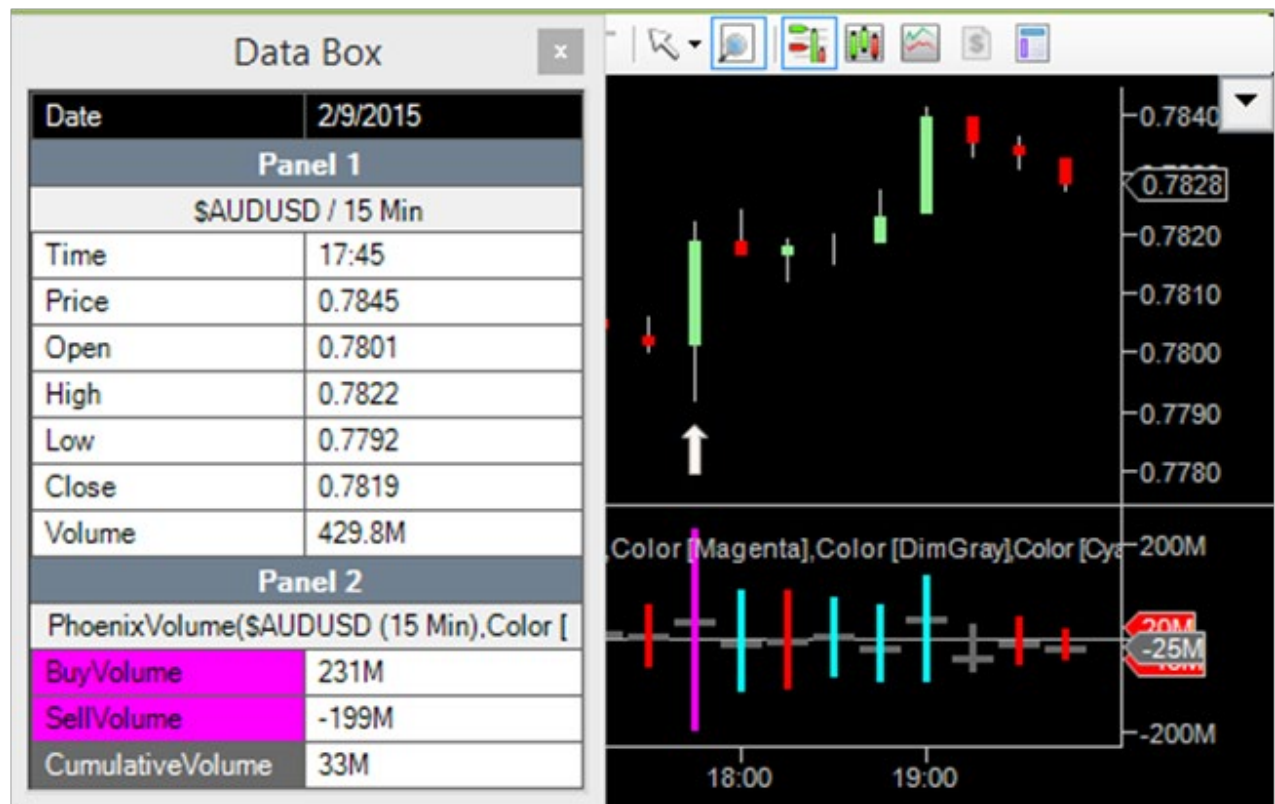
## Phoenix FX Volume

Let's talk about volume in the FX Market. Reality is that there is no centralized exchange for Forex and that is why you cannot quantify the real volume that the Banks/Market Makers are actually trading. This has been a way to keep the retail trader in the dark. So we have created a volume indicator that will help the retail trader decode their order flow by synthetically creating volume that can be interpreted and show the degree of interest that the banks have in rebalancing their risk at certain price levels. We are able to isolate buying and selling volume numerically per bar per time frame.

So for example, if you are on the (15) fifteen minute time frame, this indicator will show how many millions they are selling and buying in the same candle giving you the depth of the market per candle that you could never see before.

