ASTROFX

The Art of Technical Analysis

Package Contents

The Art Of Technical Analysis

Introduction

Our package is constructed in such a manner whereby any individual with little or no market experience can transform themselves into a professional financial trader with the correct work ethic, self-belief and persistence. AstroFx aim to create a relationship with our clients, discussing your medium to long term personal goals and ambitions, whilst remaining up to date with your progress on a weekly to monthly basis in order to encourage maximum personal growth and potential.

After reading our short story you will now have a greater appreciation for the work ethic, time and dedication required to succeed in the field of forex. The harsh reality is that **90%** of traders will lose their hard earned money and we are here to help you to rise above this cruel statistic and walk alongside us on the path to financial independence.

All the previous mistakes and the traps we became swindled into, along with every crucial training chapter is disclosed within this guidebook. Unlike the vast majority of the one-dimensional forex teaching packages available out there, the entirety of the information within this book is written 100% by us in a unique manner. We understand that any individual with the correct mental attitude along with some mentoring can become a successful trader, to which there is no limit!

We have provided assistance to many ambitious traders, many of who were struggling and in need of that extra fine-tuning in order to shape them into profitable trading machines. Our package has enabled traders to avoid the garbage flowing through the market, allowing them to divert their attention onto the aspects that will truly make them money. From this moment on emotions must be left outside the door and a strict discipline is required from yourself.

Learning to trade will take you on a journey of self-awareness as your past reaches into your present and programs your future. At some point in their journey every trader will acquire bad habits and subconsciously apply these to the market, ultimately meaning when you choose a behaviour you are choosing a consequence. Thus becoming your own worst enemy if you do not purge yourself of any bad habits. In order to become successful in this game you must transform your bad habits into good ones.

Some may take longer than others and may necessitate more mistakes in order to form them into the best traders they can possibly be. Persistence is absolute key in this business; you will most definitely be rewarded for your efforts upon applying a consistent and dedicated work ethic.

The Traders Constitution

1. **I am a successful, disciplined Forex trader.**

2. **I enjoy trading to make a profit.**

3. **I honour the responsibilities I ask of myself and those who are watching and depending on me to be such a trader.**

4. **I will always continue to educate myself on how the market works.**

5. **I know how to determine market direction and I have a simple trading methodology that works and consists of an entry and 2 exit strategies. One for profit and one to protect me from taking large losses.**

6. **My stop loss order is placed to work within my equity management rules and I feel comfortable with that stop loss order when I trade.**

7. **I have a set of rules that make sense to me that are easy to execute and easy to obey and I obey these rules.**

8. **I trade for PIPs, not for money.**

9. **I trade non-emotionally and turn off my profit loss window on my dealing station to support that decision.**

10. **I always trade with a protective stop.**

11. **When I find a trade I create a Trading Plan and ensure to trade my plan.**

12. **If the currency I trade does not meet the criteria of my methodology I will look to trade another currency.**

13. **If I cannot find a trade then I am patient and will wait until the market meets the criteria of my trade and after each trade I always WIN, either pips or experience.**

14. **I am always positive when I trade.**

15. **I will remove the word ’should’ from my vocabulary and replace it with ’will’ or ’must’.**

16. **I never take anything personally.**

17. **I never assume anything.**

18. **I always use positive words.**

19. **I always succeed in anything I do through persistence.**

20. **I always do my best, if I make a mistake I accept it, learn from it and move on.**

UKCCS   Copyright Witness

Registration Certificate

Account Number: 1471405
Registration Number: 284682410

To certify that the work

ASTROFX ULTIMATE COURSE

Was registered with UK Copyright Service

On 02/07/2014 (02 July 2014)

And that the copyright owner is listed as

ASTROFXC

It shall remain on record as evidence of copyright

Until the registration expiry date of

02/07/2019 (02 July 2019)

The schedule of revision that accompanies this certificate details the date and description of each deposit made under this registration.

Further copies of certificates or copies of the work can be obtained from:
Registration Services Department
UK Copyright Service
4 Tavistock Avenue
Didcot
Oxfordshire
OX11 8NA
United Kingdom

Document C-01 | Printed 02/07/2014

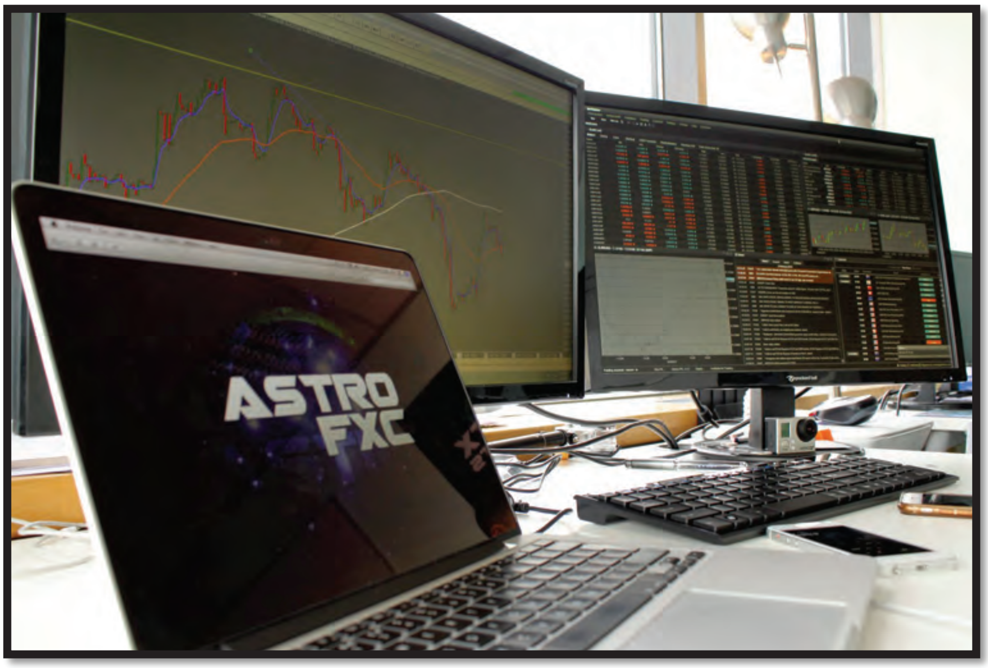
Lesson 1: What Is The Foreign Exchange Market

If you don't already know, attempting to learn the ins and outs of the FX/ Foreign exchange market can like running into hell with flammable shorts! (**that's if you go ahead without AstroFx mentoring of course**) whilst getting to grips with the terminology alone can turn you insane!

In simple terms, the forex market is actively traded **5** days a week, **24** hours a day opening **10pm** on a **Sunday** night and closing at **10pm** on a **Friday** night. Businesses, investors, governments, banks and retail traders (**such as yourself**) exchange and speculate on the currencies that are available through an online broker, ultimately using probabilities (**fundamental/technical analysis**) to predict the currencies next move either up or down!

These currencies are traded in pairs, for example Euro/US Dollar (**EUR/USD**) or US Dollar/Japanese Yen (**USD/JPY**) and anybody, anywhere is able to profit from the correct judgement and direction of their constant price fluctuations. The Forex market is the largest and most liquid market in the whole world with an average daily turnover of $4.98 Trillion dollars (**toppling over the stock market which is in the billions**)!

The main forex trading centres worldwide include: London, New York, Zurich, Frankfurt, Hong Kong, Singapore, Paris and Sydney. Once you have familiarised yourself with a currency pair and your research indicates a certain position that you feel you will profit from, you may then work that position all day and night if you wish. Allowing you to potentially accumulate greater profits in a shorter amount of time than you could achieve if you were to trade stocks.



Forex V's Stocks

You may be asking, what is the difference between trading forex cross pair currencies in comparison to trading stocks? Well... whilst the stock market is the most traditional method to profit from an investment, it can turn into a time consuming and daunting experience, since there are tens of thousands of companies to choose to invest in out there. It is rather difficult to perfect a system that will make you more than 10-15% returns on a yearly basis and it is impossible to truly know when a company will decide to go bankrupt or fail completely. This is not to say one cannot make exceptional gains trading stocks, however it carries with it an immense risk and uncertainty when trying to play individual stocks for 20-30% gains in a short period of time.

In comparison to stocks, the Forex market is far simpler in nature, although it may entail a lot more self-education, since there are not as many commercial TV shows and learning guides dedicated to FX trading as there is with stocks. You should also note that there is in fact no central market place for the forex market and trading is said to be conducted 'over the counter', which is unlike stocks where all orders are processed via the central market place such as the NYSE.

The currency pairs traded in FX are products quoted by all the major banks, which are then fed through the broker **(also known as the market middleman)** who then delivers an overall average price to the retail trader **(that's you)** to buy or sell with. So in forex, as there is no central market place, effectively it is the broker who is transacting your desired trades, 'making the market' if you will. Therefore when you buy a currency pair it is your broker actively selling it to you, not another trader!

As forex turns over more liquidity in one day than wall street does in one month, a higher leverage is also offered, meaning you can trade up to 50x your actual account size which can lead to highly lucrative profit opportunities whilst stocks are extremely limited **(but more on that later).** No matter what time of the day or night it is, the forex market is always moving. Active traders across the world are continuously buying and selling currencies, thus with a solid strategy you can make a hell of a lot of money from the comfort of your own bed!

History Of The Forex market

We don't really want to bore you to death, however it is crucial for your personal forex knowledge base that you are aware of the history of forex; how far it has come and how rapidly it is growing!

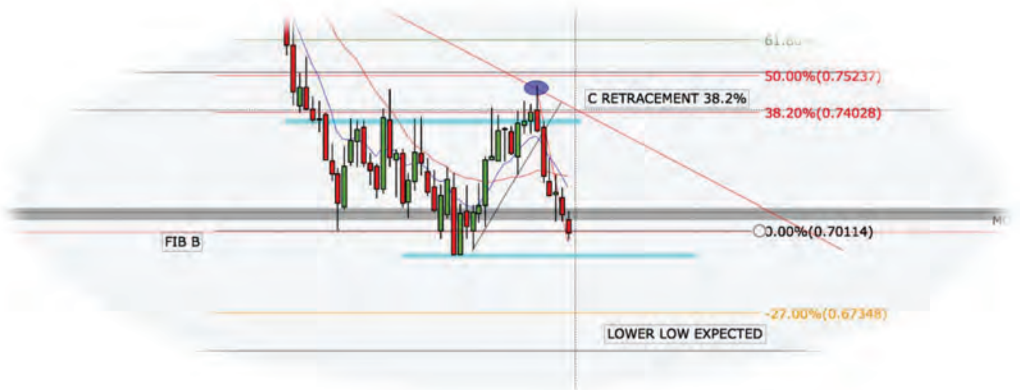
In historical literature, the great depression appears as an earthquake or plague alongside the removal of the gold standard back in 1931, which left a bleak atmosphere within the foreign exchange market activity. The gold standard was used to describe any currency that was pegged to the amount of reserved gold, for instance if you had one US Dollar, you could take it to the government any and trade it for a fixed amount of gold! In the U.S. on average $20.67 yielded you with 1 ounce of gold year after year.

From **1931** up until **1945** there was a 14 year period where fiat, non–backed paper money was dominant, which lead to huge economic imbalances from country to country and was a major contributing factor towards the beginning of World War I.

The market experienced fast paced evolutionary changes from 1931 up until 1970, which at the time had a great impact upon the global economies. The forex market was fully established in **1971** but from its infantile stages during the middle ages up to World War I, it was relatively stable and did not attract much speculative activity or the interest of investors. It was only until after World War II however, that the markets started to pick up in volatility and speculative activity increased tenfold!

A government change in policy was introduced around **1963** when the new federal reserve notes (**with no promise to pay in 'lawful money'**) were released with no guarantees and no value! Two years later, in 1965 silver was completely eliminated from all coins. Lyndon Johnson signed the coinage act of 1965, which terminated all previous legislations set up by George Washington 173 years earlier.

Currencies of the major industrialised nations became free floating and therefore becoming subject to the prices set for them in the actively traded forex market. As speculators and investors gained a greater interest, the liquidity began to steadily increase and prices fluctuated each day.



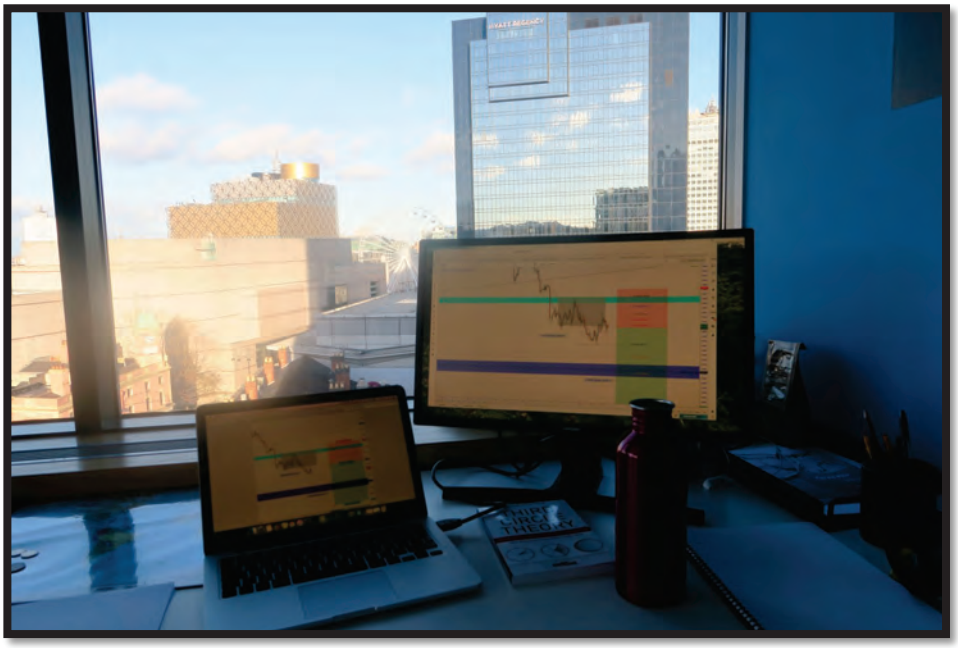
In the early **1980s** the telecommunication and computer industries grew, encouraging the global financial markets to surge worldwide. All markets then became accessible to everyone regardless of the time zone and time of day. Trading was only available through combinations of technological, communicational and political advances, all charting had to be done by hand on paper whilst all trading orders had to be executed via telephone!

Transactions in the Forex market increased from about **$68 billion** per day in the early **1980s** to over **$3 trillion** a day in **2006,** although it did not become widely electronically tradable until the **1990s**. The Forex Market today in **2016** is estimated to be turning over **$5 trillion plus** and is growing day by day as more and more aspiring retail traders are discovering the market alongside its lucrative potential.

Due to the technical advancements of the Internet and the large number of brokers available worldwide, the major modern day currencies move independently from other currencies and are traded by absolutely any individual who wishes to do so. This has caused a recent influx of speculation by banks, hedge funds, brokerage houses and individuals. Central banks are seen to occasionally intervene in an attempt to move currencies to their desired levels. The underlying factor that drives today's forex markets, however, is supply and demand.

"Some people think the Federal Reserve banks are America's government's institutions. They are not government institutions. They are private credit monopolies which prey upon the people of the United States for the benefits of themselves and their foreign swindlers"

Louis T. McFadden, congressional record 12595-12603 ~1932



So, who exactly trades the Forex market and why ?

There are more than 100 official currencies in the world. However, most international forex trades and payments are made using the U.S. Dollar, Yen and Euro. Other popular currency trading instruments include the British pound, Australian dollar, Swiss franc, Canadian dollar and Swedish krona. With there being such a diverse variety of currency pairs to trade and with them all holding their own backgrounds and fundamental qualities, there are certain groups of investors, speculators and traders that they attract. The main players include:

Companies & Corporations:

A vital aspect of the forex market is the activity directly from companies who are constantly looking to exchange currency in order to fulfil business transactions and pay for goods in other countries. For example, a British laptop producer imports German components and sells the final goods in the U.S. When the final sale is made, the American dollar must be converted back to pounds. The British firm must exchange pounds to euros in order to purchase the German components. The rates of cross currencies impact the profits and margins of corporations worldwide who interact in overseas commerce.

Banks:

Large banks such as; Barclays, HSBC, Deutsche and J.P Morgan make up for around 50% of all forex transactions and currency volume trades that are conducted on a daily basis. This is known as the 'interbank market', the place where banks of all sizes trade large amounts of currency with each other through electronic networks. Some will trade billions of dollars every single day, sometimes this trading is executed on behalf of customers but most of the time it is done by the proprietary traders who trade the banks own capital for huge profits.

Hedge funds & Investors:

After banks, hedge funds, pooled (**combined**) funds and portfolio managers make up the second biggest collection of forex players. Investment managers and hedge funds usually have a large amount of capital that belongs to many clients and investors. Anything they make over their yearly percentage figure they keep for themselves, it is how they make money. 70-90% of all forex transactions are speculative in nature, meaning the institutions that buy or sell the desired currency have no plan of actually taking it and keeping it, but the transaction was executed with sole intention of predicting the price movement in order to make a profit at any given time.

Central Banks:

Crucial players in the forex market, the central banks are responsible for forex fixing. Any action taken by a central bank is most often implemented in order to stabilise or increase the competitiveness of a nation's economy. Their actions, policies and decisions trigger increases and decreases in the value of their country's currency rates, mainly in the form of inflation, money supply and interest rate control/manipulation. At times their substantial foreign exchange reserves are desperately required to stabilise the market, thus impacting import/export prices, price of gas, petrol and even the food you buy on a day-to-day basis. During periods of long deflationary trends a nations central bank may have to weaken its own currency rate by creating an additional supply, which is then used to purchase a foreign currency.

Retail traders and small investors:

When we say 'retail traders' we are referring to traders who sit in an office or those who are at home trading their own accounts and learning just like you! The overall trading volume of retail traders is extremely low in comparison to the banks, hedge funds and other heavyweight financial institutions. Nonetheless, with the ease and accessibility of trading platforms and brokers on the Internet, the retail forex industry is growing at a rapid pace. Retail forex traders access the market indirectly through an online broker or a bank, where they place trades based on a combination of fundamental factors **(inflation rates, monetary policy expectations, interest rates etc.)** and technical charting factors **(support, resistance, Fibonacci, price patterns etc.)**

Retail trading at a consistent, successful level can be one of the most difficult challenges in the world if your mind is not in the correct place. Trading is 80-90% mental/emotional and the harsh reality is that only 5-10% of retail traders really make it! Traders who are unprepared will find themselves being stomped upon by the big players with huge amounts of capital that can essentially move the market. The aim of this package is to provide you with the correct knowledge, mind-set and tools so that you are prepared to go into battle. We can say however, that with the right attitude, patience, discipline and dedication you can most definitely become a part of the 5-10% winners club and embrace a lifestyle no other business on the planet could possibly deliver!

Advantages Of Being A Successful Forex Trader

Whilst the FX market is the most lucrative and most rewarding to trade **(due to its liquidity),** if you're a beginner it is highly important to note that trading carried as much risk as it does reward! It is a common misconception for a large majority of the people who come into the markets to think only about the rewards and dismissing the risks involved. This mentality is by far the fastest way to lose a large portion if not all of your account equity. It is not about how much you make in FX but how much you lose! Capital preservation is key. If your serious about trading forex then it is a critical mental step that you acknowledge and are aware of the fact that you could lose on any given trade you take.

As previously mentioned, the forex market is the largest in the world. With its daily volume exceeding $4 Trillion per day it means that its dense liquidity makes it very easy to get in and out of positions instantly with the click of a mouse. As there are so many huge market participants such as hedge funds and banks it means there is high volatility a large percentage of the time.

Volatility allows traders to profit in most market conditions whilst providing quite a number of high-probability trading opportunities both long and short term. As there is no structural bias like a certain stock pick, traders have equal opportunity to extract profits in a rising or falling currency pair dependant on the strategy used.

Since the market is open from 10pm Sunday to 10pm Friday **(GMT)** you may place trades within these times whenever you wish to, as there are no start times in the forex market unlike the stock market. This alone promotes a great sense of freedom as it means you can place trades anywhere in the world with the only requirement/business overhead being a laptop and internet connection! You can have weekends off and have much more freedom to carry out activities you enjoy rather than have a boss and a soul destroying routine.

Technological advancements have made the market accessible to more or less anybody. You can now fund a trading account with as little as £200 with many retail brokers and they offer lower overall transaction fees/commission mark-ups for executing trades via their services as opposed to stocks or commodities. We'll delve deeper into the workings of brokers shortly.

With fewer currency pairs to trade or focus on (instead of getting lost/confused trying to analyse stocks) it makes the job of a successful trader quite simple. It also allows straight through execution at the click of a mouse.

Various Styles Of Professional Forex Trading

First of all it is important to differentiate between a professional forex trader and an amateur trader. A pro trader who has rightfully earned their place in the top 5% is somebody who is able to predict the future price movement on a consistent basis, which enables them to make a profit. The ultimate aim for any forex trader is to focus on high probability setups, repeating execution until excellence is achieved and managing all potential losses with good risk to reward ratios. A pro forex chart technician is one that always strives to become profitable and never fears of being wrong or taking losses.

Attempting to attain more winning trades focuses the trader's mind-set into a dangerous psychological path of destruction and ego, which is how the non-professional trader acts. Successfully placing the odds in their favour, capitalising from point A to point B. There are also traders who mainly utilise fundamental analysis and economic data releases to make a profit. Every single moment in the market is unique, therefore it must be understood as a professional trader that a mechanised or automated trading system will not always work for extended periods of time as the market is constantly changing.

It must be understood that being able to read a price chart is both a unique skill and a form of art. Implementing a dynamic strategy is vital, as it must work around the flexibility of the market as well as deliver a high probability edge.

Technical Analysis/Trading:

FX markets are technically pure, however, this style of analysis is rarely used in the other financial markets. No stock, options or futures trader will solely rely upon the type of charts and analysis. Technical analysis entails the study of historical currency price charts in order to recognise patterns and technical signals, allowing the trader to make a decision as to which direction the price may move next. It can be said that the charts paint a clearer picture of the economic and fundamental variables, in that they can be represented and articulated into the price movement on the charts.

There are also many other methods a trader can use for analysing the market in a technical manner. Trend lines, support and resistance, reading candlesticks and the use of indicators are also highly popular in the trading community, the same goes for stock, commodities and futures trading. With a large number of traders using similar trading tools, technical analysis can become a self-fulfilling prophecy. For example, as so many technical traders recognise a certain level as a strong buying or selling point with the large amount of similar orders being executed into the market, it can actually make the price bounce but the question always remains how lasting those moves will be.

Technical analysis can actually be very different for every trader. They each have their own strategies, indicator setups and interpretations of where they spot major price levels. All of these differences are known as personal trading systems, some better than others. You could actually take 20 traders and end up with 20 completely different trading strategies whilst a large portion of somebody's trading style is also based on personality (long term, short term etc.)

Overall, technical analysis is highly useful to extract profits from the market. It makes up only a fraction of the necessary knowledge needed to be a trader and is the main speciality for the AstroFx team. Personally, we feel it is the best method in determining future market movements and we shall be going into much greater depth on this subject later on in the course.

Fundamental Analysis/ Economic data releases:

Fundamental analysis (also known as news trading) is a technique used by traders who predominantly rely upon the economic market news releases to determine their directional bias and trade predictions. Before the widespread availability of trading platforms fundamental analysis was widely considered to be the most classic way of investing. The methodology behind trading based on fundamental events is the theory that no matter what happens in the short term, the price of your currency trade/investment will eventually follow the released economic data. Fundamental analysis takes events such as interest rates and economic reports into account.

Economic data and fundamental events appear to be important in regards to the directional bias of a certain currency pair and they do drive price movement, however many times the market seems to react differently to a certain news event. For example, some high impact GBP data is released which reflects highly positive numbers but the GBP/USD currency pair does not seem to move much. Many traders are now left confused as to why this is so.

This confusion leads us to the topic of market manipulation. From our experience, a large percentage of major fundamental news releases are but only an excuse for market makers to distort a trader’s directional bias on a certain currency, consequently driving the trader to make mistakes and lose money. This is yet another reason as to why pro-traders rely heavily upon technical analysis rather than fundamental analysis, although many opt to use a combination of the two.

Swing/Trend Trading:

Swing trading is a style which is centred around executing trades based on medium term market views. Swing trades are those which are normally held anywhere from several days, weeks or months. Trades which run for such periods of time are most often analysed first hand from a higher timeframe chart such as the 4 hour, daily, weekly and monthly. (**More on timeframes later.**)

Swing or position traders are generally looking to trade with the near-term daily chart momentum and typically enter anywhere from 2 to 4 trades per month, on average. Certain swing trading has been described as being a type of fundamental trading as many bank and corporate fundamentals generally require several days, even weeks, to sufficiently impact the market in a way which will allow traders to make a profit.

When you are trading in line with the overall trend, a swing trade setup on the 4-hour timeframe could be in the opposite direction to a daily trend. A trader who executes trades using a swing strategy will more often than not have a decent sized target alongside a fairly wide stop loss, thus allowing the trade to breathe. Risk management with these types of trades is vital. Swing trading is a great style for those who have other responsibilities and have limited time to spend sitting in front of the charts, a set and forget strategy that does not necessitate daily management. AstroFX specialise in both swing setups and short-term day setups. Our swing trade targets can often be anywhere up to 80-250 PIPs and is largely based on technical factors.

This style of trading can be very profitable if you know what you are looking at and where to enter the market. A trend trader is one who waits for the market to display a significant turning point on one of the higher timeframes and take advantages of these high-probability movements by looking for entries either at the start of the trend or jumping in at a significant retracement/resting point.

The direction of the trend is absolutely essential to trading and analysing the market. In the Foreign Exchange (FX) Market, it is possible to profit from both up and down movements, because the buying and selling of one currency is always linked to another currency e.g. BUY US Dollar SELL Japanese Yen.

For example:

Up Trend: As the trend moves upwards the US Dollar is appreciating in value.

Down Trend: As the trend moves downwards the US Dollar is depreciating in value.

Sideways Trend: Prices are moving within a narrow range

The currencies are neither appreciating nor depreciating. There are popular sayings on wall street which you should live by as a trader. **''Never go against the trend''** and **''The trend is your friend''**. Keep these phrases is mind. Below are three examples of a trending market. By looking for entries within a trending market, traders have the best chance at making a large profit on their risk. Traders who continuously attempt to trade against the trend by attempting to choose the top and bottom of the market generally lose money quite rapidly.

*The three market trend methodologies explained above are the core price structures and rhythm of all markets. To successfully trade the FX market you must understand the underlying movements, rhythms and how to recognise future turning points. The markets always move within the framework of an underlying market wave (**pure price action**) whether it be up, down or sideways.*

Uptrend:

An uptrend is considered to be in place when a market is making higher highs and higher lows. Once established, only buy positions are to be taken.

An uptrend (**also known as a bull trend**) is identified by a series of rallies where each rally/swing exceeds the highest point of the previous rally peak. The decline

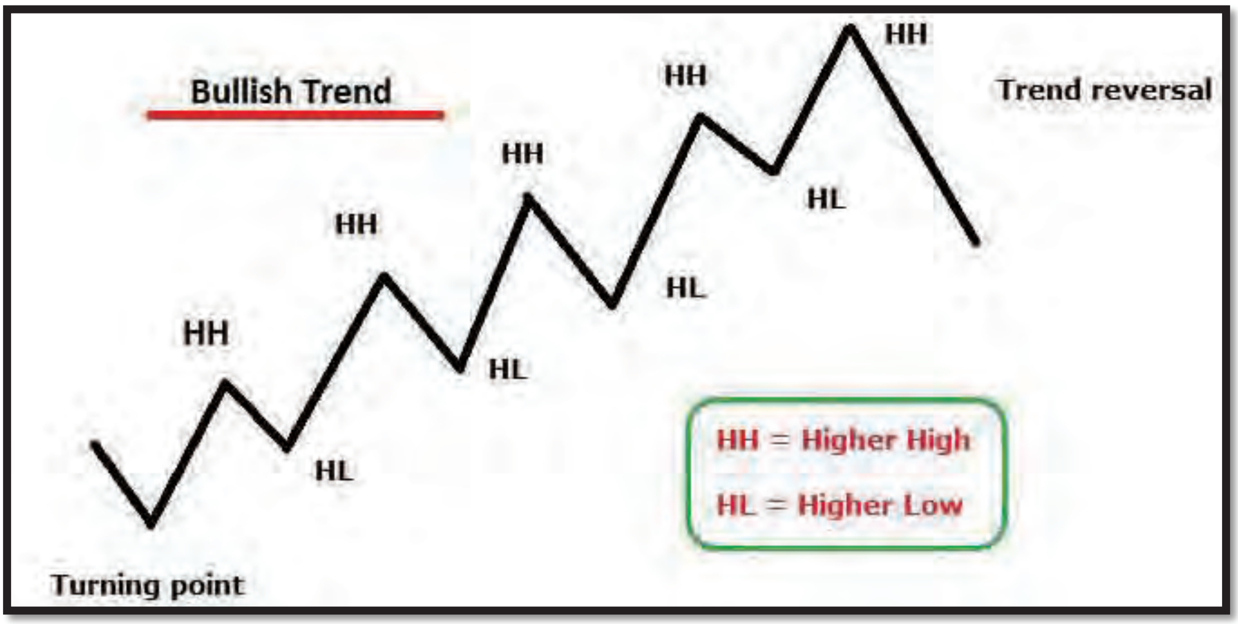
between rallies ends above the lowest point of the previous decline. A series of **successive higher highs and higher lows are shown on the above image.**

Downtrend:

A downtrend is in place when a market is making lower highs and lower lows. Once established, only sell positions are to be taken.

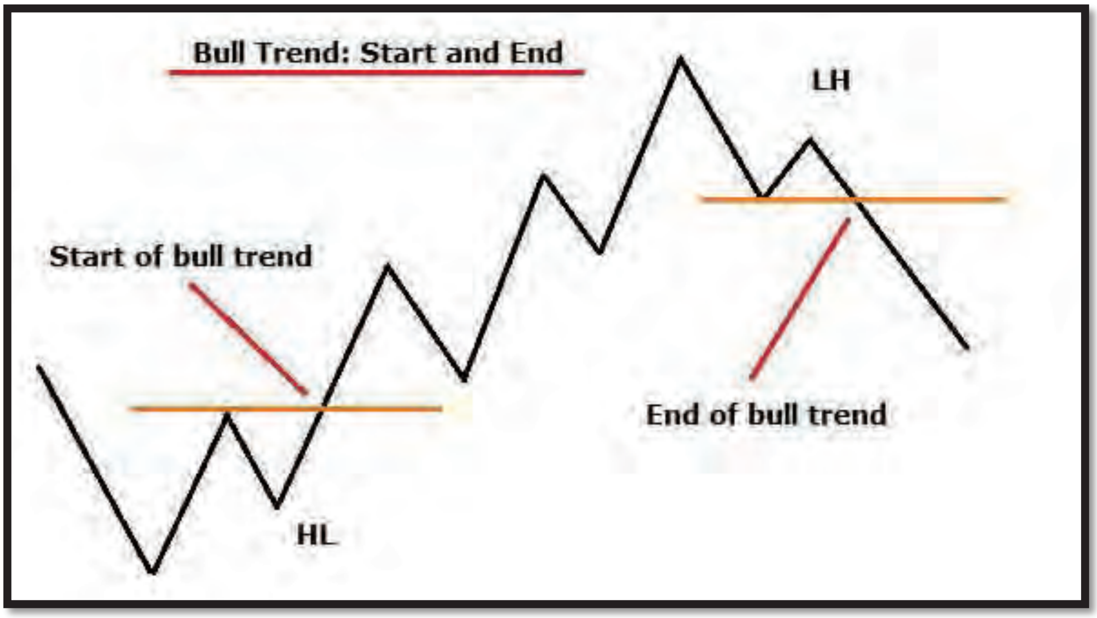
A downtrend (**also known as a bear trend**) is identified by a series of rallies where each rally exceeds the lowest point of the previous rally decline. The incline between rallies ends below the highest point of the previous decline. A series of **successive lower highs and lower low are shown on the above image..**

The start of an uptrend for example, is signalled when the price makes a higher low followed by a rally above the previous high (**peak**). Below is an example of a bullish trend in action, the turning point, higher highs, lows and reversal.



The End Of A Trend:

The end of a bullish trend is signalled by a lower high (**peak),** followed by a decline below and straight through the previous low as shown below.



Either a bear trend starts at the end of a bull trend, or the currency pair will enter a counter trend stage where it will range for a while (**also known as consolidation**). The end of a bull trend is recognised when each successive rally fails to penetrate the high point of the previous rally. Each decline terminates at a lower point than the previous, displaying a series of successive lower highs and lower lows.

Sideways Market:

Trading a sideways market is also known as range trading. It involves trading a market that is consolidating between obvious support **(bottom)** and resistance **(top)** levels **(yellow lines).** Often resulting in high probability entries with good risk-to-reward ratios, trade signals are given near to these levels where the price is likely to bounce from. Eventually, the market will find its direction and break through one of the key levels. This is displayed on the example below.

Counter trend trading :

As you are now aware, trends do take 'breathers' and if you are a skilled trader who has the ability to recognise this, then you could quite possibly begin to successfully trade 'countertrend' move. However, this trading methodology is not advised until you have mastered trend trading. Countertrend trading is inherently more risky as at times market manipulation can print many false tops or bottoms before the real ones emerge.

In actuality, many traders are unaware they are countertrend trading price action until they are physically in the trade and managing it. Often the speed of the uptrend can assist traders with determining the profit opportunity and odds for success, as aggressive uptrends often have equally aggressive retracements. Countertrends are short in duration and the performance of the countertrend or retracement move is very dependant upon the chart's technical timeframe.

Traders often become entrapped and lose money when they attempt to accurately trade the countertrend paradigm. For example: buying new lows – also known as bottom fishing. This is where the trader will attempt pick the market bottoms, focusing on getting in at the low of the price action downtrend. This method is extremely risky alongside selling new highs! Traditional trading suggests waiting patiently for confirmation that the underneath support level has held and prices are moving in an uptrend with higher highs and higher lows.

Day trading and scalping:

Day trading is a highly common style for traders who aim to extract profits from the market on a daily basis, typically executing 5-10 trades a day. Although the market does provide average moves per day, this style of trading tends to encourage bad habits, particularly for new traders. This boils down to impatience, as most day traders wish to use high leverage in attempt to 'get their money' out of that particular daily move.

When it comes to day trading, those traders who do not wish to leave running positions overnight must be very disciplined in their stop placements and stick to targets they are happy with. The most liquid currency pairs such as EUR/USD have an average daily range of around 70-90 pips (**more on pips in the terminology section**). This means the movement can be limited throughout trading sessions and positions sometimes need to be monitored closely in order to lock in profits.

Many professional day traders practice a daily routine that can be a lot different to what many beginners/amateurs imagine. It can be said that in actual reality, pro traders interact with the screens much less frequently. When day trading, it is wise to select just one high probability entry on 1-2 currency pairs. Set the trades, let them run and ensure you take some time out. You will only experience fatigue and burnout when staring at the charts for hours on end, which will in turn distort your judgement.

Scalping fits into the category of day trading as it involves executing trades on a low timeframe such as the **5MIN/1MIN** charts. Scalping is a term used to denote the 'skimming' of small profits on a regular basis, by going in and out of positions several times per day. As a scalper, you rely on much more frequent and shorter term trades as it is a trading style that involves jumping in and out of positions gaining or losing just a few pips. Some scalpers hold little regard for the placement of stop losses and the risk reward ratio can often be a little off putting for experienced traders.

Scalpers like to try and scalp between five and 10 pips from each trade they make and to repeat this process over and over throughout the day. Using high leverage and making trades with just a few pips profit at a time can add up, especially if your trades are profitable and can be repeated many times over the course of the day. Scalping is very fast paced. If you like the action and like to focus on one or two minute charts, then scalping may be for you. But if you like to analyse and think through each decision you make, perhaps you are not suited to scalp.

Monitoring and analysing the markets:

After mentally preparing yourself to trade in the morning, be it exercising or eating a healthy breakfast, as a professional trader it is now time to direct your attention to the market. Your first port of call should be to check the status of any open trades that you have executed previously, as the overnight market movement may require you to adjust stops and even update your trading journal.

If you have incurred losses or even locked in profits during your time away from the market, it is important to update the statistics in your trading journal. This process separates the professionals from the amateurs. As success is measured over a long series of trades rather than a mere few weeks, it is vital that you maintain an updated record of your progress allowing you to backtrack over time to analyse your trading performance.

Logging your trading results and saving screenshots of your chart analysis is a crucial method in enhancing your trading business plan. When a professional forex trader analyses their charts, they are aware of what they should be looking for as they have undergone the time and effort to master one trading strategy at a time. This mastery results in the competent ability to recognise trade setups with minimal time spent at the computer.

The professional trader trades only a handful of markets/currency pairs and appreciates that trying to trade a wide range of markets will only add risk to their game. Directing your focus and attention to a select few currency pairs is definitely the way to achieve much more efficient and effective analysis, which ultimately leads to success and profitability.

It is advised to check the market at pre-defined periods throughout the day and build a routine in order for you to treat trading as a business, not something you do when bored or desperate. Pro traders are likely to monitor the markets at the beginning of the London session in the mornings then at the close of either the new York or European session, which ever comes first in their time zone.

The overall point to express here is that professionals have dedicated trading times, have mastered their strategy and know which currency pairs are most suitable for them. Ultimately allowing them to have a trading routine where nothing is left to chance. Once trade selection becomes natural, there is no meddling, the pro trader understands that less is more in the market.

Taking time away from the markets:

When trading, it is so important to take time off from the charts. Professionals understand the value of removing themselves from the markets in order to wind down as there is simply no value in spending vast amounts of time analysing your charts. In fact, most traders do more damage to their trading accounts from over-trading and over-analysing than from anything else.

Pro traders know that after any live trade, whether it's a win or a loss, the best thing to do is remove themselves from the market for a period of time. You will typically be most emotional immediately after a trade closes out either way! So, the easiest way to avoid making emotional trading mistakes is to simply do something else after a trade; remove yourself!

You do not need to be sitting up all night burning your eyes out by staring at technical charts. A good nights rest is absolutely vital for your trading success in the long term and it is important that you spend the majority of your time each and every trading day doing something else you enjoy like going to the gym, visiting friends or go spend time on your hobbies etc. staring at your trades and checking them every 5 minutes will only put extra strain on your emotional body and does not improve the chances of you making money, period! Professional traders spend minimal time interacting with the markets each day as they hold the understanding that the market is nothing more than a tool to them.

This tool can either be utilised in an efficient manner in order to enhance their lives and bring financial freedom or bleed them dry and take their money. You are being used by the market when you fiddle with open trades and stare at a screen for prolonged periods of time!

Forex Terminology

In the world of forex, there are a boatload of key terms which must be addressed and understood in order for you to wrap your head around the common wordings used in the trading world. Much of the terminology listed below is unheard of outside the forex community and can sometimes be a lot to digest and it has been broken down for your ease of understanding.

PIP (percentage in points):

The smallest increment of price movement a currency can make. All currency pairs are valued and quoted against each other using 5 digits. For example; as shown below on the left the bid price quote for **EUR/USD** displays **1.3700**(3) whilst the price quote on the right taken a few moments later displays **1.3701**(2)

Name	Bid	Ask
EUR/USD	1.37003	1.37004 ↓
EUR/GBP	0.82584 ↑	0.82587
EUR/JPY	141.571 ↑	141.58
EUR/CHF	1.22186 ↑	1.22194
EUR/CZK	27.4299	27.4513 ↑
EUR/CAD	1.50335 ↑	1.50354 ↑
EUR/NZD	1.59624 ↓	1.59653

Name	Bid	Ask
EUR/USD	1.37012 ↓	1.37015 ↓
GBP/USD	1.65846	1.65852 ↓
USD/JPY	103.319	103.326
USD/CHF	0.89175 ↓	0.89183
USD/CAD	1.09814 ↑	1.09819 ↑
AUD/USD	0.92842 ↓	0.92848 ↓
NZD/USD	0.85805	0.85816

The PIP difference from the price **1.3700**(3) - **1.3701**(2) is indeed an increase of **0.9**. The fifth decimal increment is not always displayed (**dependant on the broker**) and is not too important to take note of. Lets say the **EUR/USD** price went from **1.3700** - **1.3655**. In order to figure out the PIP decrease it is a case of simple maths, **1.3700** minus **1.3655** = **45 PIP's.** The PIP count is where the money is made and are the underlying basis for making profits in the market with the primary aim being; get pips, keep pips, repeat!

Your trading experience and account balance will ultimately depend on how much money per PIP you can execute on any given trade. Example: if you executed **£10** per PIP on **EUR/USD** at the price **1.3700** and it went up in value **55** PIPS to **1.3755** then the P&L box on your platform would indeed display **£550** (**55PIPS x £10=£550**).

A **POINT** on the other hand represents 100 PIP's. For example if the **EUR/USD** exchange rate increases 100 PIPS from **1.3700** - **1.3800**, it has moved up by one point.

Forex currency pair quotes and reading exchange rates :

The basis of forex trading revolves around the simultaneous buying of one currency and selling of another. The exchange rate of the two currencies is quoted in a pair e.g. **EUR/USD** or **GBP/USD** and if you were to execute a sell order on the **EUR/USD** and the euro weakened against the dollar, then profit would be made. This would be displayed on the chart as the price falling, ultimately meaning the US Dollar is strengthening.

As shown below, the first currency of the two displayed on a quote board is known as the **base currency** whilst the second is known as the **quote/counter currency.** In simple terms, the **base** currency is the **basis** for the trade So, if you buy **EUR/USD** you are buying euro's (**base**) and selling dollars (**quote**) and if you sell the **EUR/USD** you are selling euro's (**base**) and buying dollars (**quote**).

Symbol	Bid	Ask
USDCHF	0.88795	0.88819
GBPUSD	1.66155	1.66184
EURUSD	1.37403	1.37423
USDJPY	103.201	103.224
USDCAD	1.09730	1.09760
AUDUSD	0.92661	0.92692

Whether you buy or sell a currency pair, the execution is always based on the first currency. For example; If you wanted to buy the **USD/CHF** (**US Dollar vs Swiss Franc**) the exchange rate tells you how much you need to pay in terms of the **quote/second** currency in order to buy one unit of the **base/first** currency. In other words, taken from the **USD/CHF** example above, you will have to pay the **bid** price of **0.8879(5)** Swiss francs to **buy 1 US Dollar.**

If you were to sell the currency pair **USD/CHF** on the other hand then the **ask price/exchange** rate would display how much of the **quote/second** currency you receive for selling one unit of the **base/first** currency. Taken from the same example above, you will receive **0.8881(9)** Swiss francs if you **sell 1 US Dollar**. As mentioned previously, the basic methodology behind forex trading is to execute a buy position if you think the **base/first** currency pair is going to appreciate in value against the other and If you think the **base/first** currency will depreciate (**lose value**) relative to the **quote/second** currency you would sell the pair.

Spread:

When trading forex, you need access to the market. This access is granted by the broker, the middleman which provides the retail trader with the opportunity to execute trades electronically over a wide range of currency pairs. The broker however, does indeed earn money from each trader who utilises their services most often in the form of commissions.

In Forex trading there are two prices on a currency pair given at any time these are known as the **ASK** price and the **BID** price. The spread is the difference between these two prices and serves as the commission mark up for the broker (**in PIPs**). For example, when buying/going long on a currency pair, your trade entry would be executed at the **ASK** price and when selling/going short on a currency pair, your trade entry would be executed at the **BID** price.

As displayed above, the **EUR/USD** (left) quotes display **1.3727(1) - 1.3729 (0)** giving a spread value of 1.9 PIPs. This means that when you execute a trade, you automatically go into 1.9 PIPs negative so if the trade is a win or a loss, the broker gets paid their commission mark up regardless. In order to break even on a trade, a position must move in your direction by an amount equal to the spread.

The most liquid and most popular currency pairs tend to have the lowest spreads and are therefore much cheaper to trade. There are also cross currency pairs which have less liquidity and much larger spreads, dependant on your broker up to around 8 PIPs+! Meaning they are very expensive to trade. The spread figures are in constant fluctuation and can widen as volatility picks up, especially around fundamental/economic data releases. Instead of charging commission, banks and brokers earn from the spread of every trade entered and exited.

Cross Rate:

A cross rate is the exchange rate between two currencies which are not official to the country in which the exchange quote is given in. For example, if an exchange rate between the Australian dollar and the Japanese yen was quoted in a British newspaper it would be considered a cross rate and if the currencies quoted did include the British pound then it would no longer be considered so.

Major forex pairs and their nicknames in the FX world:

Currency pairs can be categorised into two main groups - 'Majors' & 'exotics'. The majors are the most popular currency pairs available to trade which include; **EUR/USD, GBP/USD, USD/JPY, USD/CHF, USD/CAD** & **AUD/USD**. Exotic examples are as follows; **CAD/JPY, NZD/JPY, GBP/CAD, EUR/NZD.** The majors are the most popular so in turn hold the most liquidity and are much cheaper to trade in terms of spread costs. Below are the nicknames used for the major currencies in the trading world.

USD/JPY = 'Dollar Yen'	EUR=Euro
GBP/USD = 'Sterling/Cable'	USD= US Dollar
EUR/USD = 'Euro'	JPY= Japanese YEN
USD/CHF = 'swissy'	GBP= British Pound
AUD/USD = 'Aussie Dollar'	CAD= Canadian Dollar
NZD/USD = 'Kiwi'	NZD= New Zealand Dollar
USD/CAD = 'Dollar Cad'	AUD= Australian Dollar

Leverage:

In the world of forex trading and brokers, leverage is an important factor which needs to be fully understood as it plays a vital role in the buying power of your account. The choice of leverage is offered upon the opening of a brokerage account and is what influences your purchasing power into the market as a trader and also determines the amount of margin required for each individual trade.

Ultimately, Leverage is something which can be customised to really gear up your account in order to execute trade positions greater than your actual margin/ balance. For example; if you have **£2000** of margin in your account and a **£200,000** position is opened you have leveraged the account by **100** times or **100:1.** If you open a **£400,000** on the other hand then the account has been leveraged **200** times or **200:1**. Many amateurs step into the game with high hopes set on using high leverage in order to achieve large gains but it is important to note that leverage can magnify losses in an equal manner when used inappropriately.

In order to calculate the leverage being used on a certain trading account, you must divide the total value of your open positions by the total margin balance displayed. For example, if you have £20,000 worth of margin in your account and you open two standard lots of EUR/USD (**200,000 units of the base currency**) for £200,000, your leverage ratio is 10:1 (£200,000/£20,000.) If you have leveraged 400:1 you can control a large position (£200,000) with a small amount of capital (£500).

Std Lot	Quote	Lots	Leverage	Margin
£100.000	EUR/USD 1.2988	1.00	1:1	£129.880
£100.000		1.00	2:2	£64.940
£100.000		1.00	10:1	£12.988
£100.000		1.00	50:1	£2.597.60
£100.000		1.00	100:1	£1.298.80
£100.000		1.00	200:1	£649.40
£100.000		1.00	400:1	£324.70

Margin:

Margin is the amount required to open a new Forex position, it is not a fee or a charge to your account. It is an amount set aside, from your free equity, for any new trade. With a £1,000 margin balance in your account and a 1% margin requirement to open a position, you can buy or sell a position worth up to a notional £100,000. This allows a trader to leverage their account by up to 100 times or a leverage ratio of 100:1

The higher the chosen leverage, the higher the available margin percentage on the trading account. If you open too many positions, use high lot sizes or leave a trade running in a loss (**which is increasing**), then the account could fall under the minimum amount required to maintain an open position. If this happens then a 'margin call' is likely to occur which will require more money to be deposited into the broker account or close the position totally. When the margin percentage falls very low (**mostly under 50%**), most brokers will automatically cut the trades in loss and you are likely to cry or smash up the computer! Which is not advised so remember to trade safe!

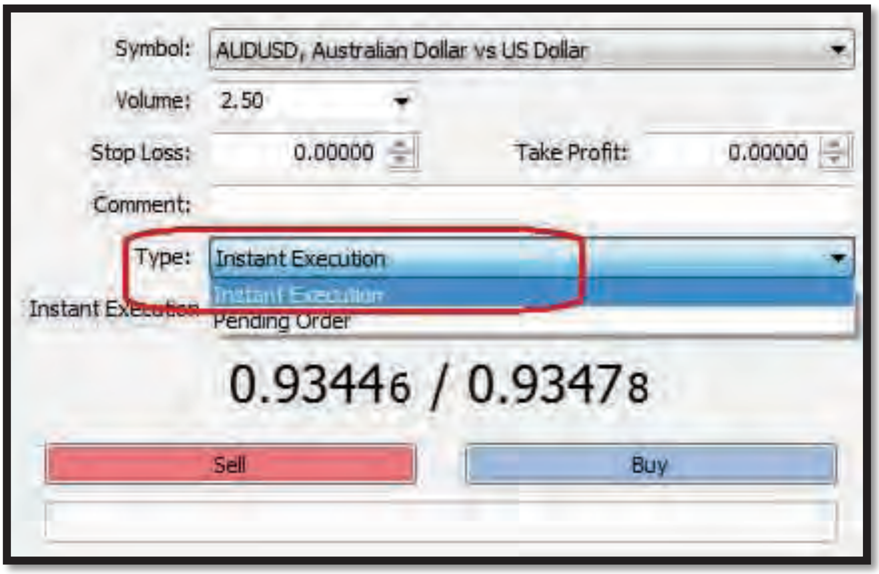
When choosing to work with high leverage you obviously need to be careful and highly aware of how many positions you open at the same time, taking into consideration the balance of your account. For instance, on a 400:1 leveraged account, 2 standard lots (**£20 per PIP**) would be too huge for a £2000 account as once the margin has been taken into consideration you would only have around £1300 left on your available equity (around 65 PIPs against you to wipe you out). It is wise to calculate lot sizes in accordance to money management ratios which we get to later on.

Forex execution/order types:

In forex, there are numerous trade execution types which can be used in order to get direct access into the market and the majority of FX brokers provide the same basic order types. There are orders that control both how you enter and how you exit the market

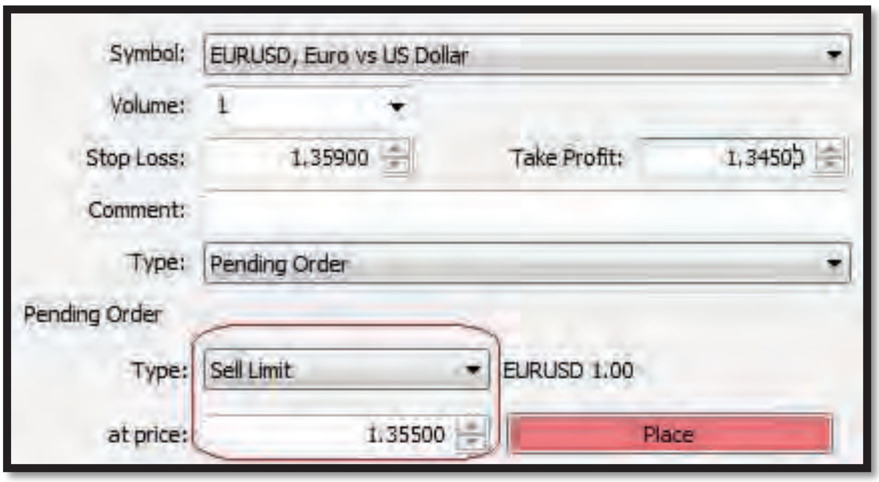
Market Order:

If you wish to enter the market at the current live market price, you chose market order. This execution is instantaneous, entering you into the market within milliseconds. The example below displays a trade execution box from **Metatrader 4**, where you will be presented with the option to select market order/ entry (**instant execution**) or pending order (**which includes limit and stop**)



Limit Order (Sell):

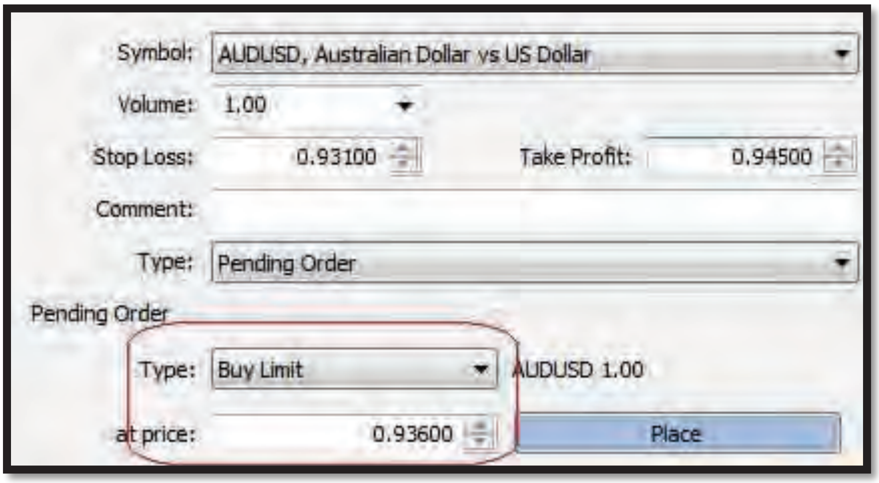
The limit order is the order to place when you want to buy or sell at a certain price. For example; If the **EUR/USD** was trading at **1.3500** and you were looking to sell at a higher price such as **1.3550** **(50PIPS higher)** you would want to place a **SELL LIMIT** order at the desired selling price as displayed below.



Once the sell limit order has been placed on the platform, it is active until you cancel it manually. Going back to our example, if you set the **sell limit** at **1.3550** on **EUR/USD** and price reaches that level, then an instant sell execution would take place. You also setup the stop loss and take profit levels upon limit order set-up.

Limit Order (Buy):

A buy limit order on the other hand is simply the opposite. When wanting to buy a certain currency pair at a lower point than the current market price then a **BUY LIMIT** order is to be placed. For example; If the **AUD/USD** was trading at **0.9400** and you where looking to buy at a lower price such as **0.9360** (**40 PIPs lower**) then you would set up the buy limit order as displayed below. The Stop loss would be **lower** than the buy limit execution price and the take profit would obviously be **higher** as the methodology behind this order is that a dip lower is expected before price continues higher and vice versa.



Stop entry orders (Sell stop)

The stop entry order is placed to buy above the current market price or sell below it. What makes this type of order different from the limit order is that once a sell stop entry is placed below current market price, you are expecting to be filled into a sell order and price to continue falling rather than you being filled into a buy position as you expect the price to reverse to the upside.

For example; If the **GBP/USD** was trading at **1.6775** and you expected price to fall lower, then an option would be to set up a sell stop order. If you wanted to trade a breakout of a support zone then it would be wise to set the sell stop order slightly lower in order to get filled as price breaks through the zone. By setting up a sell stop order below the current market price at **1.6750** **(25 PIPs lower)** and then the price declined through, a short/sell trade would be executed, example displayed on the next page.

Stop entry orders (Buy stop)

The Buy stop order is the one to choose when wanting to be filled into a trade higher than the current market price with the expectancy of the currency pair going even higher. For example; If the **EUR/JPY** was trading at **141.00** and you were looking to buy in at **141.50** **(50 PIPS higher)** then a buy stop order would be set as displayed in the example below. The stop loss would be at lower price than the buy stop order whilst the take profit would indeed be higher.

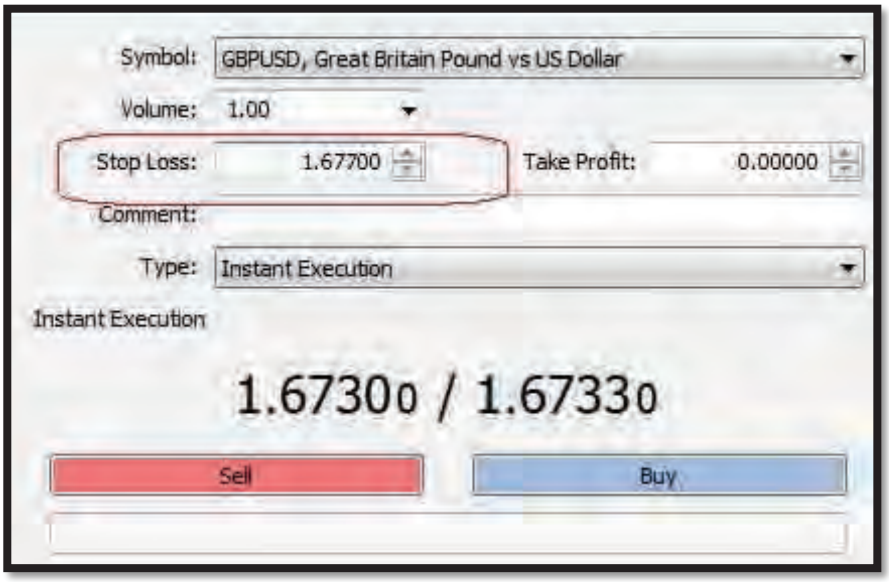
Take Profit:

In Forex, the take profit is a price point which is defined by the trader as to where they wish to be automatically taken out of a trade in profit once price reaches that specific level. It is an order which is used by currency traders to specify the exact rate or number of pips where the trader wants to take a profit. The take profit is always displayed within the order box and should be thought out way **before** entering the trade. For example; you execute a buy trade on **EUR/USD** at **1.3884** and your target was **1.3930** **(46PIPS)** the take profit settings are displayed on the next page.