As we continue, you will discover that our volume indicator is better than anything that you have ever used to define order flow because it is easy to interpret and can tell you if that candle is really bullish with bullish volume or is really a bullish candle with bearish volume.

In the example below, you will see how we identify all the volume in the candle that we tagged with a white arrow. Just that one candle had a total of 429.8 million that was quoted in that one bullish green candle that moved a total of 32 pips. More importantly is that within that candle we were able to isolate in panel (2) two, the buying and selling volume that was quoted inside that bar. Showing the real emotion that drove the candle to go long. This has never really been seen before by the Retail Forex Trader. Now imagine if you knew when it mattered to look at the volume and understand that they were rebalancing their risk by offsetting their short positions before driving the trade long the way they did here. You will see later how valuable this information is to your decision process because our software alerts you when you should be analyzing the volume per candlestick because the market makers/banks have decided to execute their plan of action at a particular price level.



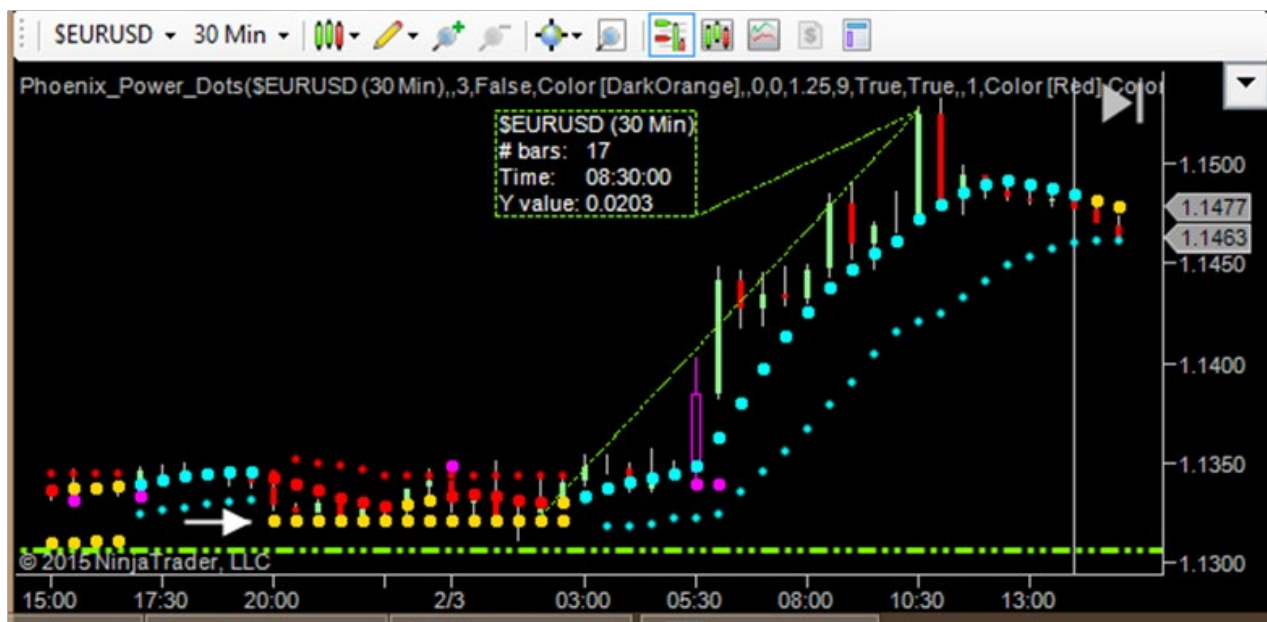
In the example above, you see the volume bars and a line that runs in the middle which is the mean. Then to the far left that candle looks like a shooting star and is a great example of a bearish candle with bullish volume because the little gray line on the red volume bar shows that the volume settled with a bullish outcome. So, YES, interpreting volume does matter at certain price levels where they have decided to trade away from.