Stop Loss:

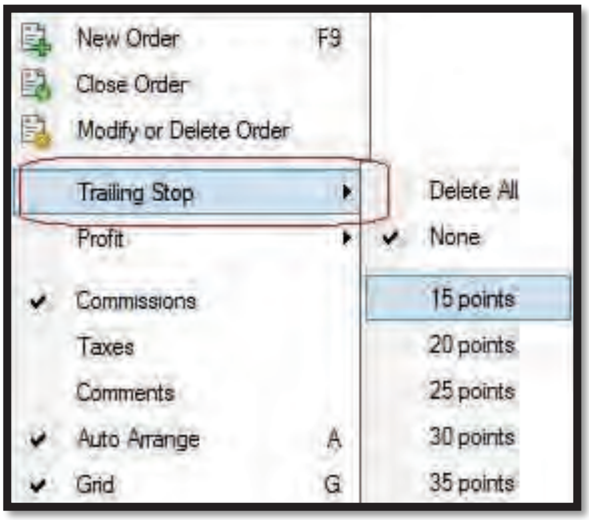
The stop loss is probably the **most important** aspect to understand when trading forex, more important than the take profit. A stop loss is designed to limit a traders loss on a position and is used for both **Buy/Long** positions & **Sell/Short** positions. A stop loss order takes the emotion out of trading decisions and can be especially handy when one is on vacation or cannot watch his/her position.

For example; you execute a sell trade on **GBP/USD** at **1.6730** and you were only prepared to lose a maximum of **40 PIPs** on the trade, you would set your stop loss at **1.6770** **(40 PIPs higher)** as displayed in the example below. If you are **selling,** the stop loss gets placed at a **higher** level than entry and if your **buying**, the stop loss gets placed at a **lower** level than entry. The methodology behind a stop loss is to automatically cut the trade loss once it goes too far against your favour, a safety net if you will.



Trailing stop:

The trailing stop is quite a handy tool that is connected to an order, just like your standard stop loss. The trailing stop actually moves or 'trails' behind your order once in profit and is configured to trail at a certain PIP distance from the current market price. For example; You executed a buy trade on **GBP/USD** at **1.6770** and set up a trailing stop order for **15 PIPs**. The maximum loss set for this trade is **15 PIPs** and for each PIP **GBP/USD** moves in your favour the stop will follow, ultimately designed to lock in profits without constant monitoring. Trailing stops are best used in strong trending markets.



Buy (long), Sell (short):

The whole ideology behind Forex is to sell high and buy low. Many newbies often pose the question of it is that they are exactly selling if they do not actually own anything? Well, when you sell a certain currency pair you are buying the quote/second currency and selling the base/first currency, as we have previously mentioned. When it comes to stocks or commodities however, the basic idea surrounds the lending of such a stock or commodity and buying it back at a later point in order to close the transaction. There is no physical delivery.

Active market hours:

The Forex market is active 5 days a week, 24 hours per day. Before looking at the best times to trade, it is important to first look what a 24-hour day in the forex market looks like. The market can be broken up into four major trading sessions, these are: **Sydney**, **Tokyo**, **London** and the **New York** session. AstroFx mainly trade the London and US sessions as this is where the most volatility is present. The below chart displays the trading hours and market switchover times followed by the average daily PIP movement ranges (ADR) for each currency pair.

Summer

Time Zone	EDT	GMT
Sydney Open Sydney Close	6:00 PM 3:00 AM	10:00 PM 7:00 AM
Tokyo Open Tokyo Close	7:00 PM 4:00 AM	11:00 PM 8:00 AM
London Open London Close	3:00 AM 12:00 PM	8:00 AM 5:00 PM
New York Open New York Close	8:00 AM 5:00 PM	12:00 PM 9:00 PM

Winter

Time Zone	EST	GMT
Sydney Open Sydney Close	4:00 PM 1:00 AM	9:00 PM 6:00 AM
Tokyo Open Tokyo Close	6:00 PM 3:00 AM	11:00 PM 8:00 AM
London Open London Close	3:00 AM 12:00 PM	7:00 AM 4:00 PM
New York Open New York Close	8:00 AM 5:00 PM	1:00 PM 10:00 PM

Pair	Tokyo	London	New York
EUR/USD	76	**114**	92
GBP/USD	92	**127**	99
USD/JPY	51	**66**	59
AUD/USD	77	**83**	81
NZD/USD	62	**72**	70
USD/CAD	57	**96**	96
USD/CHF	67	**102**	83
EUR/JPY	102	**129**	107

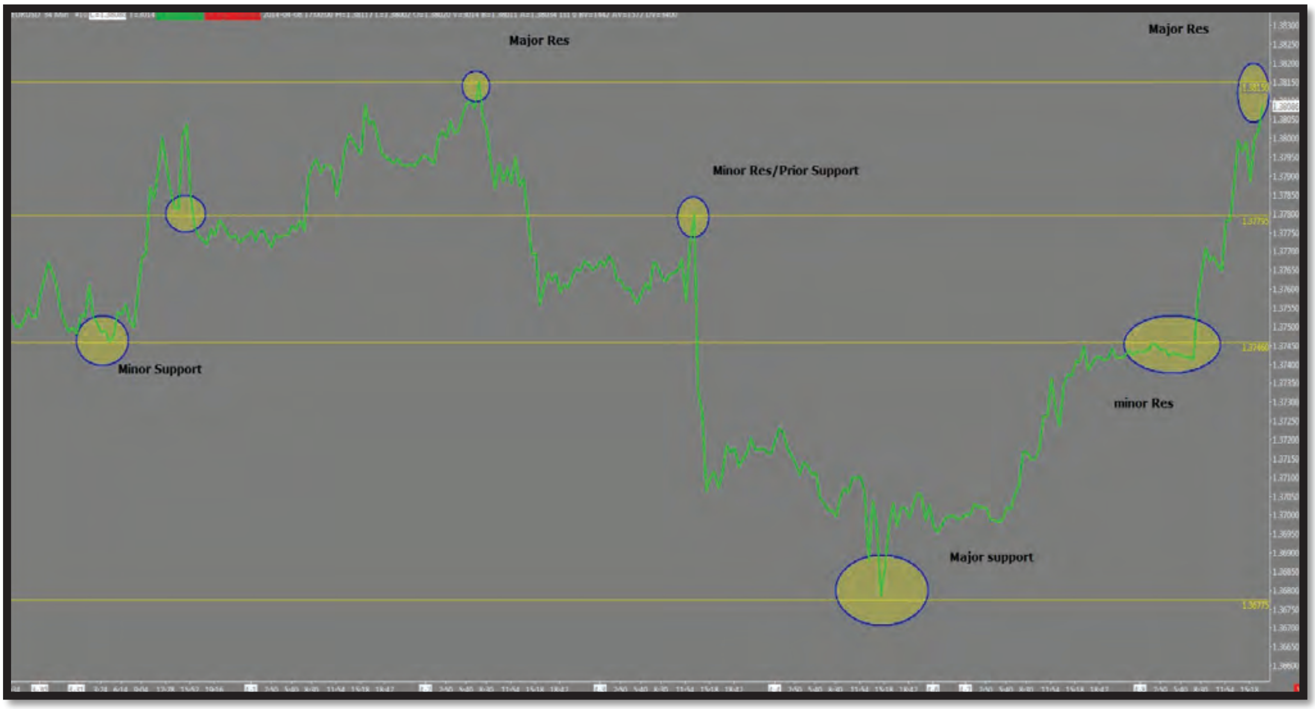
Introduction to charting:

When studying technical analysis and analysing the forex market electronically via computer you will come across three main types of charts. These charts include: **line charts**, **bar charts** and **candlestick charts**. Candlestick charts are our main preference as they show price dynamics in the most efficient manner, let's now go into more detail.

Line Charts:

The line chart is an extremely simplified method in viewing the overall trend of the market, as well as recognising levels of support and resistance. Although the line chart does track the price history in a very tidy manner, it is not practical to trade from as the individual price bars cannot be viewed. The line chart construction is based on the connection of a line from the high price of one period to the high price of the next, low to low, open to open or close to close.

The closing price of a market is deemed the most important as it determines who won the battle between the bulls and the bears for that time period, therefore line charts can at times be the most useful types of charts. Below is an example of a line chart on a 4-hour timeframe, where the price has reacted to the clear levels of support and resistance. Thus, from time to time it is practical to use a line chart to plot these key levels and we shall go into further depth about this later on.



Bar charts:

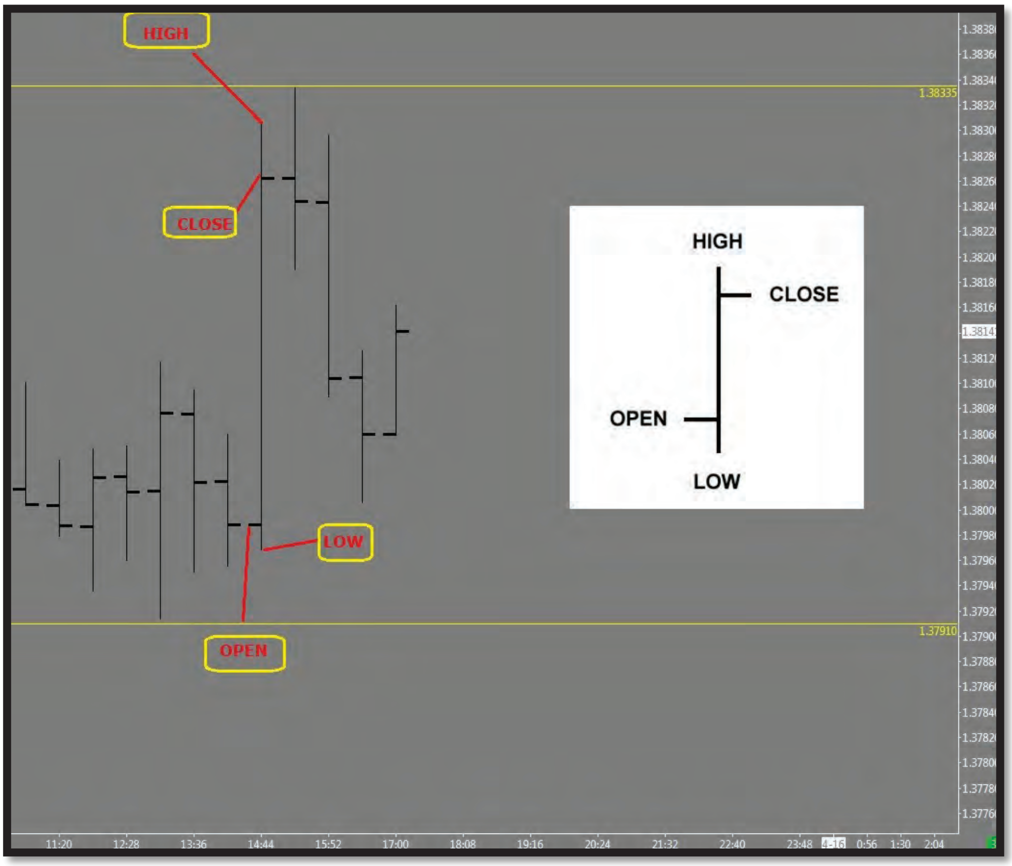
The bar chart displays individual price bars for the period of time you wish to view. For example, when you are studying a daily bar timeframe, each bar will represent 24 hours of price action, therefore the whole day's movement will be represented in one bar. If you were to study a lower timeframe such as the 13MIN, each bar will represent 13 minutes of price action. Essentially, you are zooming into the daily bar to view a smaller and much more precise historical price movement.

Each bar shows four pieces of information, which can be utilised towards making your trading decisions more accurate when you are determining a currency pair's next move. The bar consists of an open, high, low and close point, as displayed in the example below. Bar charts present the data individually; there is no connection to the neighboring prices. Each set of price field is a single island.

Step 1—One vertical rectangle whose upper boundary represents the high for the day and whose lower boundary represents the low for the given period;

Step 2—One horizontal rectangle to the left of the high-low rectangle whose central value represents the opening price for the given period;

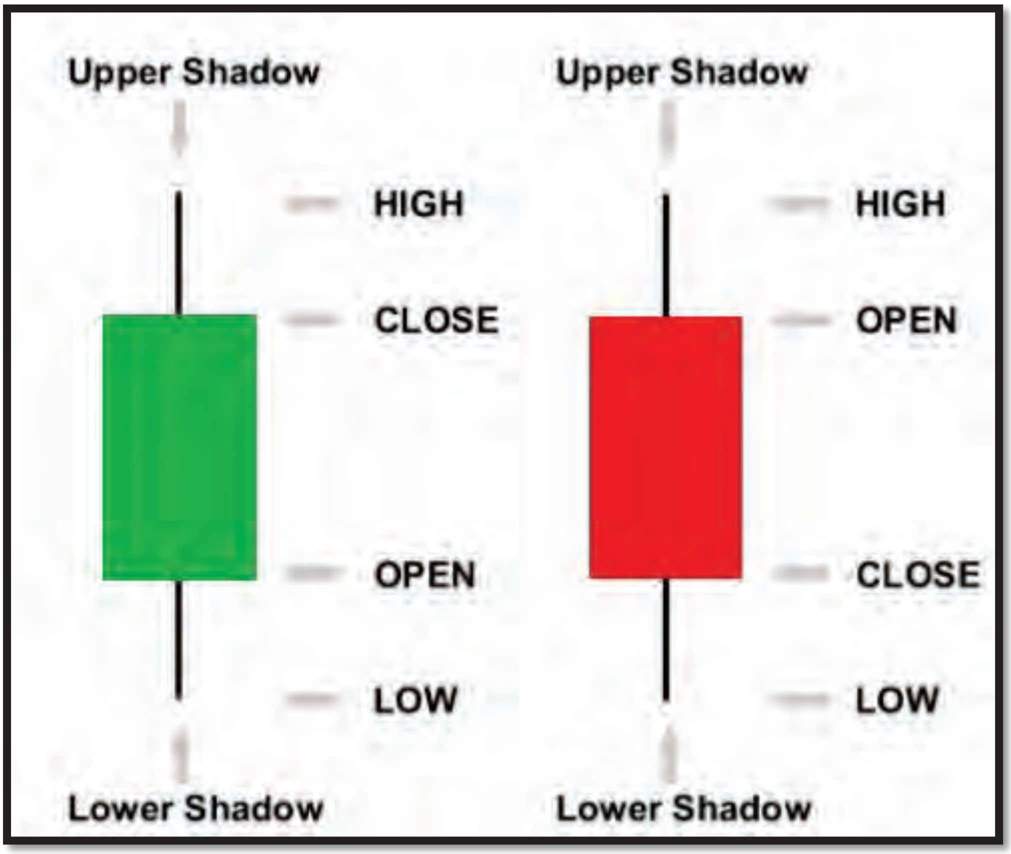
Step 3—One horizontal rectangle to the right of the high-low rectangle whose central value represents the closing price for the given period.



Candlestick Charts:

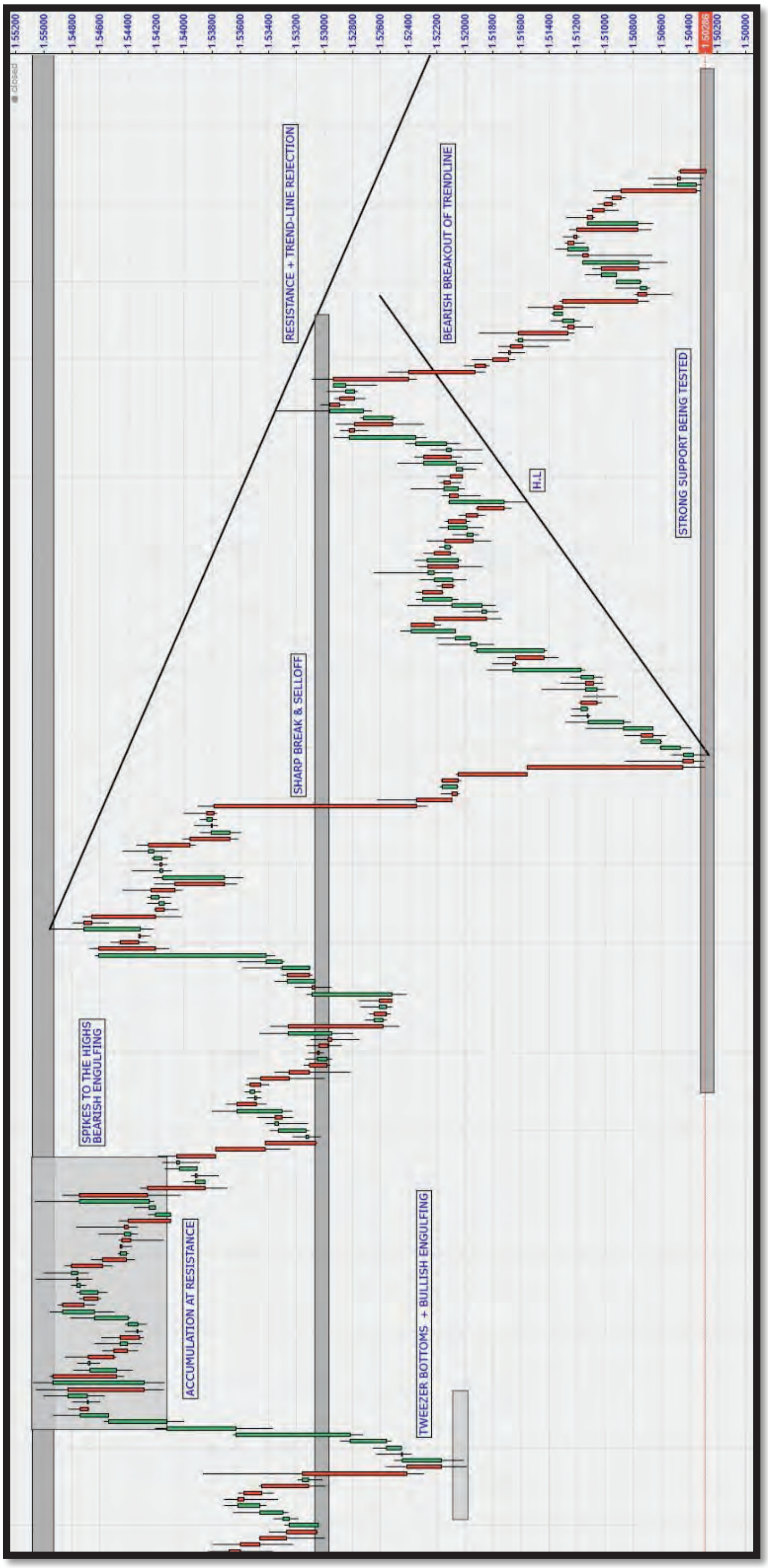
Candlestick charts are our personal preference as they display price action in a clear manner. A candlestick actually shows the exact same information as a bar chart but in a graphical format that is easier on the eyes. The candle indicates the high and the low of the given time period just as bar charts do with the vertical line which is also known as the '**wick**'.

The upper **vertical line/wick** is known as the 'upper shadow' whilst the bottom is known as the 'lower shadow'. The main difference between the candlestick and the bar is how it displays the opening and closing price. The **body/block** of a candlestick indicates the range between the opening and closing price whilst the wicks let the trader know where price has touched previously as displayed below.



If the body is **red** (as displayed on the right hand candle) it indicates the price of the currency pair has closed at a **lower** price than which it had opened, **bearish** as you will. If the body of the candle is **green** (**as displayed on the left handle candle**) it indicates the price of a currency pair has closed at a **higher** price in which it had opened, **bullish** if you will. There are many different candlestick formations which the dynamic trader needs to learn, remember and understand in order to enhance their longevity in the markets, we go deeper into this later on.

Candlestick charts are by far the most popular of the three major chart forms available on any trading software and the most frequent types of charts you will come across whilst trading. Candlesticks are the most suitable charts to use when price action strategies are concerned. Below is an example of candlesticks on a EUR/USD chart.



Trade Example:

Below is a trade example. This is a **1 hour EUR/USD** chart (**each candlestick represents 1Hour of price action**). The candlesticks display a clear **pin/wick** rejection of the support area (**1.3674 yellow line**) and whilst overall the **EUR** is stronger than the **USD**, (**trending upwards**) we would only be looking to buy the **EUR/USD** inline with the overall market trend. As displayed in the below example, the buy entry is executed at the price **1.3714,** the target for this trade is **186 PIPs** (**1.3900**).

So lets say, the account size is **£5000.** To stay within the boundaries of **risk/ money management** parameters, the recommended risk percentage will be **2%** which is **£100. 2%** is a wise risk figure as it would take **50** bad trades to wipe out the whole account, if you are disciplined you will have nothing to worry about.

We established that the total risk of **2%** (**£100**) would be the maximum loss if the trade was to go against us. **1.3714** is our entry point and the chosen stop-loss is **60 PIPs,** below the support level at **1.3654** (**1.3714—60=1.3654**)

We now need to work out the relevant lot size for the trade (**£ per point**), So, **£100** (**2% risk amount**) Divided by 60 (**stop loss amount**) = **£1.60 per pip**. This calculation has to be done on every trade **beforehand** to ensure the safety of your account which we will go into more depth later in the money management section.

So, we buy the **EUR/USD** at **1.3714** at **£1.60** per PIP using a **60 PIP** stop-loss. The target is **186 pips** (**1.3900**) which implies a **1:3** risk reward ratio (**60 PIPs risk for a potential 186 PIP gain**) the after shot of the trade is displayed below.

As you can see, the price of **EUR/USD** did appreciate in value as the **EUR** gained some significant strength against the **US dollar,** continuing its uptrend momentum. The trade was closed out at the price **1.3874** as this was a major key level of technical resistance giving an overall total of **161 PIPs** profit.

There are around **33**, **1 hour** candles in this example meaning it took an overall time period of **33 hours** for the trade to complete its **161 PIP** run. To calculate the overall profit gained from this one trade then the calculation of: **161 PIPs multiplied** by the **lot size** amount (**£1.60 per PIP**) would be necessary. So, **161 x 1.60 = £257.60** would be the overall profit in the space of **33 hours** (**minus broker spread at a few PIPs**).

This is one trade that took just over a day to earn **£255** from the comfort of anywhere that has internet connection. The larger your account the larger your trades for example, if you had **£50,000** in your account instead of **£5000**, this trades profit could have been **£2500.** That is the beauty of compounding

How AstroFx Trade the Forex market

You are now aware that there are numerous trading styles that you may implement into the markets in order to potentially make a profit. During our personal journey we tried everything known to man when it came down to trading tools, indicators, automated systems and much more.

Did they work? Of course not! After being annihilated time and time again, thinking that we had at last found the Holy Grail, we had to go back to the basics where we freed ourselves from the mass garbage we had come across. The only way to become a successful trader is to focus on the price action rather than indicators based methodologies and systems that are based on historical data.

AstroFx predominantly specialise in technical analysis: the study and interpretation of currency price charts. Our daily routine begins with examining which fundamental news releases are due for release for the day ahead. We then proceed with analysing a total of five currency pairs **(AUD/USD, EUR/USD, GBP/USD, EUR/JPY, GBP/AUD),** plotting key levels, keeping a close eye out for trading setups and confluences that fall in line with the strategies that we teach later on.

Swing trading (medium term) and some intraday trading is our preference, we don't really go for anything less than 60 PIPs on a single trade as anything less than 50-60 PIPs can be considered as a form of scalping. In the past we performed a vast amount of scalping, however we found that it takes a considerable amount of concentration and pro-longed periods of time on the charts. Staring at the charts for an excessive amount of time, searching for small and short trade setups can really take a toll on your psychology. This is due to the impatience and 'wanting' to get your time and efforts worth of profits for the day, this can lead to incorrect judgments and mistakes.

When we specialised in scalping the lower time frames (15MIN, 5MIN charts), our team were executing 4-6 trades per day! Now that we revaluate this, it does seem quite insane, not to mention the amount of commission we fed the broker and spending almost 6 hours per day at the screens. Medium term swing trading is preferable as it permits much more freedom and only requires 1-2 hours at the computer per day, analysing charts and monitoring trades etc.

The trading style AstroFx now use is one of professionalism; one that only necessitates 3-4 price action trades per week in order to gain a sufficient amount of PIPs to live a life of freedom, furthermore it is less stressful and taxing on our personal health.

With a combined experience of 13-14 years, the AstroFX team aim to deliver it to you in the most effective manner. You get the knowledge and experience (**practical and psychological**) from our hard times, the ones that shaped us all into what we are now in order to prevent you going through the same!

Each and every trading day we combine our knowledge and direct it towards the charts. We run over five currency pairs and shoot the analysis via a screen-cast recording and upload the footage on our members zone for our subscribers and course students to follow and utilise in the most effective manner. We select the best trade setups and take pride in our work but unlike others who focus on the money, our team concentrate on the **PIPs**.

We think about stop loss and target way before the execution and often trail the stop once in profit to ease any stress and guarantee a profit. The trades will run, we monitor from our mobile phones and stay busy with other jobs/hobbies throughout the day, simple! We hope you enjoy the rest of the course!

PROGRESS NOTES

PROGRESS NOTES

Lesson 2: Fundamentals. What Are They And How Do You Trade Them?

What exactly is meant by **fundamentals**? Every day the markets see the release of important pieces of economic data. Be it the **BOE** (**Bank of England**) regarding Inflation or Job's Numbers, the **FED minutes**, or **US CPI or Manufacturing Numbers** and Eurozone **interest rates** etc. This is what we call '**macroeconomic**' data. And these data releases impact **price action**, both long term and short term.

Fundamental announcements are a vital part of trading Forex, stocks and pretty much all markets. They help to move the Markets along faster, creating huge liquidity in short periods of time. They also create a lot of volatility, this combined with liquidity can be taken advantage of. The general consensus is and always has been the 'Markets will follow the economic numbers'.

In Forex, fundamentals mean we are basically pitting one Economy against another. USA V Great Britain, Australia V Japan, Switzerland V USA, New Zealand V Australia.

Let's break this macroeconomic data down and look to the most important factors that will have the highest impact on the markets/particular currency crosses. **Interest rates** – **Higher interest rates** cause a Currency to appreciate in value due to an increase in investment under higher interest rate climates. However, a stronger currency has it's own issues, it will make exports more expensive and higher interest rates also make the cost of borrowing more expensive.

EverythingFX SIMPLE YET SMART

22/11/2015 - 28/11/2015

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
Sunday, November 22, 2015						
11:00	EUR		German Buba President Weidmann Speaks			
21:45	NZD		External Migration & Visitors (Oct)	8.90%		12.20%
21:45	NZD		Permanent/Long-Term Migration (Oct)	6,210		5,550
21:45	NZD		Visitor Arrivals (MoM)	0.2%		4.4%
Monday, November 23, 2015						
All Day		Holiday	Japan - Labour Thanksgiving Day			
05:00	SGD		CPI (YoY) (Oct)	-0.8%	-0.5%	-0.6%
08:00	EUR		French Manufacturing PMI (Nov) P	50.8	50.8	50.6
08:00	EUR		French Markit Comp. PMI (Nov) P	51.3	52.5	52.6
08:00	EUR		French Services PMI (Nov) P	51.3	52.6	52.7
08:30	EUR		German Composite PMI (Nov) P	54.9	54.0	54.2
08:30	EUR		German Manufacturing PMI (Nov) P	52.6	52.0	52.1

Lower interest rates—Cause a currency to de-value, there is less investment, due to the lower rate of return. Interest rates drive the flow of money, which is the very back bone of the FX markets.

Manufacturing data— This is a strong indicator for industrialised countries. It is **Bullish** if the No's are higher than expected, and **Bearish** if the No's are lower than expected.

Employment Data— Higher employment No's will be **Bullish** for that currency as lower employment will be **Bearish** for a currency. Inflation and consumer confidence, higher inflation and higher consumer confidence is a positive economic signal and therefore has a **Bullish** effect on a currency. Yet again, weaker Inflation and consumer confidence is a **Bearish** signal for a currency.

GDP (Gross domestic product) — Considered more of a lagging indicator, but of course a **higher GDP** encourages bullish price action. The **lower the GDP**, the more **bearish**. So, your first job as an FX trader before even opening your charts will be to look each day at the economic calendar to see what fundamental announcements could affect the markets and the currency pairs you are looking to trade. One major fundamental website that we recommend you bookmark is: **www.EverythingFx.com**

Correlations and Market Participants:

Countries include: United Kingdom, United States of America, Australia, China, Japan, Switzerland, Russia and Brazil.

Central Banks and financial Institutions: Federal Reserve (**FED**), European Central Bank (**ECB**), International Monetary Fund (**IMF**), Bank of England (**BOE**), Reserve Bank of Australia (**RBA**), Bank of Japan (**BOJ**), Peoples Bank of China (**PBOC**). There are also important decisions that are made by Standard & Poor's (**S&P**) Moody's and Fitch (**Fitch Ratings**).

Quantitative Easing/QE:

-**Potential weakening of the US Dollar** (**Bullish EUR/USD**)

-Increase prices of the Crude Oil (**Bullish WTI**)

-**Growth of the inflation** (**Long Gold and AUD/USD**)

Sovereign Debt Problem in the Eurozone:

-Downgrade Ireland in the credit rating by Standard & Poor's, Moody's or Fitch (Short GBP/USD)

-Blocking Payments by the International Monetary Fund (IMF) for Greece (Short GBP/USD)

-Approval of austerity measures by Greece (Bullish EUR/USD)

Unexpected announcement of quantitative easing in the United Kingdom:

-Sharp decrease in price of the (GBP/USD). Await the pullback (correction) before selling this currency pair.

-Possible short on EUR/USD

Unexpected increase in the interest rates delivered by the peoples bank of china:

-Decrease in the price of the AUD/USD currency pair

-Possible sell entry upon a price spike to the upside on AUD/USD or go long EUR/AUD

Dovish (Inflationary) tone of the Bank of England press conference:

-Decrease of the GBP/USD, EUR/USD and a potential increase on the AUD/USD

-Short GBP/USD or EUR/USD (If you have time for it)

Dovish (Inflationary) tone of the European Central Bank press conference:

-Decrease of the GBP/USD, EUR/USD and a potential increase on the AUD/USD

-Short EUR/USD or GBP/USD (If you have time for it)

Hawkish European Central Bank conference stating strong vigilance relating to an increase in interest rates in the European Union:

-Increase in EUR/USD price (Possible 30 PIP rise)

-Long EUR/USD or maybe Long GBP/USD

-Hawkish is typically used to describe monetary policy which favours higher interest rates, and tighter monetary controls to keep inflation in check

-Dovish refers to an economic outlook which generally supports low interest rates as a means of encouraging growth within the economy.

Non Farm Payroll:

A statistic researched, recorded and reported by the U.S. Bureau of Labor Statistics intended to represent the total number of paid U.S. workers of any business, excluding the following employees:

- General government employees
- Private household employees
- Employees of non-profit organizations that provide assistance to individuals
- Farm employees

This monthly report also includes estimates on the average work week and the average weekly earnings of all non-farm employees. The total non-farm payroll accounts for approximately 80% of the workers who produce the entire gross domestic product of the United States. The nonfarm payroll statistic is reported monthly, on the first Friday of the month, and is used to assist government policy makers and economists determine the current state of the economy and predict future levels of economic activity.

Non-Farm payrolls create a lot of volatility and havoc in the market. Straight after the data release there will be a sudden spikes in price across all USD pairs. It is advised you stay clear from non-farm payroll day and start trading the following week once there is stronger sense of direction.

PROGRESS NOTES

PROGRESS NOTES

Lesson 3: The Psychology Of Trading, The Fine Line Between Success And Failure

AstroFX have been in the trading game long enough to know a thing or two about how the majority of traders think and react whilst trading. Most traders experience similar thought patterns and emotions on the charts. You can learn a vital lesson from the difference in thinking of losing traders and winning traders. Smart thinking and discipline is even more important than a trader's strategy and overall skill set in the forex market.

It would be a lie to say that success in the forex market is solely dependent upon the system or strategy, as consistency and profitability is actually determined by your mind-set.

However, many of the Forex websites and businesses that attempt to sell indicator or robot-based trading systems will never tell you this. Why is this so? Because they only want you to believe that you can make money in the market purely from their trading product or service. So, let's have a think, if there were such a money-making robot or indicator available out there, it would be priced around a few billion and not a few hundred pounds or dollars.

We prefer to tell the truth and the truth is having an effective yet simple trading strategy is just one piece of the puzzle. Balancing your emotions inline with your mental processes is vital, if you do not manage these aspects you will find yourself unable to consistently make money in the market over the long-term.

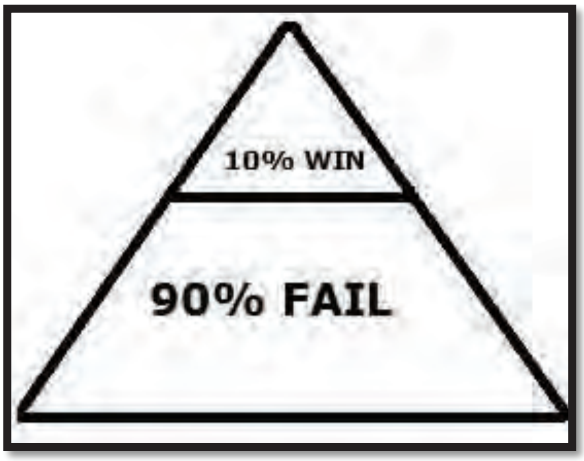
Why The Majority Of Traders Will Continue To Lose:

It is true that the majority of the people who attempt to trade forex lose. There is a rational explanation for this: most people assume that this market is a get rich quick scheme. Far too many people enter the markets with unrealistic expectations, thinking they can quit their jobs after a week or month of trading or even thinking they are going to take 1,000 and turn it into 100,000 pounds or dollars within a matter of months. This is absolutely the wrong mentality! The foreign exchange market is an investment, not a gamble!

Such unrealistic expectations will undoubtedly work against you and will only award you with an account destroying mindset. You will become pressurised and feel a "need" to make money in the market as soon as possible, inevitably compelling yourself to make irrational decisions. Trading must be done with absolute clarity, your mindset has to be almost robotic and you cannot allow stress to dominate your actions, whether it be money orientated or even your girlfriend or boyfriend cheating on you.

When you begin to trade with this "need" or pressure to make money, consciously or subconsciously, you will inevitably trade emotionally, which is the fastest way to lose your money. Before you consider trading you must be financially able to take a loss. It will never be fun, however it is part of the business, which in the end is highly rewarding. Do not trade if you will drive yourself crazy after a loss, trading is not for everyone and it is certainly not for the weak hearted.

Neuroscientists like to say, 'Neurons that fire together, wire together,' meaning that, when you think and do things in a repeated fashion, the neural pathways in your brain take a new form and get deeper over time. Wherever you direct your attention will define you on a neurological level, meaning whatever you think about, practise and believe, you become on a neurological level. Just remember that perfect practice makes perfect!



A Range Of Emotions Which Can Impact Your Trading:

In the event that you are still uncertain of the particular emotions that you must control, let's run through the top few that can set you aside from becoming a profitable trader to a losing trader.

Doubt: The worst thing a trader can do is doubt him or herself. Doubt leads to a trader questioning other traders or even worse, throwing themselves headfirst into online forums and websites, seeking for answers that do not exist. Always remind yourself that your opinion is all that matters; trust your own judgment, live with it and love it!

Attempting to find the direction of a currency pair from online traders is a sure fire way to take hits to your account! Some traders may be targeting 5 PIPs whilst you are looking for 50. Other individuals experience and skill in analysing the market may vary greatly to yours. However, self-doubt and desperation will result in you relying upon the opinion of others over your own. Throughout your journey you must trust your own judgment, it will only improve with experience and your efforts on the charts.

Doubt can arise after a few consecutive losing trades; often making you feel as though you do not have what it takes. We are here to tell you this is INCORRECT it's all psychological "He who says he can and he who says he can't are both usually right". You taken it upon yourself to enroll on the AstroFx course because you believe and know that you can make it, so cut the doubt! Each time you feel up against the ropes, take a deep breath and some time away from the charts, returning only when you feel relaxed. You can control doubt with experience. How you feel in your first trading month is incomparable to how you will in your third or fourth month, it is experience above everything. No single trader will become profitable within the early stages of trading! It is not a smooth sailing journey; you will experience a turbulence of learning curves, which shall mold you into a successful trader over time.

Fear: It can be so easy to become fearful of the market, particularly for beginner traders who have not yet assembled a trading plan or an effective trading strategy, which consists of price action methodologies. In such a case they should not be anywhere near a real account. Fear can also be created from a string of losses, making it seem there is no hope in sight and it can certainly kick ones confidence. It is important to note that even an 80% winning accuracy rate can still throw 20 losses out of 100 at you, stay cool and push onwards and upwards.

Trading and risking too much can cause fear of losing. There is a simple solution to this; you should only risk as much as you are comfortable with losing. If the loss is going to hurt you or be one that is unbearable, bring down the lot size and the risk. Fear paralyses the nervous system, therefore severely limiting your trading, as you will miss out on the good market opportunities all because you are stuck in the illusion of fear, worried of being stung.

Fear is a natural feeling once a loss occurs, regardless of how wealthy you may be, no single person enjoys losing money. You must reaffirm to yourself that you are in this to achieve longevity and that this market game is just like any other business where the “losses” you incur are your overheads. Most business are not profitable for years, however you are lucky enough to be a forex trader! You have the opportunity to become profitable within just a few months.

Success cannot be forced, do not rush this game. You must ride the waves of the market, take your time and eventually your fear will be a thing of the past. Staying balanced and in control is vital in your battle against fear; sitting in front of your screen after a loss can and will be destructive. You must learn to leave your emotions at the door. Once a trade plays out for the good or the bad, a real trader will move away in order to gather their thoughts and live to fight another trading day.

Revenge: An emotion that has been around since the Stone Age! Following a losing trade you will feel revengeful; this is human nature. To prohibit yourself from feeling this way you must understand that there is no such thing as a 'sure thing' trade.

Any trade can turn into a loss at any point, this is not your fault and you should not take it personally. Such scenarios can even be triggered by a natural disaster on the other side of the world. With this being said, a wise trader will never put their eggs in one basket. The worst decision you can make after taking a hit is to jump straight into another trade, as you are entering the trade for the total wrong reasons and the outcome can be an even larger loss, leading you into the swirling abyss of pain and even more hardship. Revenge trading can be lethal to your emotions and therefore your account, remain mature to your losses and long-term goals.

Revenge arises from your inner depths upon receiving any kind of loss which triggers anger or jealousy, this may apply to circumstances in your personal love life, between friends or even at the workplace. This may often lead to negative consequences such as fall outs and bad decisions, however you must remember that the financial markets do not care! Revenge based actions and thought processes will leave you with a tumbleweed account and possibly a face in the pillow.

Being angry at your screen, your phone or yourself isn't going to benefit you anyway. 90% of traders are losing on a daily basis so you were not the only person the market wanted to upset. With persistent effort and hard work, you will be winning as the others are losing, just keep revenge and spite well away from your trading market or mind. **A balanced internal reality = A balanced external reality.**

Greed: Greed is possibly the most dangerous emotion. When you experience a string of wins, you will most likely feel on top of the world and this can cause greed. Hitting your take profit can make you feel as though you have the Holy Grail, prompting you to search for supercars and fall into the illusion of "this is so easy".

Greed can also arise when a trader doesn't have a structured plan in mind or any realistic targets which they want to achieve. Trading without goals is like driving without a destination, it's going to make you run circles and drain your fuel tank. Stay humble, disciplined and remember this; **a losing streak can always come just as fast as the winning streak**! Another important mistake to point out is that greedy traders can add positions (**stack**) when they see a trade going in their favor (**or even against them**) increasing initial risk without being tactical.

Greed can make the best trader crumble to their knees. Many amateur traders will ignorantly believe that if they made 30 PIPs using 5 pound a PIP, they could have done the same with 20pounds a PIP! Not taking into consideration to keep risk in proportion with their initial investment/account margin. Only increase your trading volume within the strict guidelines of your trading plan. Just because your account is going up doesn't mean instantly your lot size should. You are not here to flip your account; you are here to obtain the trading skill necessary to live off your account.

Greed is further controlled with staying grounded and setting proper trading targets. Once you know what your target is and you have achieved it you won't be tempted to blindly risk and ruin your plan. Once achieved, call it a day and hold gratitude.

The avalanche effects of greed can come along when traders feel overconfident and euphoric. They then totally dismiss the aspect of danger in the market and fail to remember that **ANY TRADE CAN LOSE… LET'S SAY THAT AGAIN, ANY**!

If you are not already, you must work towards conditioning your subconscious mind that trading is a long-term game of probabilities. If you are implementing a good risk to reward ratio, eventually you will become profitable in the long-term, assuming you follow your trading edge with discipline. However, you should always apprehend that out of 100 trades, even an 80% success rate could result in you sustaining 20 losing trades in a row. It is impossible to know exactly which trade will fail and which will be a success.

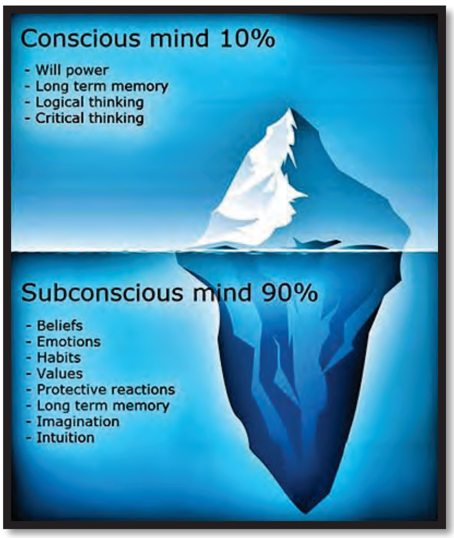
A Toyota takes 13 hours to build and a Rolls Royce takes 6 months, good things take time and so do good forex returns!

A Traders Mindset:

Building a great trader's mindset is one half of the battle, whilst the other half is maintaining it. You have to accept how the market works and that not every day is a trading day or maybe even **your** trading day!

Chose your trades meticulously, taking pride in your analysis and reaffirming the facts of trading the forex market. At times the battle with your own mind is most difficult, however once you have overcome this hurdle you will open yourself to long-term success.

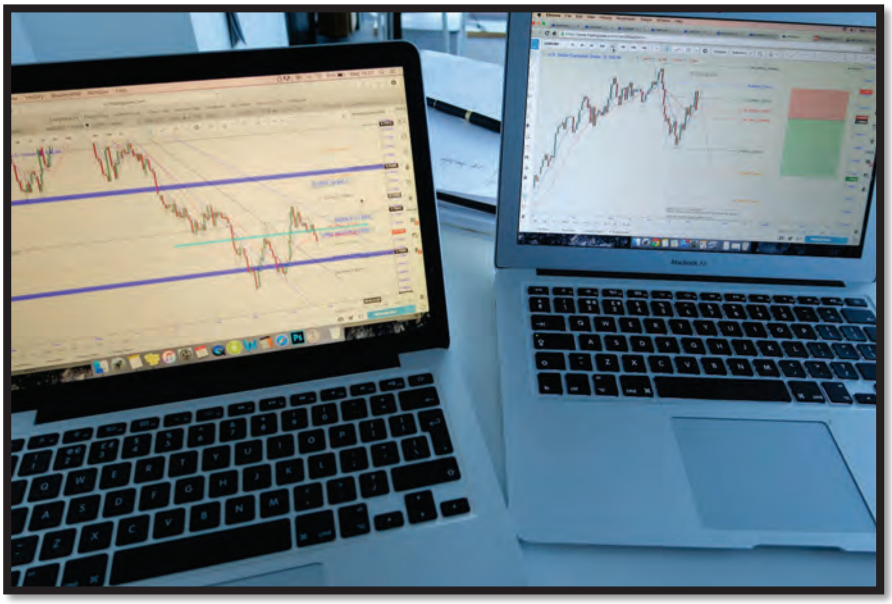
Keep your mind clean and still. Really focus on Following pro-longed or stressful hours in front of a screen, it is possible for your mind to present trade opportunities that in reality are not there. Trading should be calm and relaxed, take the middle path by remaining centered upon a winning trade and centered upon a losing trade.



Mastering Your Personal Trading Strategy:

Every trader has unique characteristics; therefore strategies that suit others may not always suit you. Some traders may be patient and so best suited to long -term trading, whilst impatient individuals who prefer to be in and out of the market fit into the intraday category of traders. Whatever your preference of trading, practice it and perfect it; mold it into a personal craft as you would with any other skill. A sure fire way to becoming a better trader is to master just a few techniques, find the set-ups, determine your pattern and what your eyes are accustomed to find. You should only enter trades if they fall in confluence with your preferred price action methodologies and plan.

Sometimes it takes having the mind and the emotions of a robot, in the sense you know your strategy and there is NO questions about it, everything is figured out based on risk, reward and your strategy. Again you must leave your emotions at the door.



Managing Risk Efficiently:

If you do not control your risk on EVERY single trade, you open the door for emotions to dominate your mental activity. We can promise you that once you start down the slippery slope of emotional Forex trading, it can be very hard to stop your slide, or even recognise that you are trading emotionally in the first place! The FX game is about how much you lose, not how much you win.

You can massively eliminate the possibility of becoming an overly-emotional trader by only risking an amount of money per trade that you are 100% OK with losing. **You should expect to lose** on any given trade! that way you remain aware if it happens and simply move on.

You Need To Become A Strict and Organized Trader:

Clarity and organisation are the two aspects in which your trading success will be dependent on. By organised, we mean keeping a trading plan and a trading journal, both of which you shall utilise on a regular basis. Forex trading is a business and contrary to popular belief it is certainly not a trip to the casino. Remain calm and calculated in each of your interactions with the market and you should not experience hardships in keeping the emotional trading demons at bay.

Every trade setup should be documented. We encourage you to screenshot each chart setup and makes notes as to why you took the trade. For example: ***'I saw the bearish engulfing candle form off a major level of resistance. The moving averages crossed over and it eventually broke the trend-line. I sold with a 40 PIP stop loss and a 80 PIP target giving me a risk/reward ratio of 1:2.'*** You then document if the trade was a success or not and then discuss it with the AstroFx team.

Astrofx Trading Log Book

Market	Position	Contract Size	Pip Value (£/$)	Date Opened	Time Opened	Opening	Close	Date Closed	Time Closed	Stop Level	TARGET Level	Pips Achieved	Monetary Value	Duration of Trade (Days)	Risk:Reward	% Risk of Deposit	Profit / Loss	Commentary:
GBP/USD	Short	1	£5.84	16/07/2014	06:32	1.71338	1.70600	18/07/2014	13:56	1.71580	1.70600	73.8	£430.70	2	1-3.0	2%	Profit	EXAMPLE: "CLOSED TRDE IN PROFIT BEFORE MAJOR NEWS

5 Quotes we suggest you recite time and time again to keep a positive mental attitude in the trading game:

"Trade smart not often."

"Every day is not a trading day."

"it's the pips not the money."

"Investing not gambling."

"He who says he can and he who says he can't are both usually right."

PROGRESS NOTES

PROGRESS NOTES

Lesson 4: Various Mistakes & Traps In Trading

Below are some of the common mistakes and 'traps' that give 99% of traders trouble at some point. So let us cover the most common mistakes that you may keep you from making money in the market:

At Astrofx, we openly talk about the mistakes and traps that we fell into when we first began our trading journey, some of these mistakes were repeated not once but many times over. Nonetheless, our personal hardships and experiences are precisely what fuels us with the confidence that we can offer you the best trading course that is not only centered around what you should do, but also what mistakes and traps you must avoid within the realm of FX.

When we embarked upon our self-taught forex journey we were screwed over by a Nigerian internet café scam within the first few weeks! There are also false-hope systems which sold on Ebay that claim to give you FX guidance and substantial profits. You will may even get people telling you (**who might not have two cents to their name**) that they are the ones who can help you in the forex world. Ignore everything and believe that with the right education and self belief you can make it on your own! it can be done no matter what anybody tells you, just keep focused.

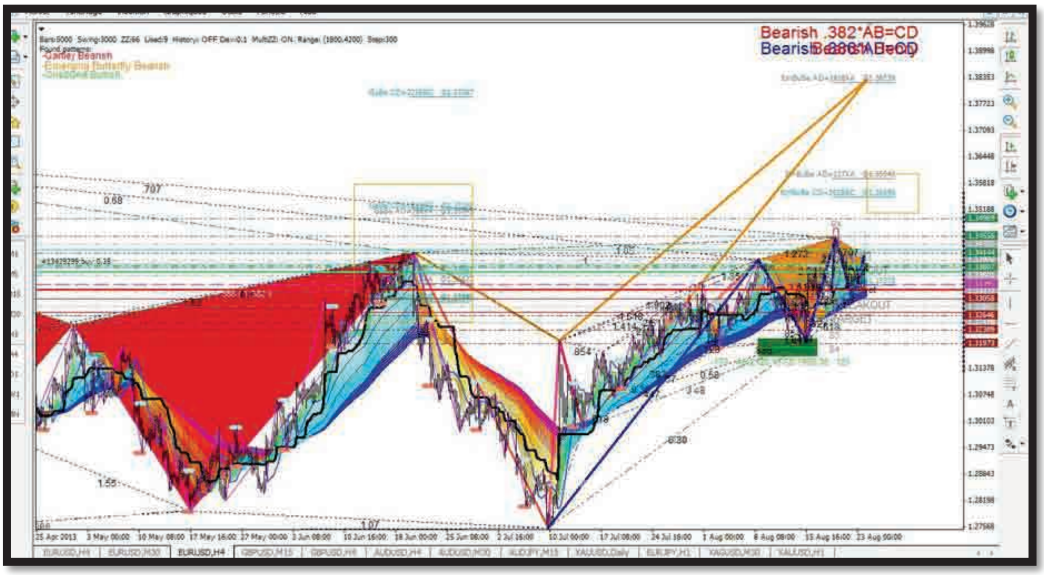
There is a fine line between losing money because of your trading and losing money because of you falling into stupid traps.

Losing trades: Losing trades are part of the reality of being a trader, it is in the job description! All traders, regardless of whether they are operating from a bedroom or working on Wall Street will encounter losses. Understand the facts about trading. Even a person with an 80% success rate can lose 20 trades in a row out of 100. Stay grounded and keep your risk tight, safe and disciplined.

Losing money: Unfortunately 90% of traders that lose money, lose all confidence and doubt themselves completely. This encourages them to pay for rubbish forex services and even try and let others trade on their account out of pure desperation. Again, there are tons of people out there with not even two cents to their name that will claim if you pay them they will be able to help you! Do no become fooled under the illusion of desperation, your will and drive is all you need.

Let’s Go Through Some Of The Main Ways In Which People Unfortunately End Up Being Unsuccessful:

Chart Crazy: There are numerous Forex Fundamental impacts□that can distract a trader, as well as ridiculous amounts of trading systems and trading software, which include indicators, templates etc. As a trader you must filter through these variables and create a trading strategy that is simple yet effective. Warning: this can prove to be an extremely difficult task for an amateur trader as it is far too easy to become lured into the various forex “services” and “products” out there. Whether it is an automated trading system or a fancy indicator, remember it all comes back to simplicity! If it were as simple as getting an arrow to appear on your screen everyone would have it!



Many traders seem to think that ‘more is better’, when in reality ‘more’ is actually much worse. There is really no need to sit in front of your desktop for hours on end analysing Forex news reports or numerous indicators on your charts. It is only hurting your eyeballs!

Our trading philosophy is that all the variables that impact the market’s price movement are reflected via the price action on a price chart. So, spending your time and hard earned money on trading software, systems, or analyzing countless news variables is simply a waste of time.

Furthermore, a trader can become chart crazy after they attempt to analyse far too many market variables that they not only exhaust and mentally drain themselves, but do so to the point that they begin to make emotional trading mistakes. Remember, in this game one careless error can blow your whole account and this is known as analysis paralysis!

Over-Trading: Most traders do not make money in the markets or attain longevity for one simple reason: **they trade way too much**! The trading tradition is that most traders do very well on demo accounts, but then when they start trading real money it all goes pear shaped!

The reason for this is that in demo trading there is absolutely no emotion involved, since your real money is not at risk. This alone proves that emotion is the number one destroyer of trading accounts. Traders who over-trade are working purely on emotion. Therefore, an emotionless state of mind needs to be embraced and robotic like trading must be carried out where everything comes down to your technical skill and not your feelings!

Essentially, you need to know exactly what you're looking for in the market before trade execution. Trading too much causes you to rack up broker spreads or commissions costs and it also causes you to lose money a lot faster since you are purely gambling and not trading. You need to take a calm and calculated approach to the market, not an addicted gambler approach, which seems to be the favoured by many.

Not applying risk reward and money management correctly: Risk management is **vital** to achieving success, security and longevity in the markets. Risk management involves controlling your risk safely (**per trade**) at a level that is tolerable for you (**so you can swallow the loss without tears**). Many traders ignore the fact that they could lose on ANY TRADE AT ANY TIME. Think, if you know and accept that you could lose on any trade…why would you EVER risk more than you were comfortable with losing?

Yet traders make this mistake time and time again…the mistake of risking too much money per trade a sure fire way to experience margin call. It only takes that one over-leveraged trade to turn sour against you to set off a chain of emotional trades that will become errors that rapidly wipe out your trading account.

Advanced: It doesn't matter how much of a good trader you are, or the eye that you have to spot trades, if your risk reward or money management isn't up to standard you will never make money long term in the forex market.
You want to chase more pips than you are risking. Although this may seem as though it is basic knowledge, even the experienced trader can slip up. Chances are they had poor risk reward or money management due to two reasons.

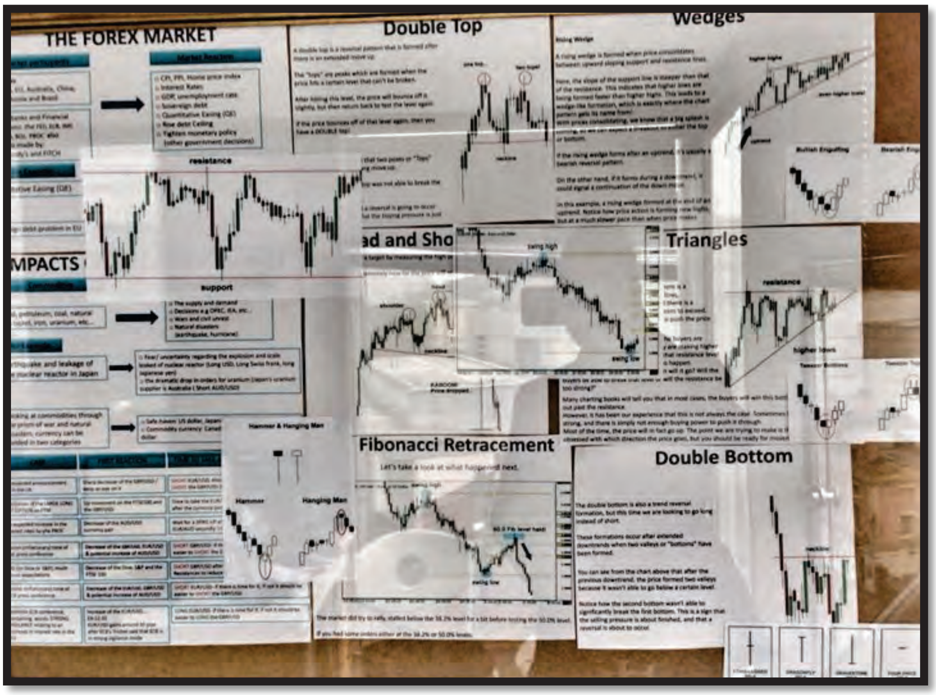
Rushing: When a trader feels as though they are 'missing out' on an opportunity they will often skip the step that allows them to evaluate whether the trade makes sense, risk to reward wise. As well as this error in judgment, they may also ignore volume calculations based on their account size of stop loss values. Thus, foolishly placing themselves in the market with an over leveraged risk on a trade that does not even make sense to be in. Imagine entering a competition for £100 when the prize is only £50... Yes, this is the foolishness we speak of and it is known as: Fear of missing out (**FOMO**).

Chasing Money Not PIPs: A trader who approaches the market as a gambler; one who is addicted and irrational with their decisions, will think about the money and not the PIPs. This mentality will never succeed in transforming you into a professional forex trader. Forex is a business, not a casino.

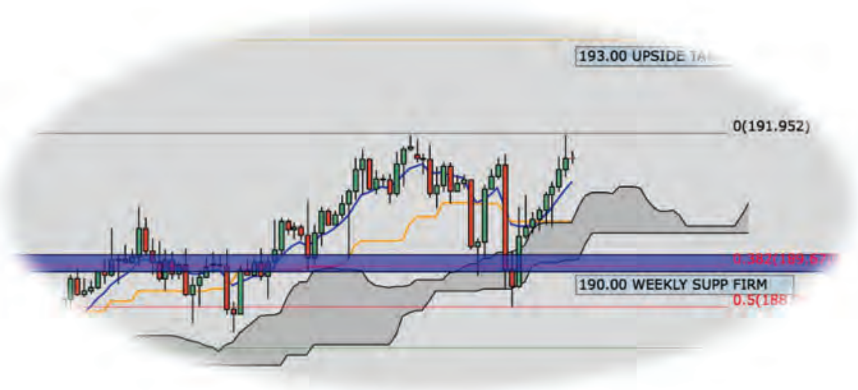
When only thinking about the money your risk reward will not matter in your head it's always about '**If's**' and '**Maybes**'. You will think it's as easy as putting on high lots and exiting after just a few positive PIPs. Always count your trade profits or losses in pips whilst keeping the trade lots/volumes more or less the same (**setup and timeframe dependent**). This keeps a detachment from your personal feelings. Your trading plan should consist of PIP Targets, PIP risk & PIP counts.