## The Phoenix Power Dots

Why is it that retail traders are the last to know before volume and momentum are driven into a currency pair? Why can't that information become more noticeable to the human eye? That is the question that all traders ask themselves because they lack the right information to plan their trade out before the Market Makers/Banks decide to move the market. The Power Dots is an algorithmic piece of art that we created to identify when the Market Makers/Banks are about to begin rebalancing their trades around a specific price level where they have chosen to offset their short orders in order to drive the trade long.

The example below shows a graphic display of that powerful information that will alert you hours in advance so you can plan your entry, stop loss and even price target without fear.



The Gold Dots are the Phoenix Power Dots. In the example above, you can see how using a 30 minute time frame plotted the Gold Dots at 20:00 hours above the green line. The green line is an additional price level that was plotted on a higher time frame, and represents a key area of support that the banks refused to break. This is because if the banks break this area of support, it would trigger other algorithms from other banks that would create a selling frenzy, instead of driving prices higher and offsetting their short positions. And where you see the Power Dots form is exactly where the banks do a lot of high frequency trading so when you combine the Phoenix Volume with it you can see how desperate they are per candle to rebalance their orders but never trade below the Power Dots because their intent here was always to go long 200 pips to the upside. Now think about this the Power Dots began to form five (5) hours before the trade went long. So you had a five (5) hour window to determine your entry, stop loss and take profit target.

This is powerful information that I am sharing with you and you will appreciate it even more when you see our video and how we made over 700 pips in one night with 4 trades using this software.

In the example below, we combine all the indicators together to tell you the story. You can see in the data box on the left the Power Dots formed at 1.1320 which was right above 1.1306 where the green line was plotted. So the price of 1.1320 was established by the Market Makers as the price level that they were going to aggressively rebalance their short positions. The first Gold Power Dot shows the amount of volume that they were desperate to sell. In Panel 2 on the Data box you can see that they were desperate to offset -292 Million on the sell side against 231 Million on the buy side. Leaving -60 Million that they could not offset in that candle. So you see this price level is where they were going to do all their high frequency trading to get out of their short positions before driving this trade long. Thus, the reason why we call this Order Flow Trading with Volume Price Analysis.



So when you see the combination of facts and numbers, is it fair to say that they have counter programmed candlesticks? Without this software alerting you and calculating all this information for you to define and decode the Market Makers/Banks intent you would have never thought that they were really intending to drive the trade long over 200 pips. Finally, we put you in control of the trade by creating a Market Analyzer that will alert you when the Gold Power Dots form in any of the 28 currency pairs that you prefer to trade. This is the icing on the cake because it reduces your analysis time to when you should be looking at the market not being a slave to it.

You can program it to alert you when it says Analyze Me. This tells you that Power Dots have formed at certain Price Levels that are of priority interest to the Banks. You can see below that there are five (5) Currency Pairs and one (1) the E-Mini Nasdaq that are in play. This takes your focus to what the banks want to manipulate not what you think is going to happen. So if you are ready to trade the right way, you will want to add this suite of indicators to your arsenal.

Market Analyzer						
Instrument	15	Current	Congestion	WideBar	Phoenix_Power_	Price to Congesti
NQ 03-15					Analyze Me	
YM 03-15			Congestion			Trade With Me
GC 04-15	-1.0	-1.0	0.0	0.0	0.0	0.0
\$AUDJPY					Analyze Me	
\$AUDUSD			Congestion		Analyze Me	
\$CADJPY			Congestion			Trade With Me
\$EURAUD						
\$EURGBP						
\$EURJPY						
\$EURNZD						
\$EURUSD						
\$GBPAUD						
\$GBPCAD						
\$GBPJPY						
\$GBPNZD					Analyze Me	
\$GBPUSD			Congestion			Trade With Me
\$NZDUSD					Analyze Me	
\$USDCAD						
\$USDJPY					Analyze Me	

## CONCLUSION

Whatever you decide to do, I want to wish you the very best in your journey to Trading the Forex Markets. I hope that in this journey you choose PhoenixTradingStrategies.com as your guide to staying (10) steps ahead of the Banks.