No Game Plan: Attempting to trade without a proper trading plan is perhaps the most common trading mistake Forex traders make. Many traders tell themselves that they will create a trading plan 'later on' after they start making money or that they simply do not need one until their good luck streak is over and their account comes crashing down.

Keep track of your Forex trading plan that details all of your actions/trades in the market as well as your overall trading approach and strategy, this will help keep your emotions and your trading separate when needs be!

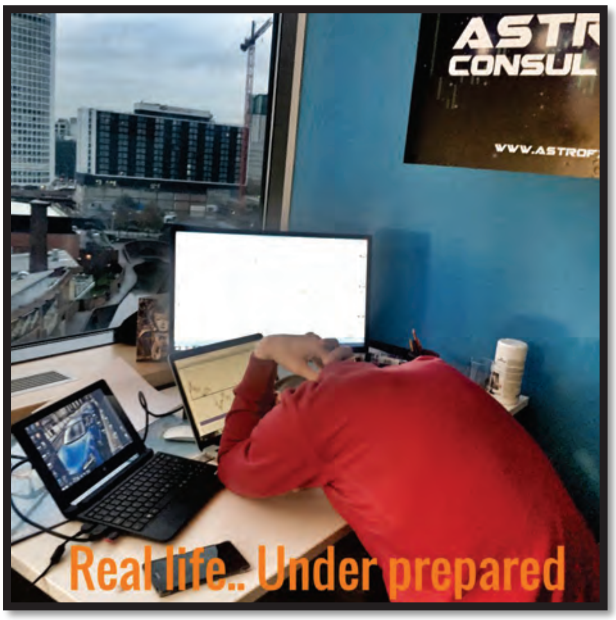


Every trader, particularly a beginner trader, needs a forex trading plan in order to solidify their trading strategy and create a guide that they can use to trade. It is impossible to have your plan in your head, you must physically write it out and abide by it every day that you trade. This will not only keep you on track and deter you from making mistakes, but at the same time you are creating a portfolio of your trades, which you are able to review and evaluate what you are doing well as well as what you can improve on so that you continuously progressing.



Jumping from Demo to Real: We do understand the urge to jump into the market and start trading real money after a trading successfully on a demo. However, the truth is that until you have mastered your effective Forex trading strategy like price action trading, you shouldn't be anywhere near a real account. By mastering the strategy and yourself, we mean you should be consistently successful on a demo account for a period of 3 to 6 months (**or sometimes more**) before thinking of going live.

Do not treat a demo account as a sport. Trading a real account is miles different to trading a demo account. This is down to the emotions involved in a real account as you are trading your hard earned money. Therefore, you should only switch to real money after you have achieved success on a demo account for a substantial period of time. Take your time. We always tell our clients that the market is not going anywhere!



Furthermore, do not gamble your money away. If this is your motive, you have a better chance of winning at the casino. Traders who are successful in the long-term do not gamble in the market; they remain calm and calculated. They have a trading plan, trading journal and they know exactly what their edge is and when to trade it. If you are in this for the long-term, which we hope all our clients are, you must revise and take your time. The market will always be here, even ten years from now.

Over confidence: Traders who have a string of consecutive wins will begin to feel that they are invincible and that they have conquered the market. It is a proud moment to know that your judgment has made you money, however, you must remain composed and remember that you can lose any trade at any given time. You could be at the top of your technical and fundamental game, but this will not prevent the market from making a move that surprises you. Always be at the ready, taking into consideration that the market does not care for your feelings or your account.

Despite the number of winning trades you may have, you must remain humble and disciplined, control your excitement and stick to your game plan. Traders will often increase their volume because they feel unbeatable! You should only do this once you have considerably more capital to trade with, else it will only create a domino effect and draw out further emotional trading, as you will suffer greater losses. Draw a thick line between confident and cocky and stay on the right side, the profitable side.

Confidence is key in the market. It keeps you in alignment your own judgment and promotes a positive attitude. Before any trade goes well you have to believe in your trade and your technical analysis. Cockiness is something you never want to merge with your trading career. It will affect your mindset and have you thinking each trade you touch will turn into gold. How we have mentioned before 80% of the battle is in your own mind. Often traders will tell their friends, family and peers that they have made *x* amount in the market. This in the traders mind is a standard to impress others, so they will indeed chase bigger profits not only for their account but for other people. Yep another sure fire way to trap yourself in a ruthless market until your account evaporates.

PROGRESS NOTES

PROGRESS NOTES

Lesson 5: The Rules Of Risk Management

Each trade carries with it a certain level of risk and prior to entering a trade you must be aware of the amount of risk that is involved in that particular trade. Risk is a highly important aspect to trading; knowing the amount of risk on each trade is one way to limit and protect your capital.

Risk to reward ratio is one of the most effective risk management tools in determining the amount of risk involved in a trade. This calculation/parameter indicates how much you are risking in comparison to the potential reward (or profit). Whilst this may seem simplistic, many traders ignore taking this step resulting in large losses and small wins.

How to Determine the Risk-Reward Ratio?

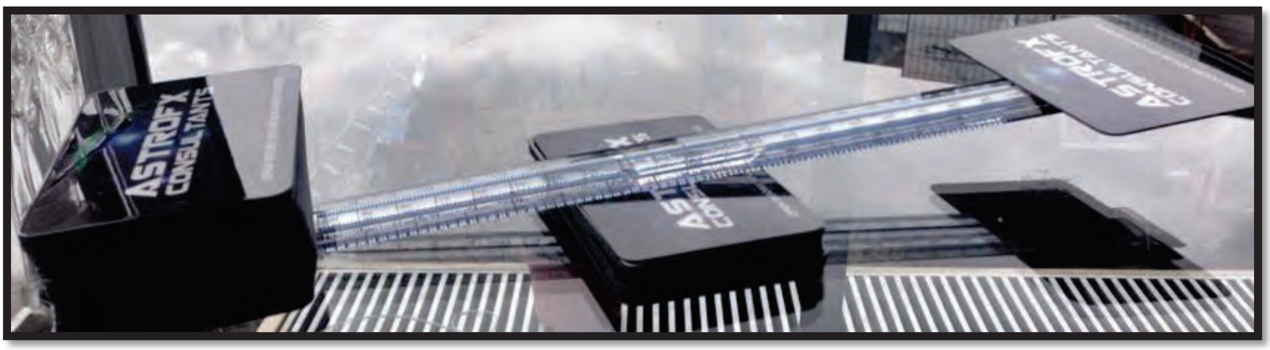
The first and foremost basic step is to determine and decide the amount of risk you wish to place. This should be determined by your account size, between **1-3%** of your account size is what we strongly suggest.
If account is **10,000GBP** this means each risk (**potential loss**) should not exceed **100-300GBP.**

For example:
-If you have an account of **£1000**, **£30** would be your **3% risk/drawdown**. A good risk reward would be **1:3**, Risking **3%** to gain **9%**

-With a **£1000** account you would be risking **£30** to gain **£90** So, say you have a valid setup which requires a **30 PIP stop loss**. To work out what lot size is relevant you would do the following: **£30** (**3% risk amount**) **Divided by 30** (**stop loss**) = **£1 per pip.**

Risk amount in £/$ divided by stop loss size = the correct lot size to stick within parameters.

Another example:
-Your account size is **£5690**; You want to only risk **2%** this time as you are being more conservative. **2%** risk is **£113.80**. The required stop loss is **55 PIPs**. **£113.80** (**2% risk amount**) **Divided by 55** (**stop loss**) = **£2.06 per PIP.**




-20PIP TAKE PROFIT / TARGET
-BUY/LONG TRADE
-20PIP STOP LOSS
1:1
ACCEPTABLE
-40PIP TAKE PROFIT/ TARGET
-BUY/LONG TRADE
-20PIP STOP LOSS
1:2
GREAT
-20PIP TAKE PROFIT/ TARGET
-BUY/LONG TRADE
-40PIP STOP LOSS
2:1
BAD

What is a good ratio:

The minimum risk-reward ratio you should be entering for a trade should be 1:1. However, a larger ratio is better. An acceptable risk-reward ratio for beginning or experienced traders is 1:1, 1:2, 1:3.

Never enter a trade in which the risk-reward ratio is less than 1:1 as it outweighs the reward.

-Experienced traders who can find the best setups can enter trades in which the risk-reward ratio is 1:5 or higher. This requires that the trader wait for a trade with this ratio, but the reward is worth it.

-A higher risk-reward ratio is good as it eliminates the need to constantly find further setups. Remember that the more times you are in the market, the more you are at risk. It is difficult to increase your account with a lower risk-reward ratio and you could suffer numerous losses.

-Waiting for the right risk-reward ratio trade can take some time. However, the benefits of waiting for a higher risk-reward ratio are worth the effort and patience.

-You will know your risk and know your potential profit. Most importantly, you will know whether the trade is worthy of your money.

-In other words, if you want to gamble then you should head down to your nearest casino. Whereas if you want to trade, you must develop your discipline, master good risk to reward and enter trades that make sense in your head, as well as on paper.

Here are a few examples of the risk-reward ratio:

-**If the risk is £300 and the reward is £600, then the risk-reward ratio is 300:600 or 1:2.**

-If the risk is £1000 and the reward it £3000, then the risk-reward ratio is 1000:3000 or 1:3.

-If the risk is £2,000 and the reward is £1000, then the risk-reward ratio is 2000:1000 or 2:1

Risk Management Bad Habits—Stacking:

When a trade goes into a loss by even the slightest amount, some traders will attempt to enter the trade once again. This is called stacking and it instantaneously doubles the loss sustained by the trader. However, the trader mistakenly believes one of the following:

- **This move will double up the win;**

- **They will be able to gain PIPs from the loss they are in;**

- **They have seen a reversal and this is the best time to enter.**

Amateur traders often assume that the trade will "come back around" and their lack of patience of judgment induces them to enter the trade again and again.

The term creeping death is given to the situation that arises when you have no stop loss in place and a trade is going against what you had predicted. The term is fitting, as it will do just that… slowly creep against you and your account.

Stick to your trading plan, technical analysis and first instinct. All real traders will have one entry unless they are swing trading and scaling in, often only entering again if they are in profit not loss, however, this is advanced trading

Losing Streaks:

Again, we reinforce that you must eradicate the thought that every trade is going to go fantastically well. You will have some great winning streaks, HOWEVER, losing streaks can come at anytime! ANY TRADE can be a losing trade, it is your responsibility to be prepared for this and always keep your account protected by limiting the amount of loss you may suffer.

Order	Login	Open Time	Type	Symbol	Lots	Price	S / L	T / P	Close Time	Price	Swap	Profit
41223862	776535	2014.02.18 11:17:01	balance								GBP #8145	2 500.00
41223887	776535	2014.02.18 11:19:17	sell	eurusd	1.00	1.37135	1.37800	1.36600	2014.02.20 10:28:33	1.36955	-0.66	108.07
41226260	776535	2014.02.18 12:16:29	sell	eurusd	1.00	1.37091	1.37800	1.36600	2014.02.20 10:28:38	1.36985	-0.66	63.64
41230213	776535	2014.02.18 15:58:04	sell	eurusd	1.00	1.37424	1.37800	1.36600	2014.02.20 10:28:39	1.36984	-0.66	264.15
41235144	776535	2014.02.19 00:03:56	sell	audusd	1.00	0.90244	0.90500	0.89200	2014.02.19 07:31:44	0.90201	0.00	25.76
41239755	776535	2014.02.19 11:09:39	sell	audusd	1.00	0.90198	0.90555	0.89367	2014.02.19 21:11:54	0.90231	0.00	-19.77
41251292	776535	2014.02.20 00:02:59	buy	gbpaud	1.00	1.85352	1.84900	1.86300	2014.02.20 03:47:00	1.86300	0.00	508.86
41254225	776535	2014.02.20 08:39:55	sell	eurusd	1.00	1.37566	1.37800	1.36600	2014.02.20 10:28:39	1.36984	0.00	349.40
41257673	776535	2014.02.20 10:43:55	sell	audusd	1.00	0.89723	0.90350	0.89300	2014.02.21 15:27:55	0.89649	-4.57	44.38
41257732	776535	2014.02.20 10:48:35	sell	audusd	1.00	0.89722	0.90350	0.89300	2014.02.21 15:27:55	0.89650	-4.57	43.18
41258608	776535	2014.02.20 11:56:08	buy	gbpaud	1.00	1.85423	1.84900	1.86450	2014.02.20 16:00:51	1.86035	0.00	328.97
41259640	776535	2014.02.20 13:16:23	sell	audusd	1.00	0.89810	0.90350	0.89300	2014.02.21 15:27:56	0.89649	-4.57	96.55
41265024	776535	2014.02.20 18:32:23	buy	xauusd	1.00	1315.069	1319.000	1333.000	2014.02.20 23:39:16	1323.210	0.00	488.88
41268329	776535	2014.02.21 01:48:09	buy	gbpaud	1.00	1.85017	1.85170	1.85800	2014.02.21 03:31:53	1.85260	0.00	131.17
41268869	776535	2014.02.21 03:29:01	buy	xauusd	1.00	1319.564	1313.000	1333.000	2014.02.21 11:23:02	1319.740	0.00	10.58
41270480	776535	2014.02.21 09:03:55	buy	gbpusd	1.00	1.66646	1.66400	1.67100	2014.02.21 11:17:01	1.66387	0.00	-155.66
41273857	776535	2014.02.21 11:39:18	buy	xauusd	1.00	1320.660	1317.000	1333.000	2014.02.21 15:27:42	1323.479	0.00	169.07
41291903	776535	2014.02.24 12:01:37	sell	audusd	1.00	0.89763	0.90380	0.00000	2014.02.24 18:10:08	0.90380	0.00	-370.67
41297517	776535	2014.02.24 14:21:00	sell	audusd	1.00	0.89874	0.90380	0.00000	2014.02.24 18:10:08	0.90387	0.00	-308.19
41298269	776535	2014.02.24 14:38:21	buy	eurusd	1.00	1.37246	1.37266	1.38200	2014.02.24 22:31:22	1.37331	0.00	51.02
41312618	776535	2014.02.24 20:39:07	sell	gbpaud	1.00	1.84059	1.84650	1.81300	2014.02.25 03:53:36	1.84650	3.74	-320.06
41316060	776535	2014.02.25 00:08:27	sell	gbpaud	1.00	1.84223	1.84650	1.81300	2014.02.25 03:53:36	1.84650	0.00	-231.25
41320119	776535	2014.02.25 11:12:38	buy	eurusd	1.50	1.37527	1.37250	1.38200	2014.02.25 17:15:06	1.37250	0.00	-249.40

Example1:

As you can see above we have one of our statements that show a great winning streak followed by a losing streak, it happens. You pick yourself up, dust yourself off and take a breather. It's very easy to get sucked into doing something reckless after a few losses 'however' **stick to the trading plan.**

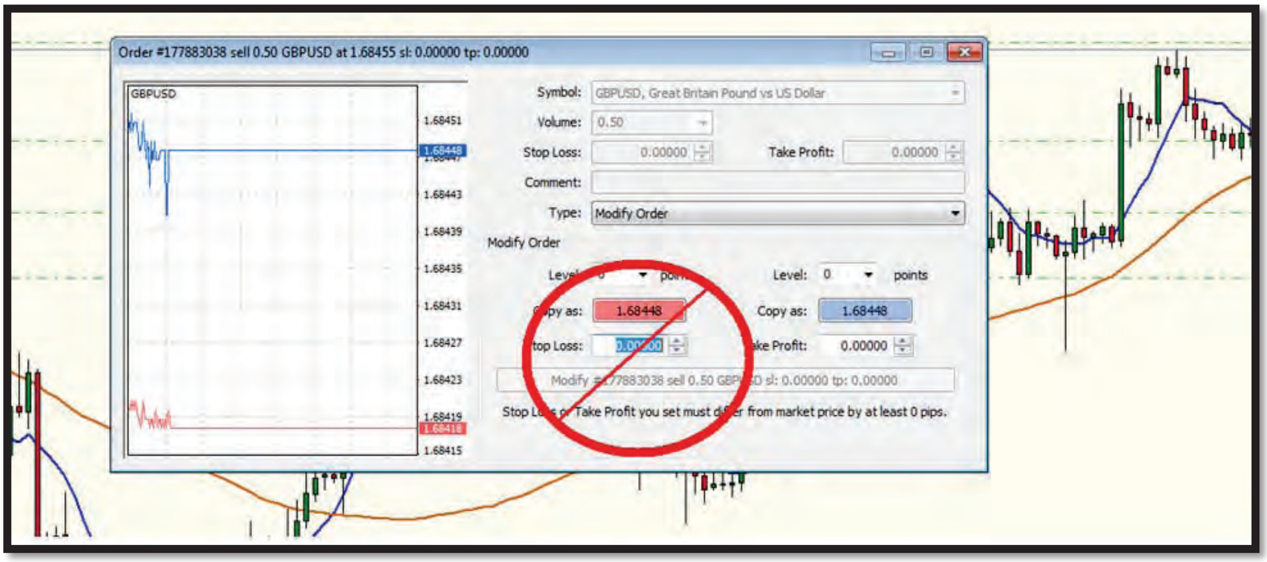
Example 2:

A great trader whose consistency and winning accuracy that is 80% must understand he/she can still get 20 losing trades in a row out of 100. It's a simple mathematic probability, you must understand the discipline required not bring emotion in when a losing streak occurs. Stay focused and cool headed when hit by a few losses in a row, because if you don't emotions can make you trade based on revenge and another sure fire way to end up weeping once your accounts vanished. We have mentioned this many times in order for it to be programmed into your mind!

Stop loss:

Placing a stop loss can become extremely confusing. Your stop loss should be determined before the trade is entered, in accordance with risk. The most simplistic rule is to not touch it once it is placed! The more you fiddle with it, the messier things will get!

Your stop loss is connected to your risk directly. For example: an amateur trader who may have suffered a few hits will attempt to keep their stop loss as small as possible and thus allowing their account to take small hits because of it being so tight. Other traders will panic when they witness the price approaching their stop loss, which entices them into moving it or taking it away completely! Although this type of trader does this in the hopes that there will be a reversal, this is an irrational move and it leaves the trader with an unlimited potential for loss.



Your stop loss is there to protect your risk, always take time to place it where it makes sense and not based on emotion and it can save your account many times. It should be thought out well before trade execution!

Your stop loss should be decided before trade execution. At any given time, the market can perform moves that you were not prepared for, leaving you with a larger loss than your trading plan and account should have allowed. Be safe; take your time with the Entry, Stop Loss and Take Profit, which should be determined before hitting the buy or sell button.

Hedging trades:

Hedging is a strategy applied by far too many traders who believe that a stop loss is not necessary; instead they will hedge the trade if it happens to go against them. So, what is hedging you ask? Hedging occurs when a trader places a trade and it goes against them. Now, they will re-enter that trade but this time they will place an opposite trade to what they originally had. The example below displays what traders hope will happen. After the sell trade goes against them, they place a buy trade assuming that it will cover the negative equity. This type of trader will attempt to exit the trade when the price begins to return down so that all in all they finish with no loss and they live happily ever after!

Lets Step Into The Real World:

What really happens: The trader will panic when the trade goes against them, as the situation becomes worse and worse, they decide to enter a buy trade. However by doing this, the trader is providing the broker with even more commission. Furthermore, if the market decides to consolidate, they will begin to panic even more and become trapped in a vicious circle of entering, exiting, entering and exiting, which will only decrease their initial balance. Leave the mess out of it!

From our years of experience, hedging is never a good idea. It will do nothing but place you in the bad habit of failing to use a stop loss, as well as destroy your account. Yes, at times you might be stopped out in a trade and it has reversed to hit your target, THAT IS LIFE! Do not allow that to be the excuse you get into this extremely bad habit.

Always enter a trade upon the recognition of a clear directional bias and free of doubt. If the trade goes against you it's a part of trading, remember you only need 60% + of trades to go well in order to make a successful living and comfortable income, as long as your risk reward is suitable.

Allowing The Trade To Breathe:

When entering any trade, understand that the market has to find its flow, almost like breathing, flowing up and down before it finds its direction. A common problem that beginner (as well as emotional) traders face is that they panic when they notice that the market is going against them, even ever so slightly. However, not every trade you execute will fall straight into profit. Preparation is key; therefore you need not panic as you have already calculated your risk when you have entered your stop loss.

Below is a buy trade which displays the risk reward profile (Red—Green boxes). A sufficient amount of PIPs as a top loss, a minimum of 80 when working/executing on the H4 chart.

Example:

Remember: Trades do not shoot into profit when you want them to, in fact 70% of the time your trade can remain range bound for quite some time and at this point you must be patient. The image above displays a trade of ours that went from profit, to loss, to floating sideways and eventually falling back into profit. Allowing the trade to breathe is a big part of trading.

5 Quotes we suggest you recite that will time and time again help you with correct risk management:

"Risk management is just as important as finding the trade."

"One poor risk management trade could lose your account."

"Let the trade breathe."

"Stop loss is there for a reason."

"Does the trade make sense."

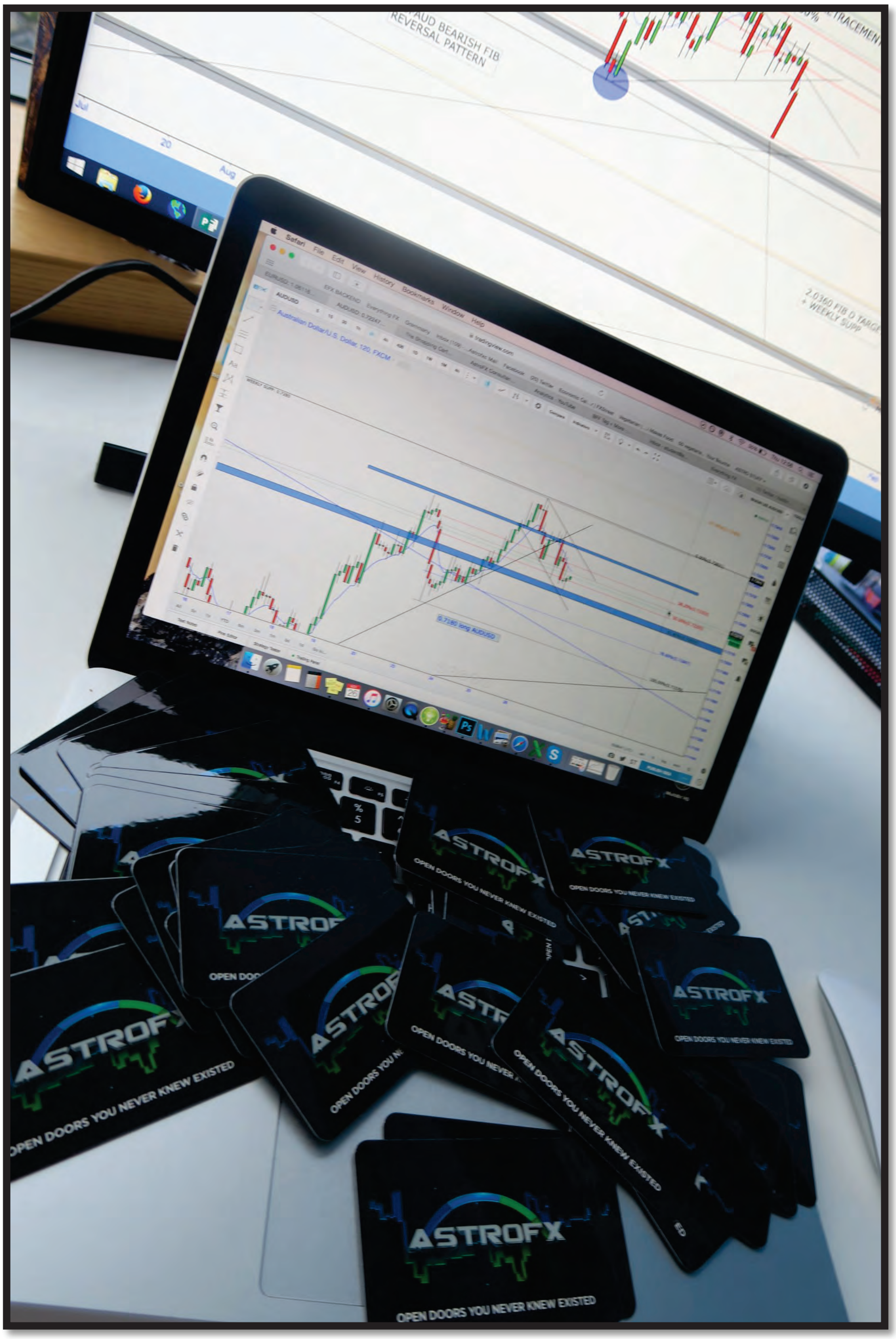
PROGRESS NOTES

PROGRESS NOTES

The Art Of Technical Analysis

The study and Interpretation

Between Analytical Phases that Flow Throughout The Foreign Exchange Market



Phase 1: Price Action & Top Down Analysis

Technical chart analysis and the variety of patterns which the chart displays are all forms of price action, the overall analysis and price movement of a given market over a period of time. Once you learn how to proficiently read the price action of a market, you can determine the directional bias and trade off the reoccurring price action patterns/setups in order to profit from any changes or continuations in market sentiment.

Price action (P.A.) is the discipline of making most of your trading decisions from a clean chart. One of which is free from lagging indicators, but perhaps has a few moving averages that are equipped in assisting you to identify dynamic support and resistance areas along with trend directional bias. All financial markets will generate data on the movement of a price within a market over varied periods of time; the charts are what reflect the overall beliefs and actions of the participants.

Since the **P.A.** of any given market reflects every single variable for any given period of time, using lagging price indicators such as stochastic, RSI, MACD and many others are most often just a waste of time and for that reason they will not be featured in this course. Raw price movement provides every signal necessary in order for you to develop a profitable and high probability trading system.

Economic variables also create price movement. These are easily visible on the price chart of a market. When economic variables are filtered through human trading psychology or even a computer trader, the movement encouraged by these variables is evident within the P.A. This does not mean that you are required to analyse thousands of economic variables each day, as the overall sentiment is portrayed within the price.

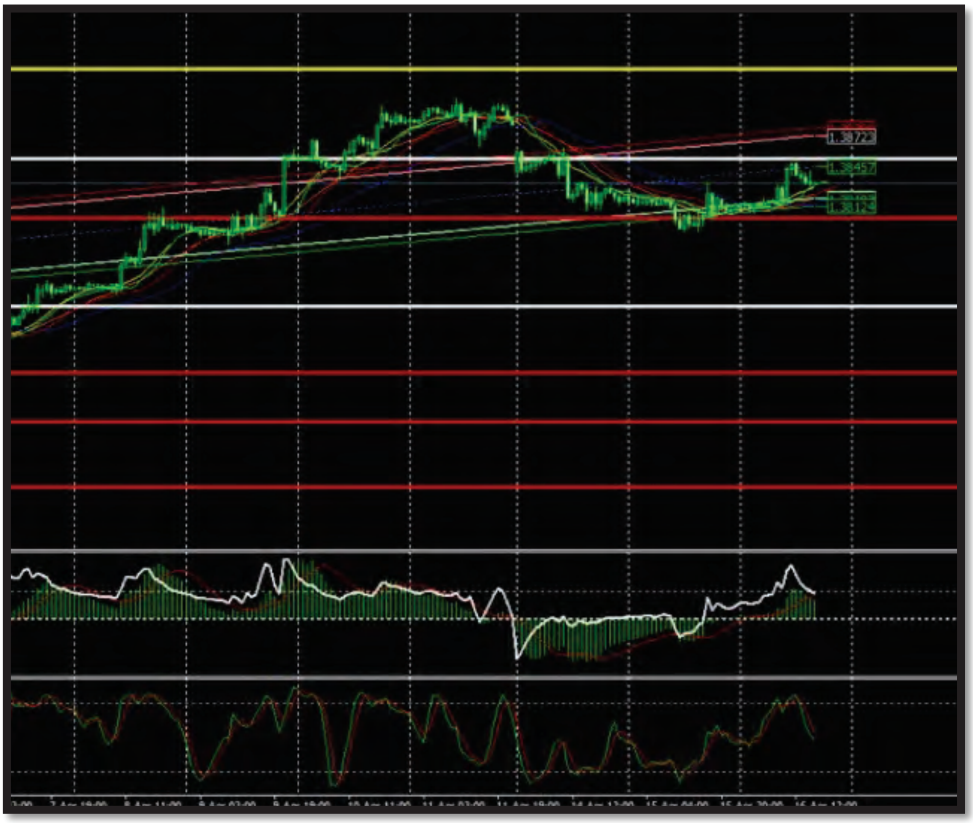
Price action analysis makes use of the overall core price data; this is why it can be used to trade any financial market. Before you begin your P.A analysis you must completely strip your technical forex charts of any indicators so that you are presented with a clean chart. Within your professional charting software you are able to choose the colours of your candlesticks to your preference. As part of the course, these will be set up for you on the professional charting software pro- vided. We will now go onto a few examples of clean and messy currency charts.