## ABOUT THE AUTHOR

Ricardo Menjivar a licensed Futures and Forex Broker who started trading over 10 years ago as a retail trader like many of you. He decided to become a licensed Futures and Forex Broker in 2008 where he collaborated with a team of software developers to bring out the first Electronic Communications Network platform for the retail FX traders. As a broker he had the ability to deal with many software developers, CTA, Prop Desk Traders and Money Managers that were trading the Forex Markets.

## MORE INFORMATION AND SPECIAL OFFER

Sign up for Ricardo's Free Trading Room.

[Simply CLICK HERE](#)

Don't forget to check out [THIS VIDEO](#) as we demonstrate how we made over 700 pips equivalent to \$7000.00 in one (1) night by just trading 4 pairs.

Or this [RECENT VIDEO](#) where we made over 300 pips with 4 pairs trading Non-Farm Payroll.

# TRADING THE LONDON SESSION WITH NADEX BINARY OPTIONS

BY CAM WHITE TRADING PUB

If you trade any market including the forex, you may want to consider adding Nadex to your trading arsenal. Nadex gives you an excellent opportunity to manage your money, risk/reward and it serves as hedge against market spikes that can keep you from losing trades. With Nadex, you always know what your maximum risk and maximum reward is before you place your order. In this chapter, you will be introduced to Nadex and you will be exposed to 2 strategies that have high probabilities of success.

Nadex Binary Options have been called “yes or no” or “up or down” trading propositions. Each contract has a maximum value of \$100. This means that the most you could win or lose is \$100 per contract traded. Probabilities determine how much you can win or lose.

Let's say you think the price of gold will be **above** \$1250 at 1:30pm EST

- The market determines that there is a 70 percent probability you are right.
- You would risk \$70 on a market order to make \$30 on this high probability trade.

Conversely, let's say you think the price of gold will be **below** \$1250 at 1:30pm EST

- The market determines there is a 30 percent chance you are right.
- You would risk \$30 on a market order to make \$70 on this lower probability trade.

Nadex is the **North American Derivatives Exchange**. It is headquartered in Chicago and subject to regulatory oversight from the CFTC. When you trade with Nadex, your orders are placed directly on the exchange without a broker. You therefore pay no commissions to brokers. Nadex charges a \$.90 cent fee to place an order on the exchange, and charges a \$.90 cent fee if your trade settles in the money, or if you close your position early.



As an exchange, Nadex matches buyers with sellers, and they take no positions in any of the assets made available for trading. In the gold example above, if you bought gold at \$70, you would be matched against someone who is selling gold for \$30 for an even \$100 contract value. Nadex is only available to legal residents of the United States, Canada, Mexico and U.S. territories.

## How do Binary Options Work?

- Everything starts with your opinion on which direction the market is going
- Choose the market you want to trade:
  - o Popular Forex Currency Pairs, Major Indices, Major Commodities
- Select a contract expiration time (hourly, daily weekly)
- Determine whether you are buying or selling. How many contracts are you trading?
- Decide what price you are willing to pay. Will it be a market or limit order?
- Place your order directly on the exchange
- You can let your trade ride until expiration or close it out early.

# THE NADEX TRADING PLATFORM

The screenshot displays the Nadex trading platform interface. The top navigation bar includes links for 'Index', 'Markets', 'Watchlists', 'Open Positions', 'Working Orders', 'Order History', 'Tickets', 'Manage Charts', and 'Tools'. The main area is divided into two sections: 'Contracts' and 'Open Positions'.