Indicator laden charts against clean charts:

There is a huge difference between a complete price action chart and one that is loaded with many common indicators. After observing both of the charts below, it is rather clear to deduce which one is best for analysis. The indicators displayed on the bottom charts, as well many others, are derived from the underlying price action. In other words, they are not delivering further insight into the future movements of the market, as they are based upon historical market movements as well as making the chart screen area much smaller.

Professional, clean charting software equipped with two moving averages

Against the basic MT4 platform smothered with indicators.



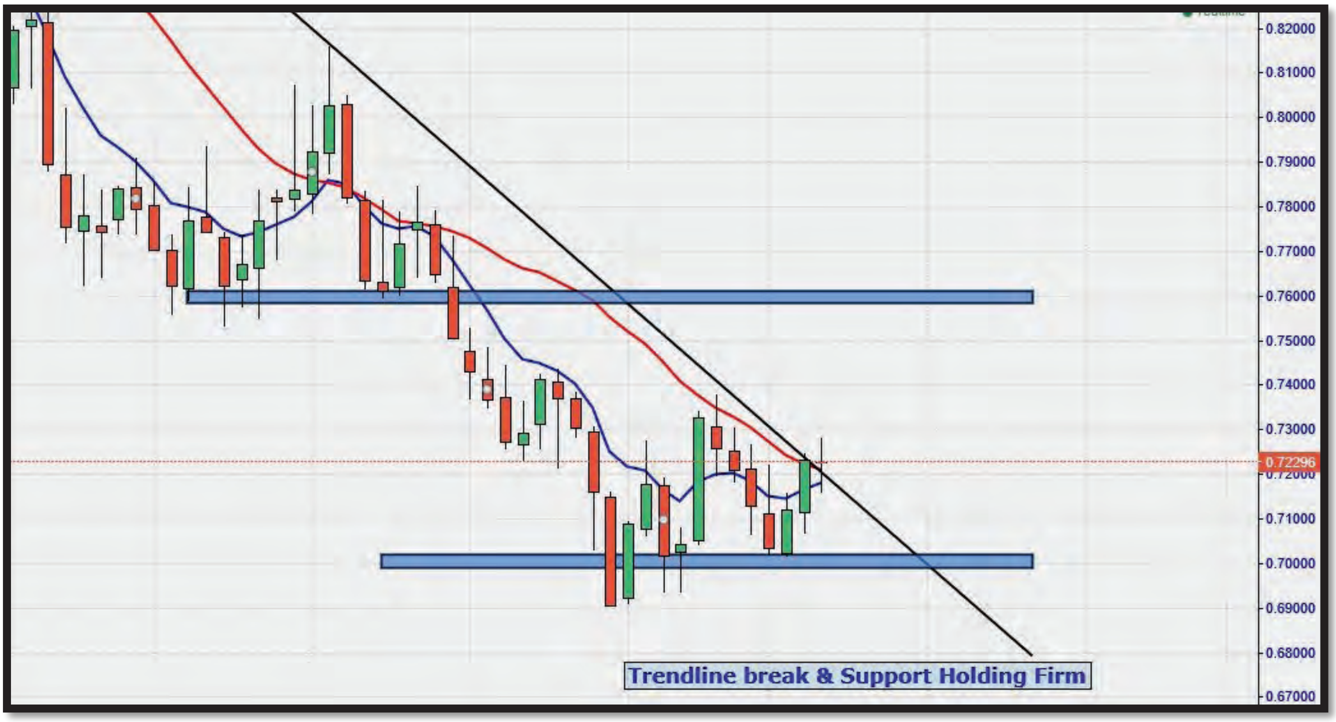
Timeframes and top down analysis

Before we delve deeper into the technical training, it is important firstly to go over the various charting timeframes and which ones to analyse from and which ones to execute from. Top down analysis is the interpretation of an instruments 'bigger picture' and then going onto analysing the smaller components. The most common timeframes used for forex market analysis are:

Monthly, Weekly, Daily, 4 Hour, 2 Hour, 1 Hour, 30 Min

As a trader it is crucial that you analyze the long-term trend of a currency pair. In order to effectively achieve this you should be looking to the support and resistance levels, chart patterns and so forth. For example, the market opens at 10pm GMT on a Sunday night. In terms of analysis your first point of action should be to examine the monthly as well as the weekly charts, as the candlestick price action displays the most recent long-term data.

Analysing the longer timeframes will give you the bigger picture of a certain market in order for you to establish if it's trending upwards, downwards or in consolidation/range bound. As displayed below, the weekly **AUD/USD** chart displays a bullish engulfing candlestick reversal, this means that the overall directional bias for the week ahead has a high probability of being bullish. At this point you must find a high probability price action BUY setup. To do this you will need to use a **Daily** timeframe chart or a **4Hour** chart for trade execution. Each candlestick represents a weeks total of price movement.



Now, as the potential overall directional bias has been established from the displayed price action on the weekly chart (previous page), it is now time to 'zoom into' the next available lower timeframe in order to execute a trade in line with the trend/reversal direction.

Displayed below is the **AUD/USD Daily** chart. In effect we have now 'zoomed in' to the previous **weekly** chart so that every candlestick is representational of **24 hours** price action. Finding the overall bias on a longer timeframe then zooming into a lower timeframe allows you execute a high probability trade, whilst using a tighter stop loss in order to achieve the best potential risk-reward ratio. The overall principle behind top down analysis is to determine the overall trend and directional bias of a currency pair on the **Monthly/ Weekly & Daily** timeframes, then stepping lower to the H4 & H2 in order to use other price action methods in order to build confluence for the execution.

The below daily chart displays the Trend-line break in a clearer manner. The Price action displays a series of higher lows (potential uptrend forming) alongside a retest of the trend-line. In such a case, key levels will also be drawn onto the graph with the breakout, retest & continuation phase in mind.

Stepping down to the H4 chart, there is now a more refined viewpoint of this particular instrument. We can see the weekly trend-line break in much more detail alongside a series of Higher lows (H.L), which assist with our original bias taken from the **weekly & daily** timeframes. As displayed, an ascending tend-line has been drawn onto the H4 timeframe, taking the first two points and awaiting a potential 3rd bounce (execution point) in confluence with a FIB C Retracement.

The aim here is to analyse from top to bottom, gathering the price action data in order to tally up confluences. All of the Trend-line rules and FIB info is explained further throughout the Technical Phases. For stop placements, the H4 chart shall be the lowest in which we find SL points above lower swing highs & below higher swing lows.

Top down analysis and timeframe execution:

There are certain timeframe rules that need to be applied in the world of analysis that not many traders adhere to or are even aware of. A core methodology behind top down analysis are the time frame execution rules in which we will now explore.

When performing analysis across the **Daily** and **weekly** timeframes on a Sunday night for instance or even analysing the daily charts at the end of every trading day, the first important pieces of data to pick out is that of key level price points and candlestick formations (patterns, which are left behind as clues for the next directional movement of any specified currency pair).

Price action, moving averages and key levels are displayed on the longer-term charts and these are generally the most significant and strongest. As a professional trader, it is wise to take note of these levels at the end of each trading day or morning and then to plot them on the charts using the charting tools that we will go into further detail about later on.

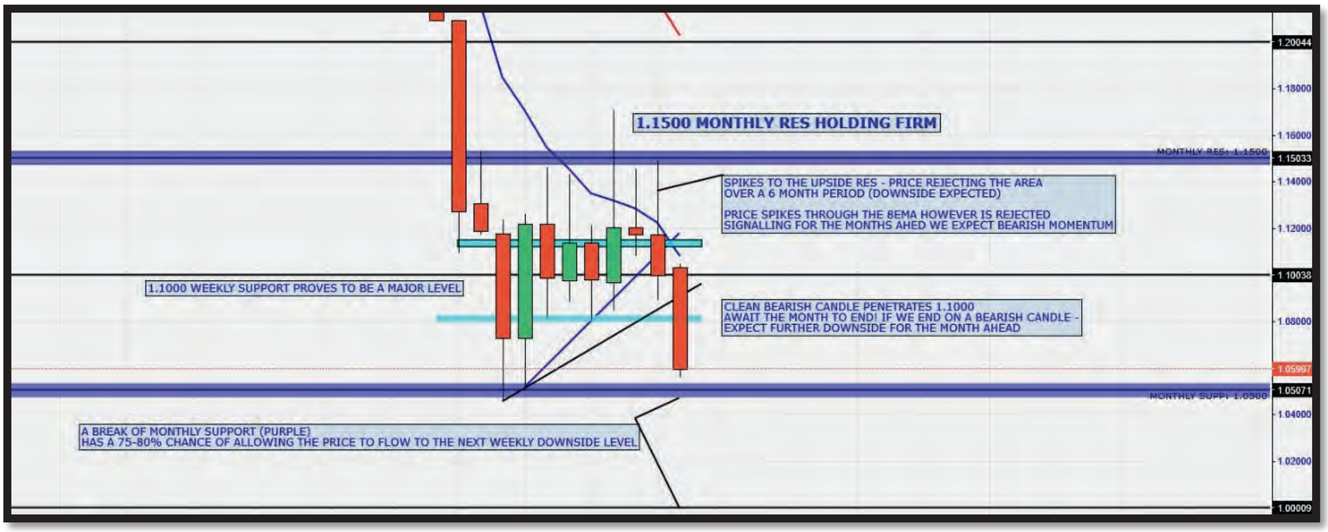
It is always recommended to keep a trading notepad at hand as this will greatly assist with the organisational breakdown of your selected currency pairs. It is only ever advised to trade say 2 out of 7 currency pairs. Make it your goal to strip them down one by one, labelling the reasons for that particular instrument being bullish or bearish on every timeframe, starting from the monthly all the way down to the H2 chart minimum. **For example:**

Monthly: Candlestick reversal from major Resistance 0.****

Weekly: Bearish engulfing + M.A crossover to the downside.

Daily: Daily Trend-line broken strong bearish marubozu candlestick formed.

H4: Potential C-retracement FIB with a series of lower highs, lower lows expected.



Monthly: The above EUR/USD chart displays heavy bearish momentum. In the most recent months the pair has been ranging from the top resistance: **1.1500** and the bottom support area: **1.0500** (1000 PIP range, both highlighted purple) and has also reacted to the weekly mid range level: **1.1000**. However, upon paying attention to the monthly candlesticks within the range, it becomes evident that the EUR had problems in maintaining its highs around the **1.1500** resistance zone! This is evident throughout the closed candlesticks and the wicks that are left behind on numerous occasions. This consolidation build-up can be related to an exhaustion phase after the EURUSD reached multi year lows at **1.0500.**

Weekly: Stepping down to the weekly timeframe, we can clearly see further rejection at the **1.1500** zone (Doji and shooting star candlesticks). The moving averages are also pointing to the downside alongside a clear break of **1.1000** support and daily support. The next clear cut level is **1.0500** support, however the pair is expected to take out that level and go lower due to the most recent confirmed lower highs.

Daily: The daily chart also suggests a bearish sentiment in line with the monthly and weekly technical standpoint. As we have dropped into the lower timeframe we can see yet another reversal candlestick formation around the **1.1500** resistance zone (Bearish engulfing). Once again the moving averages are crossed to the downside! **Monthly, weekly & daily** crossovers in alignment suggesting a strong bearish trend, in other words assisting us in the direction in which to trade in. On this timeframe, the lower highs are also evident (circled orange) confirmed and completed by candlestick formations and rejections from the 8EMA (blue).

H4/4 Hourly: Stepping down to the H4 chart, more lower swing highs are evident. This is the lowest timeframe to use when placing stop losses, ensure they are placed around 15-30 PIPs above when executing sell/short trades. Counter trend-lines have also been applied on the H4 chart and serve great purpose for trade setups. Analytical studies are dynamic, we must learn the ways of each tool and apply them in a layered fashion to keep the organisation tidy.

H2/2 Hourly: Lets go one step lower, to the 2 Hour chart. As displayed above, the lower highs (circled) have been refined and we can see the finer details of the price. The counter trend-lines become clearer and we can see the **M.A crossover + breakout points** which lead into new lows each time. A descending trend-line has been added, which can also be used as a guidance tool as long as the price is below that trend-line…. the sentiment remains bearish (until broken). It is recommended not to go lower than this timeframe for trade executions as the lower we go, the less reliable the setups become when wanting to trade a relaxed, medium term swing style. Always ensure you keep the charts as **neat and organised** as possible, drawing on analysis and staying a few steps ahead of what potential directional movements the market may embark on.

You should now have a broader understanding of top down analysis. These timeframe rules are absolutely essential for you to become familiar with before even attempting to learn the ins and outs of other strategies. The overall aim here is to keep it simple! learn the rules, take your time, make notes and work with the price action that the market delivers throughout the charts.

Before we head further into technical progression it is important to note that trading is nothing more than a financial game between the bulls and the bears who each have their own clear objectives. You must think about how the market moves and keep it simple. Forex can go **up, down or sideways**, bulls try to make new highs and score points against the bears, whilst bears try to make new lows and score points against the bulls. Think of it as a game! There are loyalties for winning and penalties for cheating, it should be relaxed and enjoyable. Remember that successful trading is an art, focus on the art of trading and not the money!

PROGRESS NOTES

PROGRESS NOTES

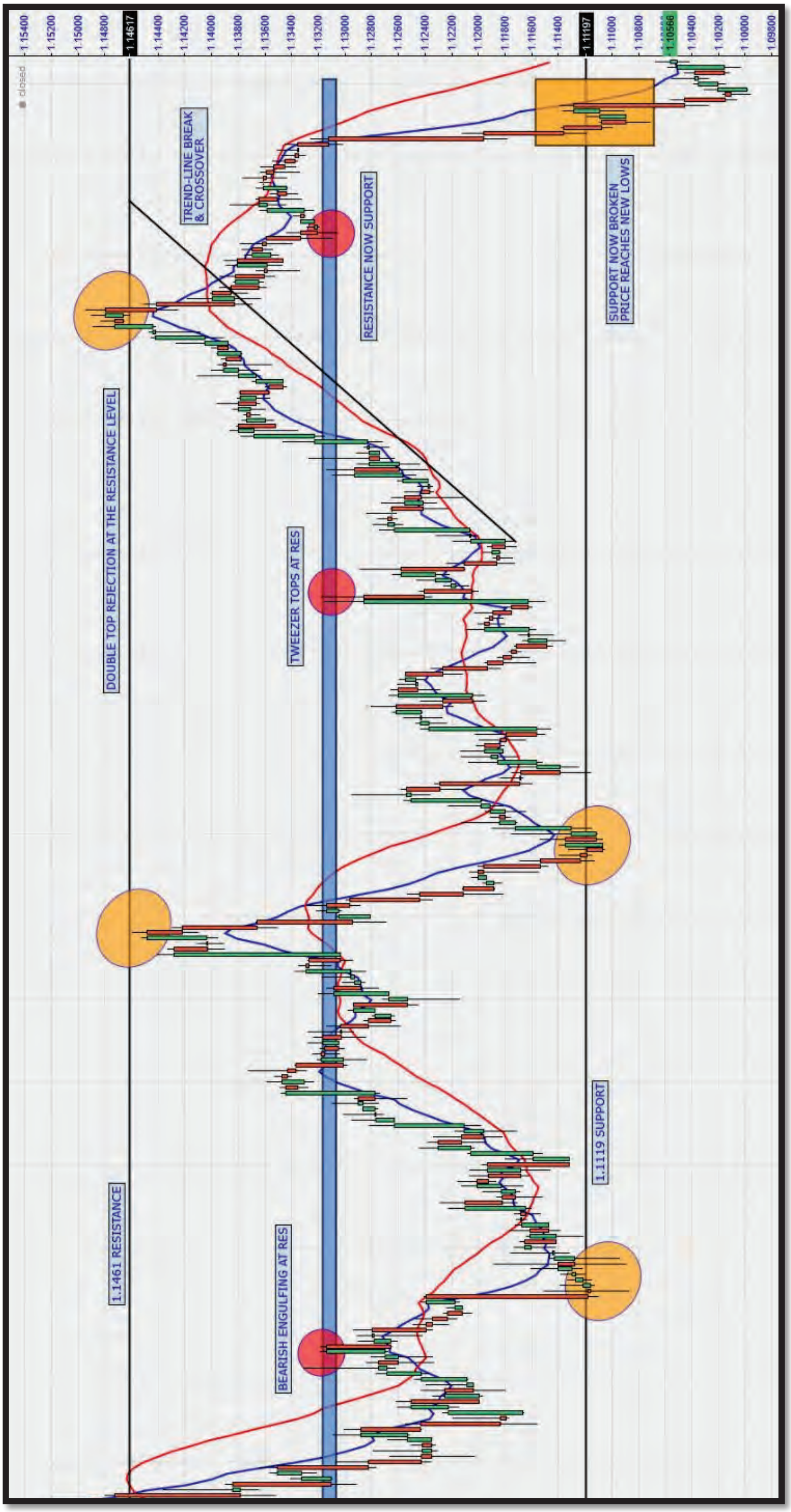
Phase 2: Key Level Placement - A Smart Approach

Support and resistance levels are one of, if not **THE** most important technical factors when it comes to trading. These key levels are actually certain prices for a currency pair which may **support** the price (**below**) the current market level or a price which price may **resist** (**above**) the current market level. **Support acts as a floor** whilst **resistance acts as a ceiling**, (barriers of price).

For example; the **4 hour USD/CAD** chart above displays various support and resistance zones. These key levels are known as **major** support and resistance areas as they are strong price points which the **USD/CAD** has reacted to a number of times. As shown, the currency tends to react to these specific price points with high accuracy! In simple terms, the market can either bounce or break upon the approach of a key level, many traders can struggle due to these key levels not being drawn onto the graph accurately. Support & resistance are the absolute foundations which hold the ground for various other price action applications.

The mid zone however (**1.3050**) was first used by the market as an area of **support** then broken (**to the left**) which later on turned into a level of resistance once it was broken (**Labelled resistance was support**). What usually happens in the market is that once a support level has been broken and the bears take control, the price usually pops back up to that same level from underneath in order to 'retest' it once more before a continuation to the downside and vice versa.

You must pick a side every time you trade. If you pick the right side you will make money, if you pick the wrong side you will lose money. It is vital to learn about support and resistance and to constantly monitor them, as when its time to trade you must know which side to pick, the bulls or bears.


DOUBLE TOP REJECTION AT THE RESISTANCE LEVEL
TREND-LINE BREAK & CROSSOVER
RESISTANCE NOW SUPPORT
TWEEZER TOPS AT RES
SUPPORT NOW BROKEN PRICE REACHES NEW LOWS
1.1461 RESISTANCE
BEARISH ENGULFING AT RES
1.1119 SUPPORT
1.14617
1.11197
1.10566

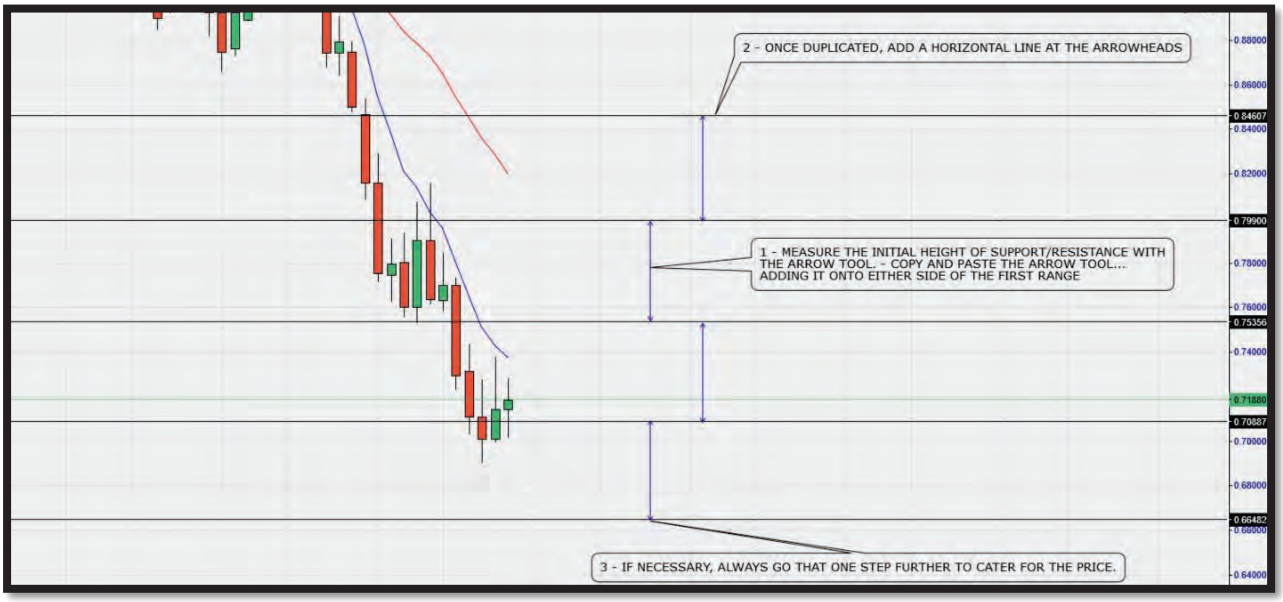
The chart below is a monthly AUD/USD. To many this can look ever so daunting and it can also make some traders feel a little overwhelmed! Most novice traders are often troubled as to where they should start or what it is that they should exactly be looking for. Breaking down a currency chart requires attention to detail, patience and continuously logging progression.

We must start on the monthly chart when beginning to break down each and every currency pair. As displayed below, a clean chart is advised for organisation and clarity purposes. We will be going into further detail regarding the moving averages (M.A's) in the next technical phase.

Let's start… We will be going through the key level implementation step by steps which will include the **Monthly, Weekly, Daily + H4** specifics. The videos provided on the USB work hand in hand with the following information.

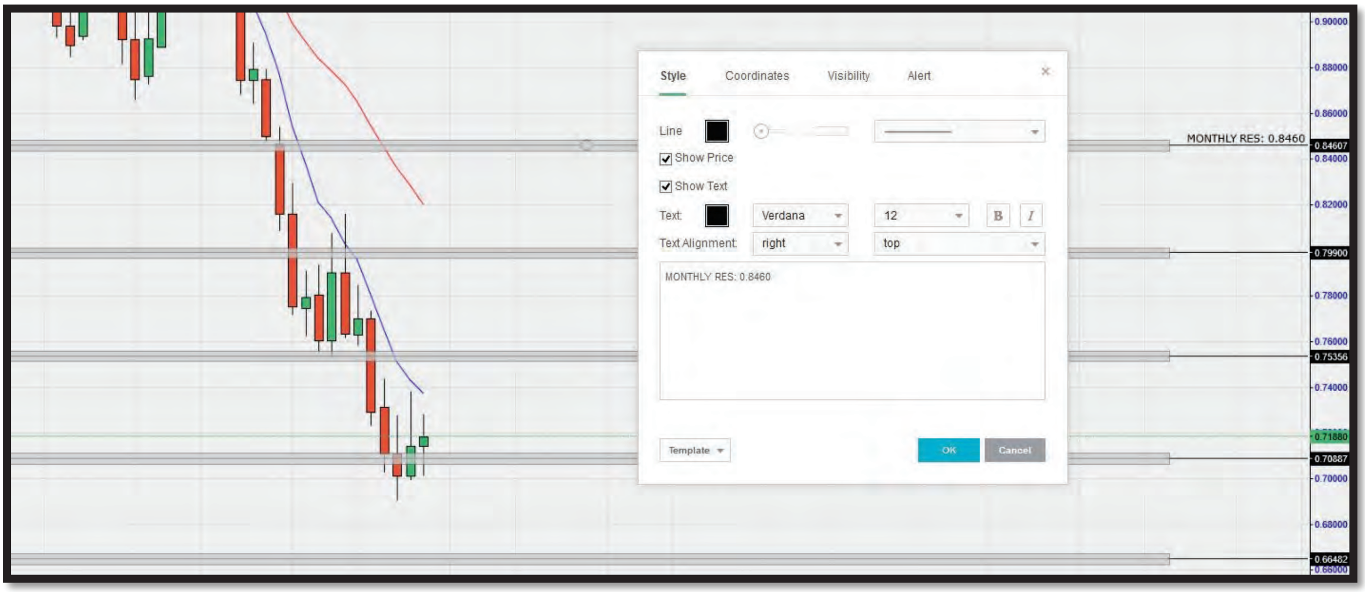
Step 1: The **Monthly** timeframe.

As shown above, we must draw on our initial support + resistance zone using the horizontal line tool. It is perfectly fine to go back a few months to define an official support/resistance range, remember to apply candlestick recognition and be mindful of round (psychological barriers). The first range should be less than 1000 PIPs from top to bottom with the exception of some YEN pairs.



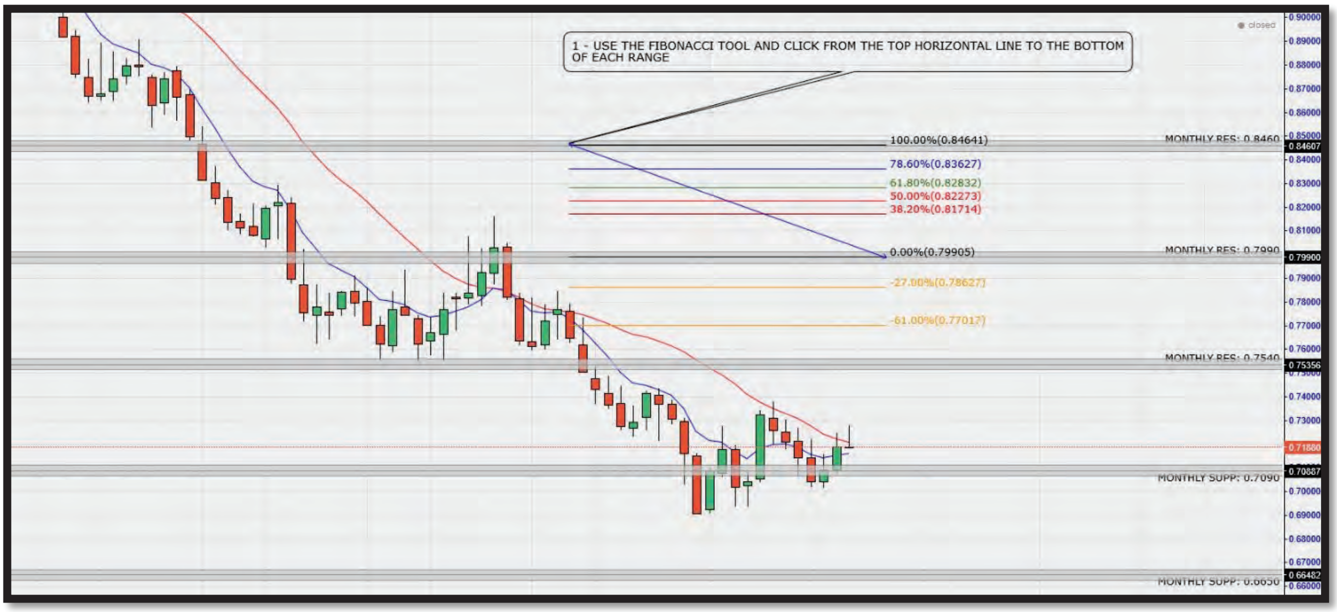
Once satisfied with your initial boundary (also refining the levels with the line chart on the weekly TF) you can now go ahead and measure the zone with the line tool. This needs to be as accurate as possible so go ahead and stretch the chart out, taking your time! Copy + paste the first arrow onto either sides of the range as shown above. Each currency pair will differ slightly as they all have different average daily ranges! FX pairs tend to move in legs, so this is a powerful method of laying the foundations for each instrument.

The next step is to remove the arrows from the chart and use the rectangle tool to draw a thin strip across the horizontal lines. The purpose here is to cater for more of a dynamic zone and to define which levels are which when stepping down to a lower timeframe. Support and resistance on the higher timeframes should not be limited to just one price point. History will repeat itself in the market however the price may spike exactly to, just above, or just below these levels.



The next stage of organisation is to label the monthly levels. To do this you **right click the horizontal line** you wish to label > click the '**Cog**' image on the toolbar that appears > ensure 'Show text' is selected and label them: **MONTHLY RES/SUPP: 1.****. (To the nearest 10)** Do this for each and every monthly key level! This will only have to be updated every few months. Do this on each currency pair situated on your watch list.

Step 2: The **Weekly** timeframe.