**Contracts Table:**

Contract	Time Left	Expiry	Buy Size	Buy	Offer	Offer Size	Update	Indicative Index
PTSE 100 (Dec) +5200 (4PM)	15m	21-OCT-14	100	50.00	57.50	100	11:43:47	6347.160
PTSE 100 (Dec) +5300 (4PM)	15m	21-OCT-14	100	55.00	56.50	100	11:43:56	6347.160
Germany 30 (Dec) +8500 (4PM)	15m	21-OCT-14	100	82.00	86.50	100	11:43:57	8890.767
Germany 30 (Dec) +8600 (4PM)	15m	21-OCT-14	100	78.00	82.50	100	11:44:06	8890.767
US 500 (Dec) +1937.5 (4:15PM)	30m	21-OCT-14	25	94.50	98.00	1	11:43:46	1925.890
Vital 50 (Dec) +19380 (4:15PM)	30m	21-OCT-14	200	95.00	91.50	25	11:44:02	19454.20
US SmallCap 2000 (Dec) +1994.0 (4:15PM)	30m	21-OCT-14	50	88.00	91.00	50	11:44:03	1935.787
US SmallCap 2000 (Dec) +1995.0 (4:15PM)	30m	21-OCT-14	50	81.50	86.50	50	11:44:03	1935.787
US Tech 100 (Dec) +3330 (4:15PM)	30m	21-OCT-14	5	94.50	96.25	25	11:44:02	3934.883
US Tech 100 (Dec) +3330 (4:15PM)	30m	21-OCT-14	100	93.00	97.75	25	11:43:54	3934.883
US Tech 100 (Dec) +3330 (4:15PM)	30m	21-OCT-14	300	96.00	96.00	200	11:44:03	19454.20
Vital 50 (Dec) +19370 (4:15PM)	30m	21-OCT-14	200	93.00	96.00	1	11:43:49	1925.890
US 500 (Dec) +1913.5 (4:15PM)	30m	21-OCT-14	-	-	-	-	11:43:26	6:579226
AUD/USD + 9000 (11AM)	30m	21-OCT-14	-	-	-	-	11:43:19	6:579225
AUD/USD + 9000 (11AM)	30m	21-OCT-14	100	35.50	41.50	100	11:43:57	6:579225
AUD/USD + 8800 (3PM)	30m	21-OCT-14	100	12.50	17.00	100	11:44:02	6:579225
AUD/USD + 8800 (3PM)	30m	21-OCT-14	100	12.50	17.00	100	11:44:02	6:579225
AUD/USD + 9000 (7PM)	30m	21-OCT-14	50	36.00	46.00	50	11:44:02	6:579225

**Open Positions Table:**

Contract	Time Left	Expiry	Trace Time	Avg Price	Position	Current Mkt	Profit/Loss	Indicative Index



The Nadex trading platform is extremely easy to use. On the left side, you can quickly find the market and time-frame you want to trade. In the middle of the screen you will find a watch list of popular markets currently being traded, or you can populate this screen with a customized view of the markets you like to trade. Next, you can take a closer look at the chart of the market you want to trade.



Nadex charts give you a wide variety of indicators you can use for technical analysis. On this chart, the 8 period EMA, 50 period MA, Stochastics (12,3,3) are plotted along with a volume indicator. Once you have determined the direction of the market, it is time to place an order.

# HIGH PROBABILITY STRATEGY – THE GBP/USD “LONDON

This Nadex Strategy is based on a successful Forex trading strategy that has been around for years. If you trade Forex, please refer to the “London Breakout Strategy” chapter in the Forex section of this book. It’s a great strategy to trade, especially if you are an early riser, or if you don’t have time to trade when the markets open in New York

. If you can wake yourself up at 4am-5am EST, you can log on to Nadex, place a trade and go back to sleep with a 70-80 percent chance of having a successful trade.



## The basic rule of this strategy couldn’t be simpler:

- The daily low or high of the GBP/USD currency pair will be established between 2am-5am EST, when the European and London financial markets open.
- The opposite high or low of the day will be established between 8am-2pm EDT after the opening of the New York market.

Think of it like a see-saw, where the 6am-7am time period is the fulcrum.

**Why does this happen?**

FOREX MARKETS																									
AM												PM													
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12		
		LONDON																							
							NEW YORK																		
																SYDNEY									

Nadex charts give you a wide variety of indicators you can use for technical analysis. On this chart, the 8 period EMA, 50 period MA, Stochastics (12,3,3) are plotted along with a volume indicator. Once you have determined the direction of the market, it is time to place an order.