Step down to the Weekly chart and select the Fibonacci tool. We use the FIB tool to measure each one of our ranges plotted on the monthly chart, as displayed above. Click from horizontal line to horizontal line as accurately as possible, then grab another horizontal line… placing it on top of the 50% Fibonacci line. The main aim of this practice is to plot on weekly mid-range levels with accuracy, in effect we have taken the exact 50% measurement of our monthly range. Do this for all of the monthly ranges, removing the Fibonacci tool after each one. Progress shots are shown below.

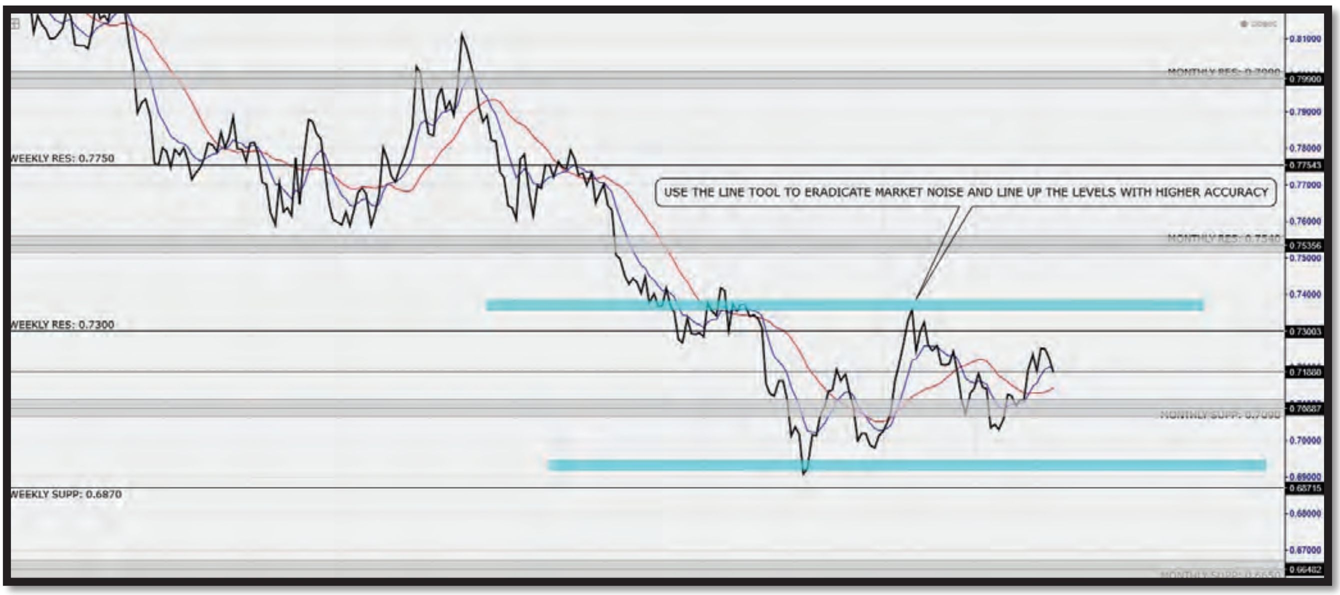
Once all of the weekly horizontal lines have been placed at the 50% FIB levels we can now move on to labelling them. Again, right click the horizontal lines and proceed to marking them up. These weekly labels should be placed on the left hand side, again for organisation and clarity purposes. NOTE: do not draw a horizontal strip across the weekly levels, leave them plain and labelled.

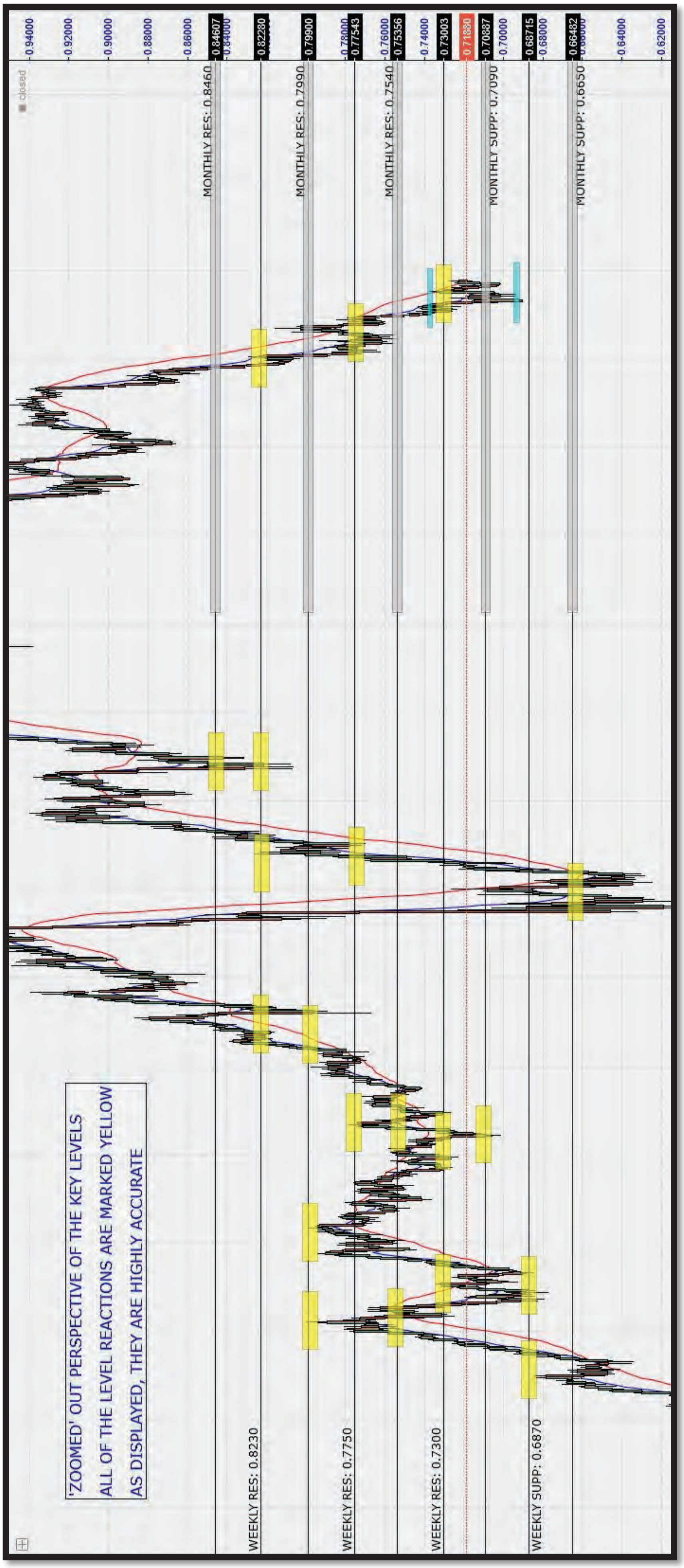
As displayed above, the price is extremely responsive to the weekly mid-range levels! These are highly effective target zones, serving as responsive confluences for taking profit. There will be more on this later as it is time to step down to the Daily timeframe.

Step 3: The **Daily/H4** timeframe.

The Daily chart above displays an example of how the Daily/H4 key levels should be drawn on for maximum clarity and efficiency. When doing these levels it's important to zoom out a little, taking your time alongside switching between the H4 chart in order to line up the rectangle markets for maximum precision. Most often one or two may be found, however the weekly and monthly levels often cater for the majority.

Try not to overcrowd the chart and remember that the line graph can often assist with lining up these Daily/H4 levels in order to eradicate some of the market 'noise'. As you become more familiar with candlestick recognition and get to know each currency pair a little better, your key level foundations will improve. An example is shown below



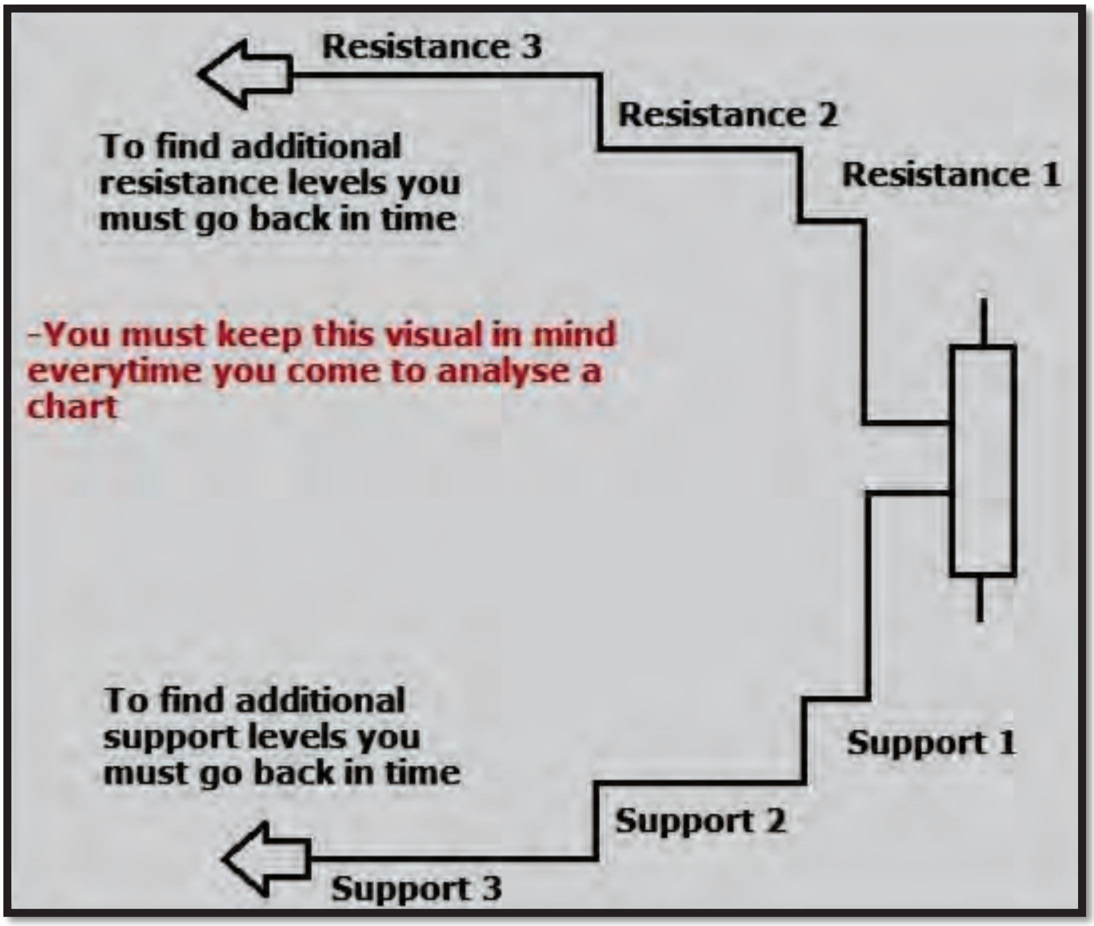

'ZOOMED' OUT PERSPECTIVE OF THE KEY LEVELS
ALL OF THE LEVEL REACTIONS ARE MARKED YELLOW
AS DISPLAYED, THEY ARE HIGHLY ACCURATE
MONTHLY RES: 0.8460
MONTHLY RES: 0.7990
MONTHLY RES: 0.7540
MONTHLY SUPP: 0.7090
MONTHLY SUPP: 0.6650
WEEKLY RES: 0.8230
WEEKLY RES: 0.7750
WEEKLY RES: 0.7300
WEEKLY SUPP: 0.6870
0.94000
0.92000
0.90000
0.88000
0.86000
0.84607
0.82280
0.79900
0.77543
0.75356
0.74000
0.73003
0.71880
0.70887
0.70000
0.68715
0.68000
0.66482
0.64000
0.62000

NOTES: Levels that are established on any timeframes including and lower than the H1 have a tendency to be false as when you step this low there are a many wave movements known as 'noise'. This can cause a great amount of confusion.

View support and resistance as a staircase. Up the stairs for bulls and down the stairs for bears, you know the market is in an uptrend when the **bulls** make **higher highs** and **higher lows**, whilst the **bears** make **lower lows** and **lower highs.**

To find additional levels or you cant seem to find any levels on the chart, you must go back in time. If your bias on a certain market is **bullish**, then you must await the market to take out the past levels of **resistance** whilst your protective stop loss order should be placed underneath the last low or level of **support**.

If your bias on a certain market is **bearish**, then you must await the market to take out the past levels of **support** whilst your protective stop loss order should be placed above the **last high** or level of **resistance**.



PROGRESS NOTES

PROGRESS NOTES

Phase 3: The Moving Average Theory

The **moving average** is a widely used tool in the world of technical analysis. Moving averages help with **smoothing out price action** by filtering out the "noise" from random price fluctuations.

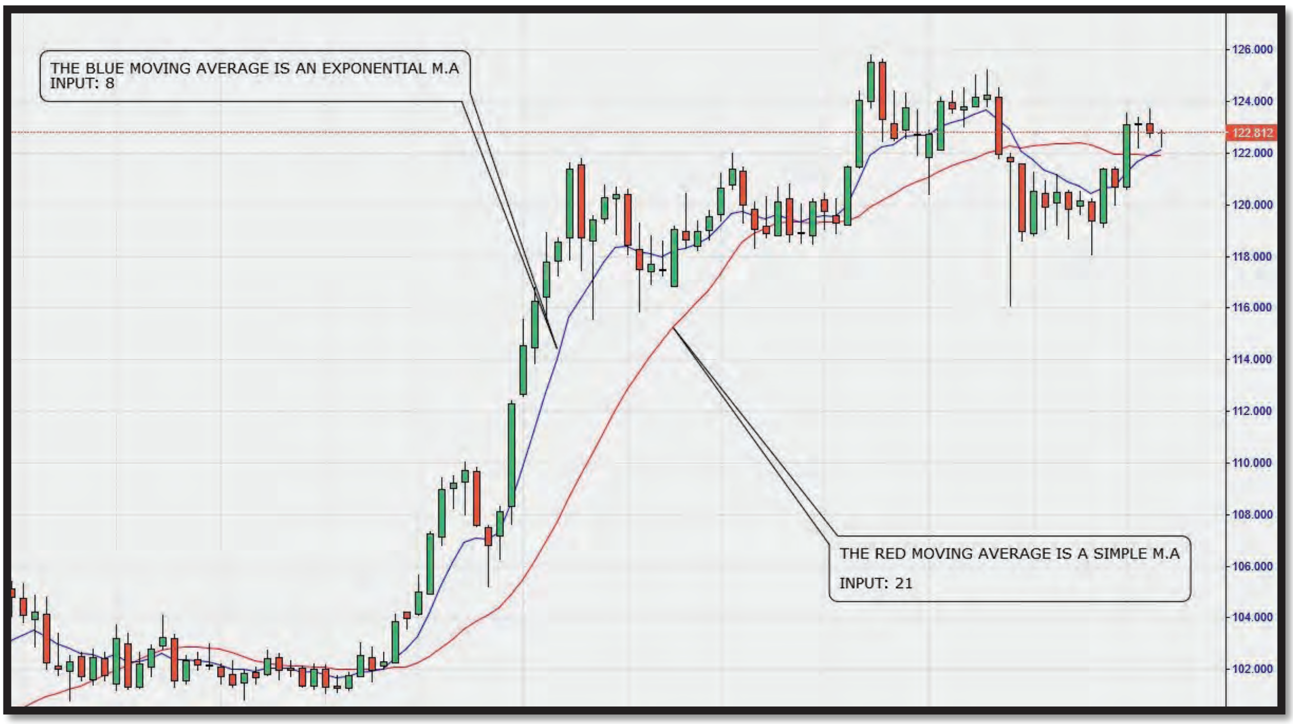
A moving average (**MA**) is a trend-following or lagging indicator because it is based on past prices. The two basic and commonly used M.A's are the simple moving average (**SMA**), which is the simple average of a currency pair over a defined number of time periods, and the exponential moving average (**EMA**), which delivers further weight to more recent prices.

The most common applications of MAs are to identify the trend direction and to determine **support and resistance levels**. While M.A's are useful enough on their own, they also form the basis for other indicators such as the Moving Average Convergence Divergence (**MACD**).

This strategy consists of two moving averages that are to be loaded onto the candlestick chart:

-The 21 period Simple moving average (SMA) - RED

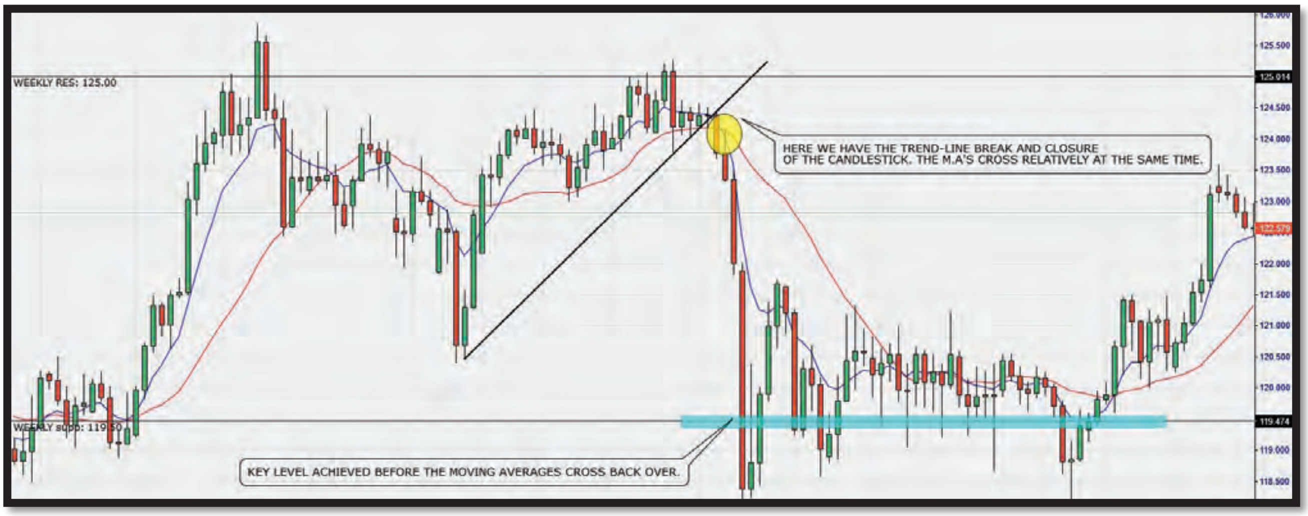
-The 8 period Exponential moving average (EMA) - BLUE



The Ideology behind the moving average crossover strategy is to execute a trade upon the crossing over of the blue and red line, this acts as an extra confluence which works extremely well with trend-line breaks, determining the trend direction and various entry strategies. This methodology can be used in conjunction to other price action strategies for extra confirmation, ultimately supporting a higher probability trade setups.

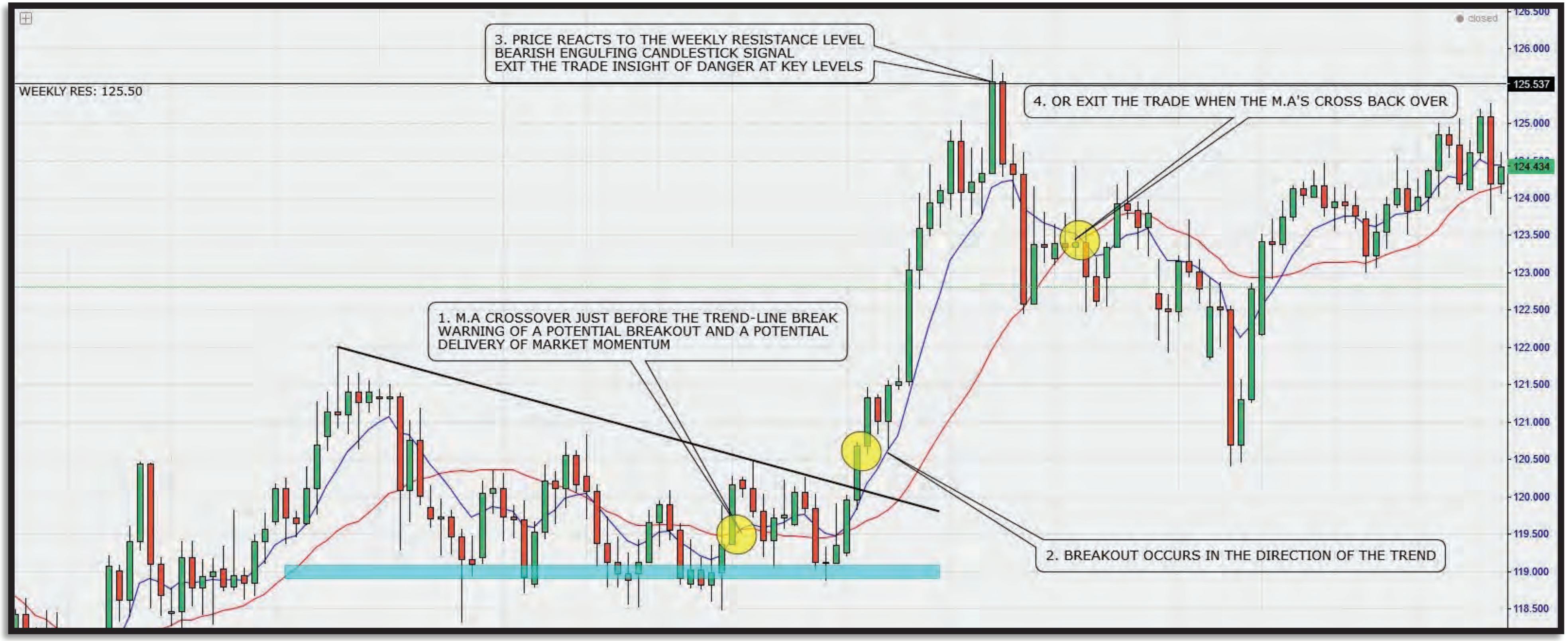
This strategy is very simple but effective, you enter the trade upon the moving average crossover in the trend direction then exit upon the crossover in conjunction with a support or resistance level. There are three scenarios when using the M.A crossover alongside a trend-line/counter trend-line break

1— Breakout and candlestick close above/below the trend-line with the M.A's crossing over at the same time on your execution timeframe. (often just behind/next to the breakout candle)



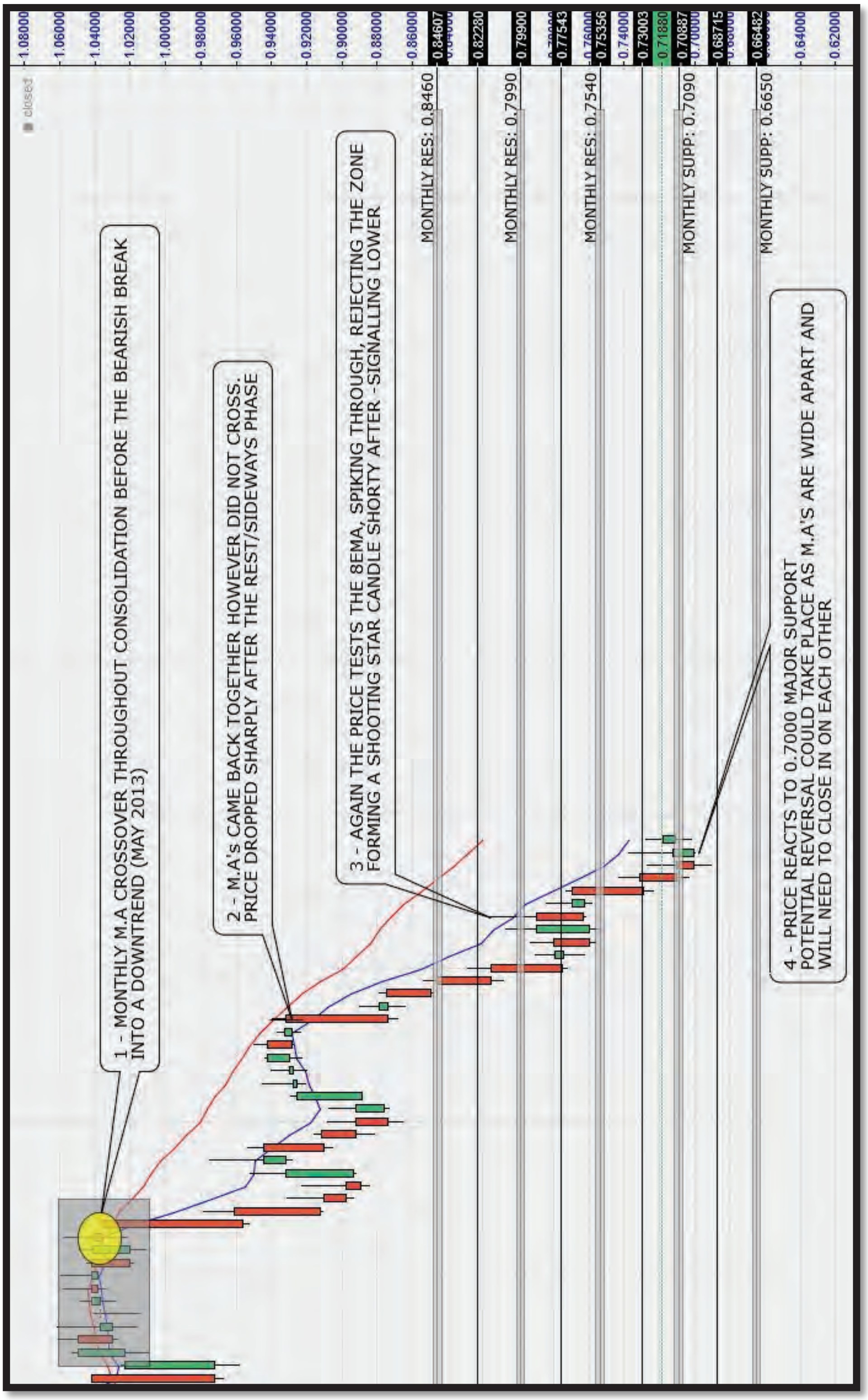
2— Breakout and candlestick close above/below the trend-line with the M.A/s crossing slightly after the breakout candle. In such scenario it is advised to be patient until the M.A's have crossed over on your execution timeframe.

3—Breakout and candlestick close above/below the trend-line occurs after the crossover as displayed below. This is the strongest M.A breakout scenario as it acts as a warning signal, preparing you potential volatility.