At 2am EST, the European markets open and financial transactions start to happen. At 3am the London market and the Bank of England opens. 3am is also the final hour of trading in the Tokyo exchange. At 3am EDT, a huge volume of transactions are processed and cleared in a very short one-hour period of time. The result is often a very bullish or bearish move with the GBP and its related currency pairs. Think of it like a garden hose being crimped, with water accelerating out the hose when you squeeze it.

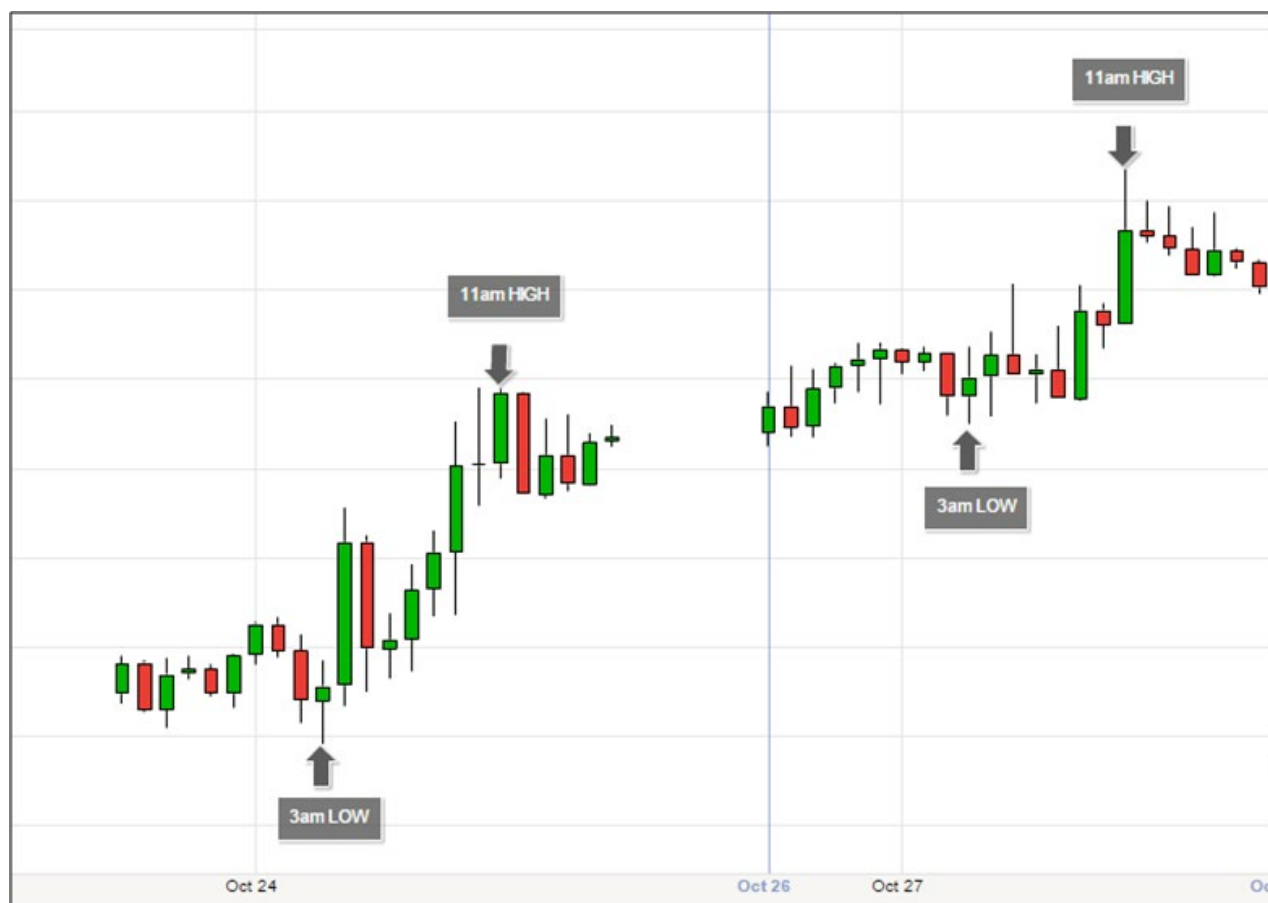
The volume of transactions, coupled with any economic news reports coming out of the UK (usually at 4:30am EDT) will set the direction of the market for the rest of the day. Here's an example:



The GBP/USD had been on a downtrend on the daily charts. At 2am, the European markets opened and the market chopped up a little bit, and then moved down. At 3am, the London market opened, moved down a little bit before shooting up at 4:20am and setting the high for the morning session. Then the market turned down sharply. It appeared that the high had been established at 4:20. The decision was made to place the following trade:

### **SELL GBP/USD >1.7140 (3PM) Risk: \$50 Reward \$50**

The order filled, and the market moved sharply downward. At 8am, when the New York market opened, the market accelerated downward, and the trade was never threatened. This pattern repeats itself with great frequency. If you look at the hourly charts of the GBP/USD, you will see patterns like this with great frequency:



If you can spot the low or the high of the market between 2-5am EST, there is a high probability that the opposing high or low will be revealed after 8am EST. If the low or the high of the morning session isn't obvious to you, then it's probably a good day to skip this strategy for the day.

## Rules for Trading the GBP/USD “London Open” Strategy

- Check the [Economic Calendar](#) for news from the UK and the US. Most news reports out of the UK are released at 4:30am EDT, so you want to hold off trading this strategy until those reports are released.
- Check the US Dollar Index. Is it trending up or down? The US Dollar Index moves in the opposite direction of the GBP/USD.
- Check the daily chart for the GBP/USD. Is it trending up or down?
- Look for the daily low or high between 2am-5am EDT
  - o If LOW has been established, then BUY
  - o If HIGH has been established, then SELL
  - o If you can't find the low or high, then don't trade this strategy
- Strike Price: +/- First strike price above the morning low if BUYING, or below the morning high if SELLING
- Set the expiration of the contract for 3pm EDT.
  - o The London Open Strategy works very consistently, as long as the US Dollar Index isn't at 10-Year highs or the GBP/USD isn't at 10-year lows. Be aware of major economic news in the UK and USA.
  - o Use a risk/reward strategy that best suits your trading style. You can place a market order, and risk more per contract, or you can place a pending/working order and wait until the market comes back and fills you.

## CONCLUSION

Trading Nadex Binary Options is a simple “yes or no”, “up or down” proposition. To trade Nadex Binary Options successfully, you need to master three areas of trading:

- Disciplined money management – Never risk more than 5% of your account per trade
- Risk/Reward Management – Know how to manage your winners and losers
- Directional Strategies with a High Probability of Success – 70 percent or better. Make sure you test any new theory in demo at least 20 times to gauge probabilities of success.

If you can master these three areas, you will achieve much better consistency in your trading and your account balance will continue to grow.



# SPECIAL OFFERS:

[Watch the Video \(highly recommended\)](#) – Cam White walks you through the Nadex platform, how to use it and how to apply the two High Probability strategies discussed in this chapter.

[Open Up a 2-Week Free Nadex Demo Account](#) – Sign up for a free Nadex demo account. It will be funded with \$25,000 in play money. Test these strategies and see how they work out for you.

[Get a Free Library of Nadex Information](#) – Courtesy of TradingPub



## ABOUT THE AUTHOR

Cam White has been working in Business Development with TradingPub since June 2014. His first assignment was to become familiar with Nadex. He downloaded the demo software and dove into the Nadex platform. A self-professed “crash test dummy”, Cam tests directional and non-directional strategies with Nadex Binary Options and Nadex spreads and publishes results.

Cam also publishes [The Probability Report](#), a monthly newsletter featuring Nadex webinars, and contributes articles on Nadex to financial media outlets.