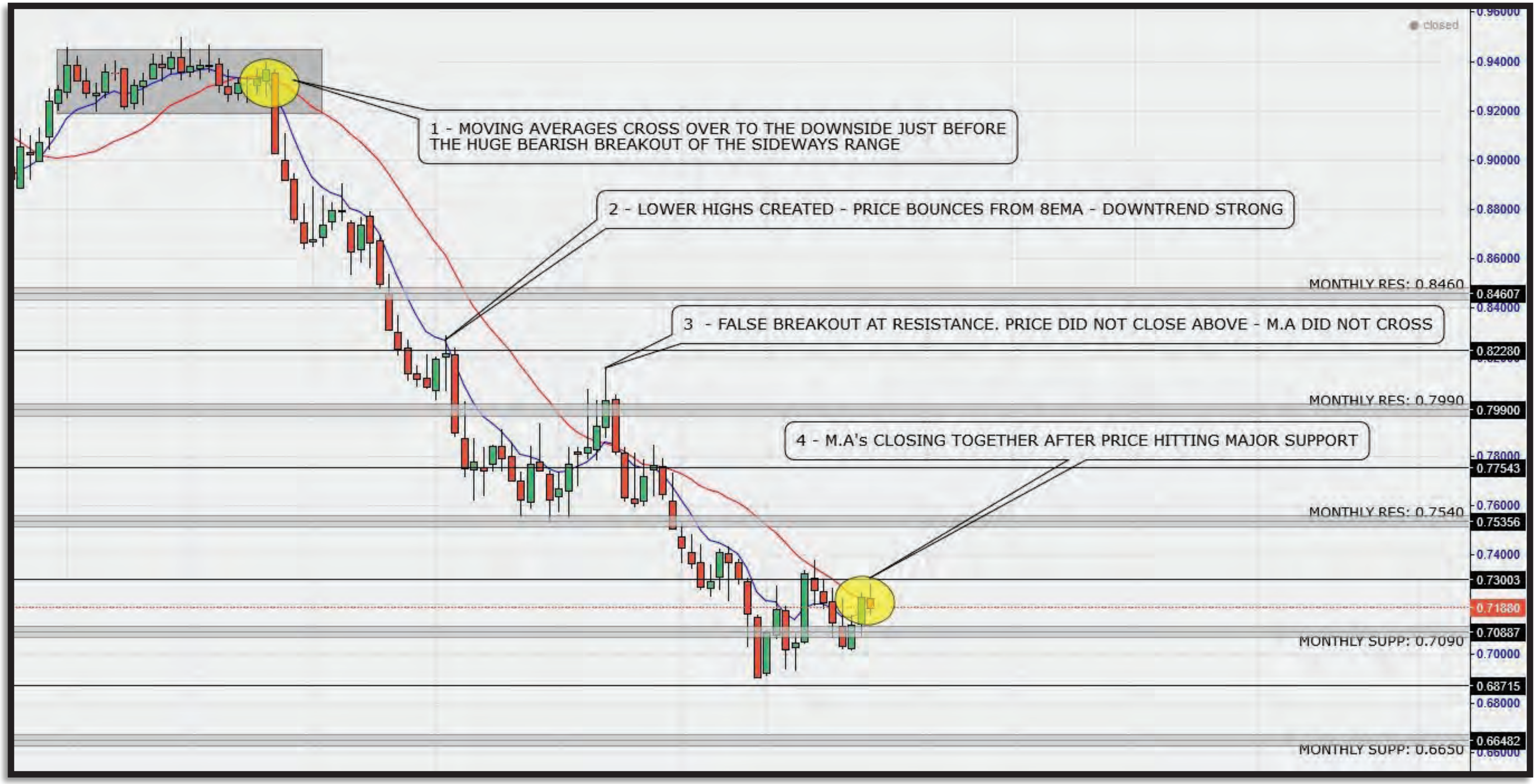


Using Moving averages to assist with trend direction:

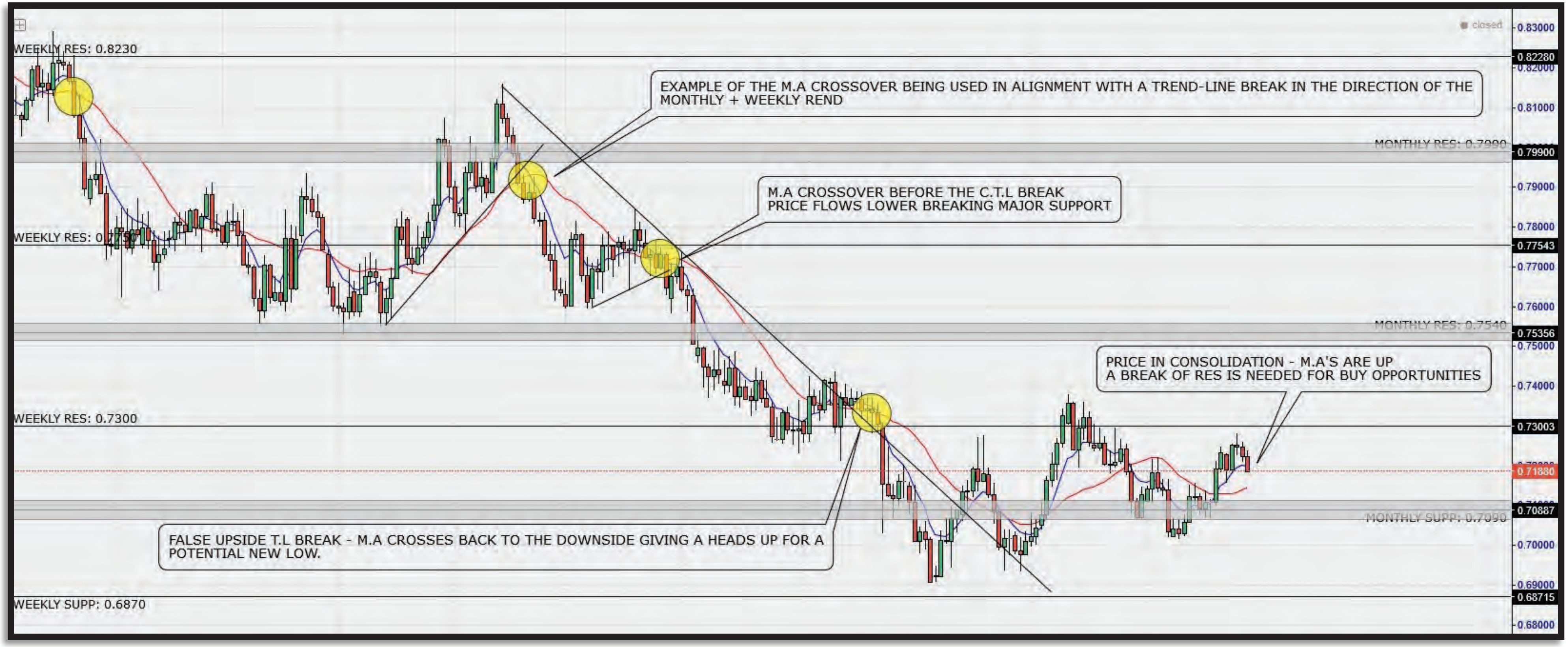
Moving averages can be extremely useful when breaking down a currency pair and performing top down analysis in order to determine the overall trend direction and which direction the market is likely headed next. The M.A's not only assist with building trade confluence, but also level out and steer us away from any sudden market movements which can be labelled as 'false' E.G False breakouts, Fundamental data spikes and market manipulation. Lets start with an example on the **AUD/USD** monthly chart.



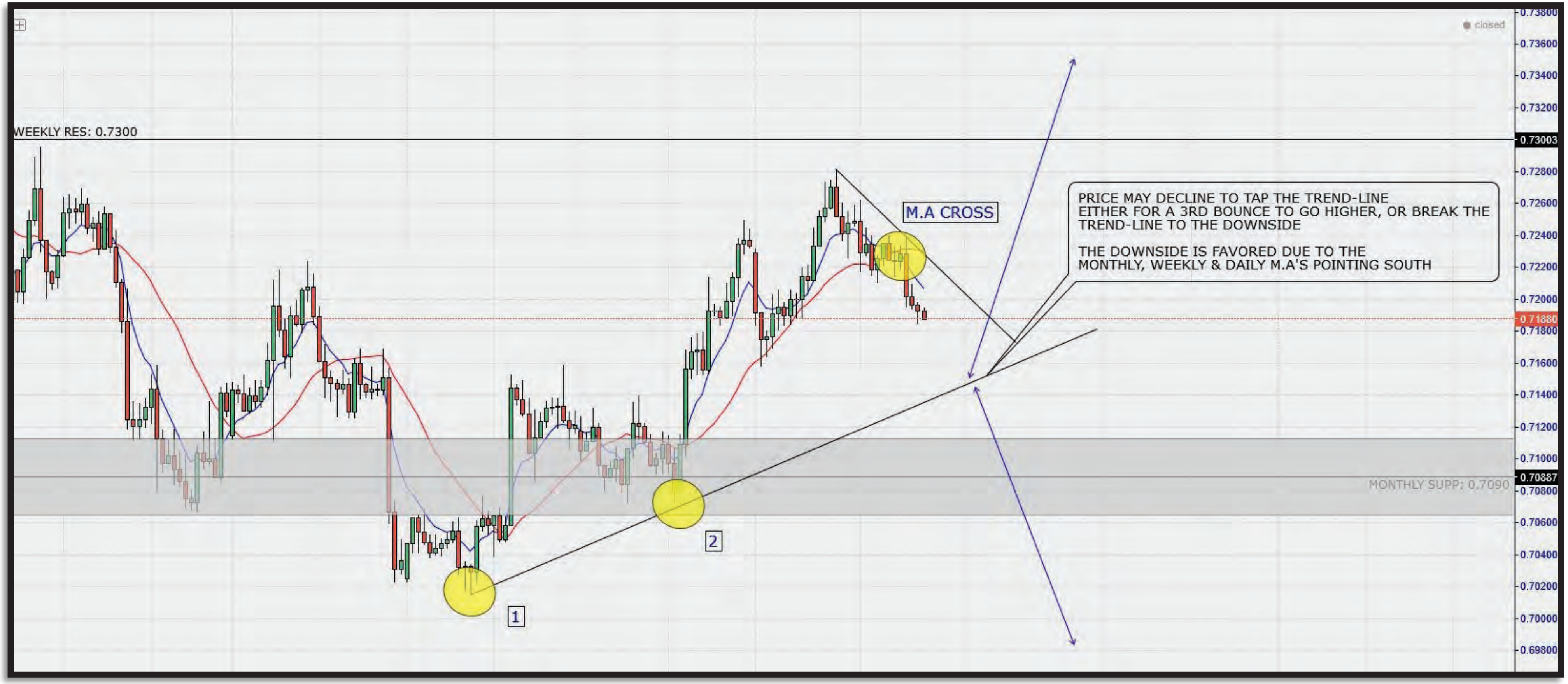
The monthly M.A's are showing a strong downtrend. The weekly timeframe is also displaying signs of Aussie weakness against the US Dollar! This weakness has been present since May 2013, the pair has recently bounced from 0.7000 (Monthly Support) and as displayed below. The moving averages may now be preparing for an upside crossover. Finally take note of how the price may often swing back up to the 8EMA to form a lower high, sometimes spiking through however rejecting and eventually rolling over lower. Lets take a look at the Daily chart.



Below is the daily timeframe. As the Monthly and Weekly charts display the moving averages pointing to the downside (Bearish) the price action at the Daily level shows pullbacks being formed, trend-lines being broken topped off with the M.A crossovers in line with the overall trend These are perfect opportunities to ride the trend into lows!



Scaling down to the H4 chart, an even more refined picture is established. Remember that the top down analytical mind-set must be cultivated throughout every layer/strategy applied to the charts. The Monthly + Weekly timeframes are for collecting price action data and we do not enter directly from them. If the setup is there on the Daily chart however then yes execution may occur however, always take your time to drop down to the H4 (and maybe even the H2 chart) in order for you to check for further confluence/setups in which the risk reward profile may be refined (more on this later). As displayed below, there are two potential scenarios for the AUD/USD when breaking up the H4 chart, the aim is to put the longer term data into perspective, reading and riding the markets phases of momentum.

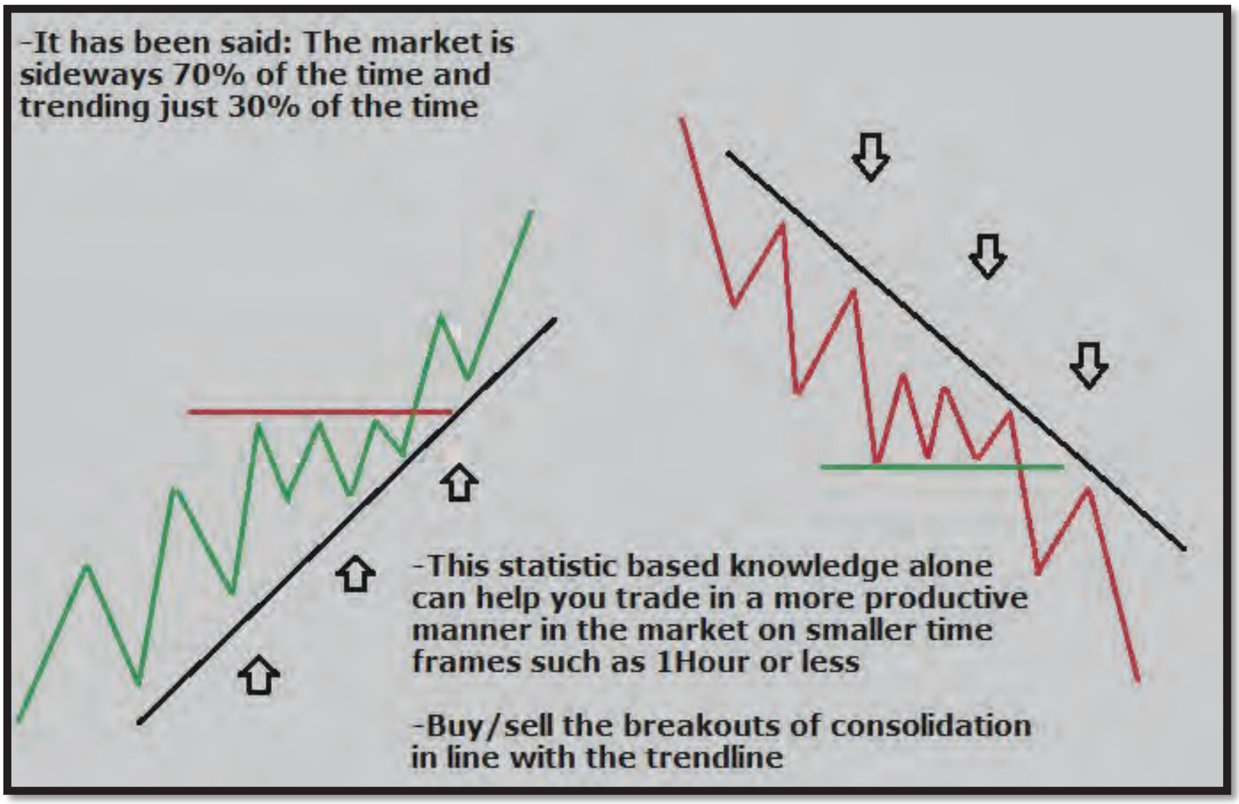


PROGRESS NOTES

PROGRESS NOTES

Phase 4: Trend Line Application

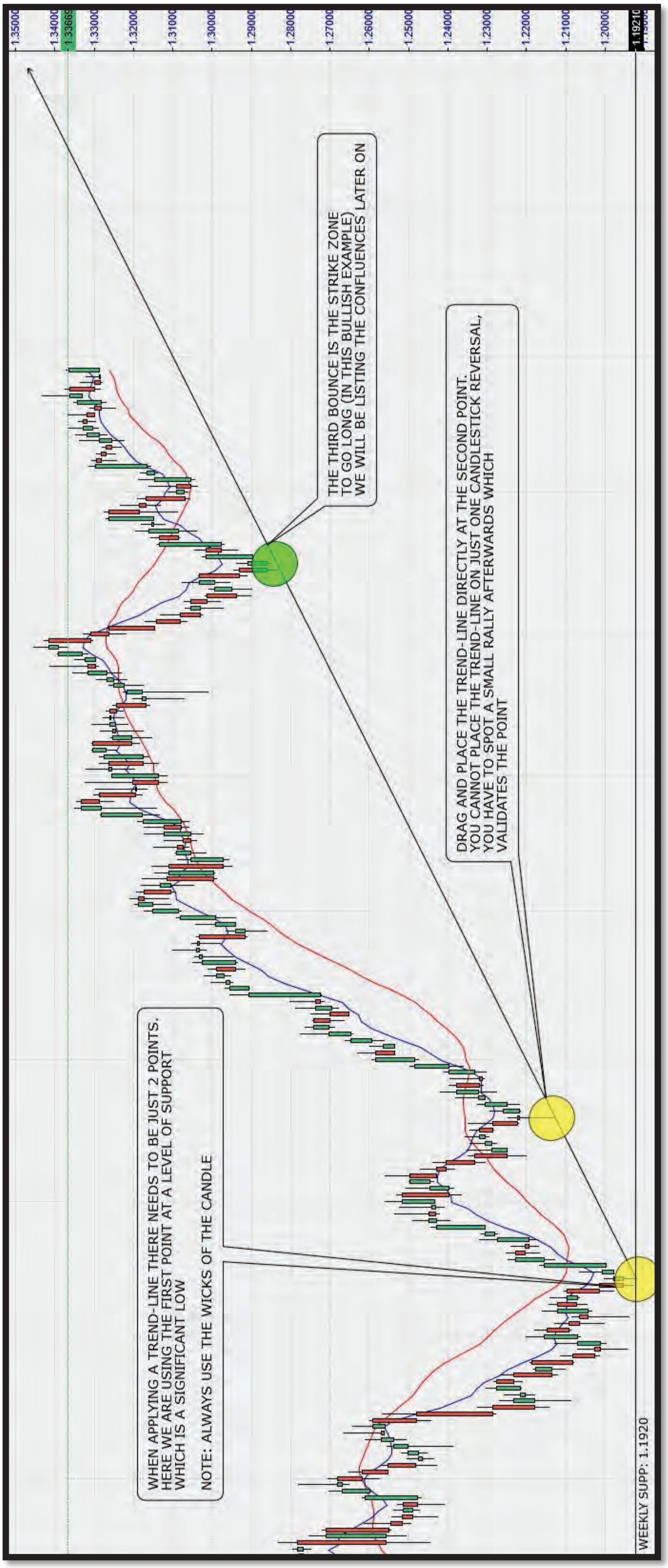
Trend lines are a vital aspect of trading. Whether it be forex, commodities or stocks, trend lines are an immensely valuable trading tool, we are not saying you can't be profitable without them, but they will definitely deliver more power to your trading when utilised in the correct manner in conjunction to the other technical phases in this book.



By definition, a trend line is the **connecting of two or more lows** or **two or more highs**, with the lines projected out into the future. Ideally, traders look at these extended lines and trade on the prices reacting around them either trading the **bounce of a trend line or the break of a trend line** as displayed in the example below.

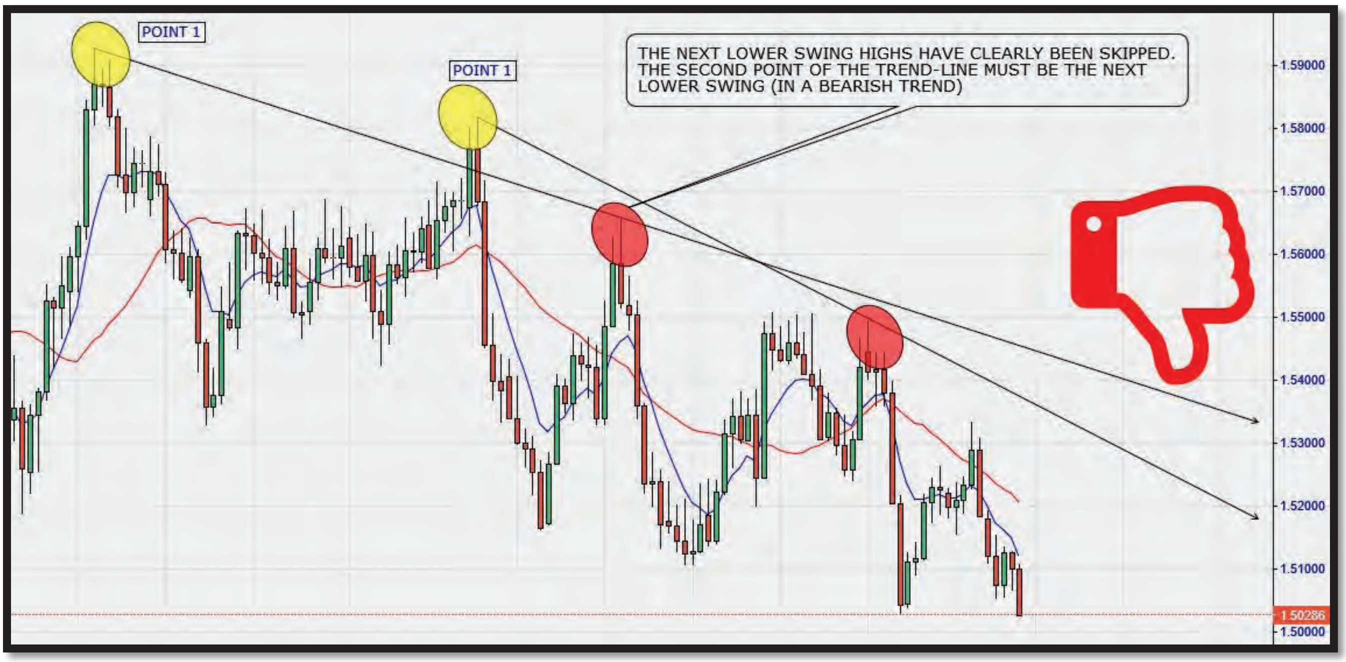
Connect swing lows to swing highs (or swing highs to swing highs):

You want to draw a line connecting a minimum of two (**or more**) swing lows or two (**or more**) swing highs. For those unfamiliar with the term **swing highs/lows**, we simply mean the peaks and valleys created with zig zagging prices. Once you connect **peaks** with other **peaks**, or **valleys** with other **valleys**, you want to see the line not being broken by any candle between those two points. Lets display how exactly a trend-line should be drawn on a daily chart.


THE THIRD BOUNCE IS THE STRIKE ZONE
TO GO LONG (IN THIS BULLISH EXAMPLE)
WE WILL BE LISTING THE CONFLUENCES LATER ON
DRAG AND PLACE THE TREND-LINE DIRECTLY AT THE SECOND POINT.
YOU CANNOT PLACE THE TREND-LINE ON JUST ONE CANDLESTICK REVERSAL,
YOU HAVE TO SPOT A SMALL RALLY AFTERWARDS WHICH
VALIDATES THE POINT
WHEN APPLYING A TREND-LINE THERE NEEDS TO BE JUST 2 POINTS.
HERE WE ARE USING THE FIRST POINT AT A LEVEL OF SUPPORT
WHICH IS A SIGNIFICANT LOW
NOTE: ALWAYS USE THE WICKS OF THE CANDLE
WEEKLY SUPP: 1.1920
1.35000
1.34000
1.33000
1.32000
1.31000
1.30000
1.29000
1.28000
1.27000
1.26000
1.25000
1.24000
1.23000
1.22000
1.21000
1.20000
1.19210

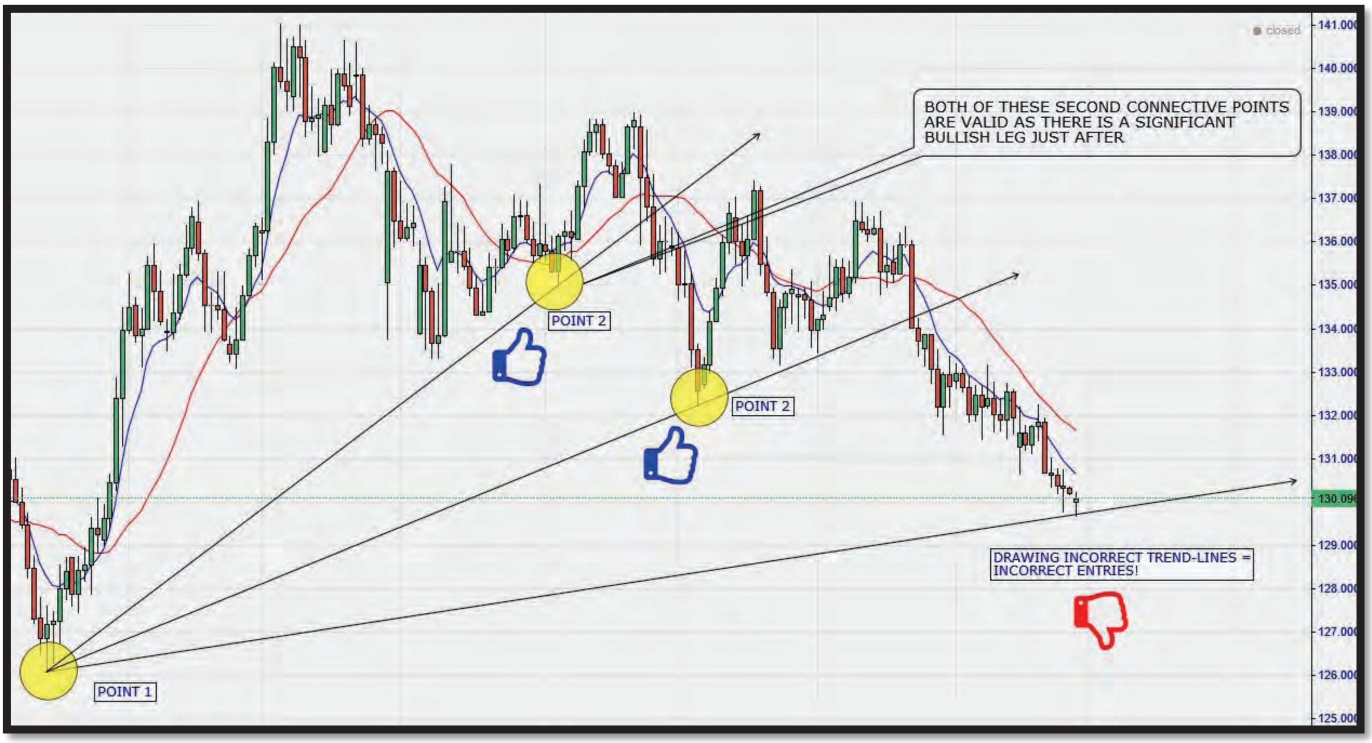
In the above example, you see that we successfully drew two descending trend-lines connecting the immediate and distinctive lower swing high points without skipping any of the price action or cutting through candlesticks. Again, ensure you take your time in order to maximise trend-line accuracy! Always extend the trend-line out into the future as displayed.

Below is a screenshot of a trend-line drawn in an incorrect manner. The Trend-line connected from the first point towards the top left (circled yellow) has been dragged all the way through the next lower swing high. The next 'point 1' has missed the next lower swing high completely.



The below chart (above) displays another clear example of how not to draw a trend-line. What's happened here is that the candlestick at point 2 has closed as an indecisive Doji however, this does not grant acceptance for trend-line application.

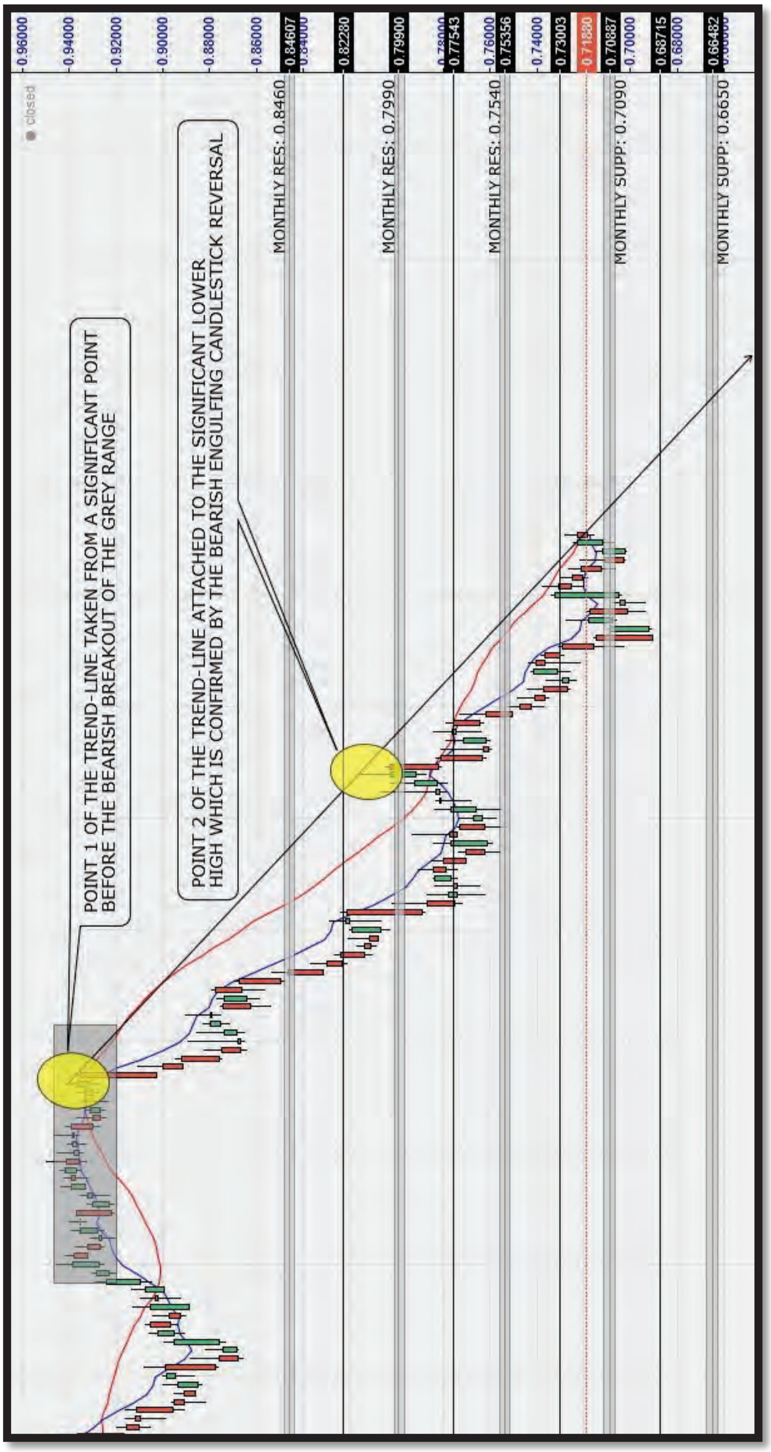
Even though that one candlestick is in fact signalling a potential reversal to the upside, the upside confirmation leg has not yet been formed. Simply compare this to the lower chart.



When should trend-lines be drawn on and which timeframe?

Many tend to struggle with trend-line application as they simply do not have any organisation and order to performing their technical analysis. Once Phase 2 has been completed and you are satisfied with the key level placement, you have them all labelled and the overall trend direction (If any) has been identified, move through into phase 3. Take notes on the state of the moving averages on the suggested timeframes, circle any lower highs, higher lows etc.

Trend-line application should start on the weekly timeframe, we don't want to focus too much on a monthly timeframe as 90% of the time, any monthly timeframe trend-lines are often more suited to the weekly timeframe anyway.

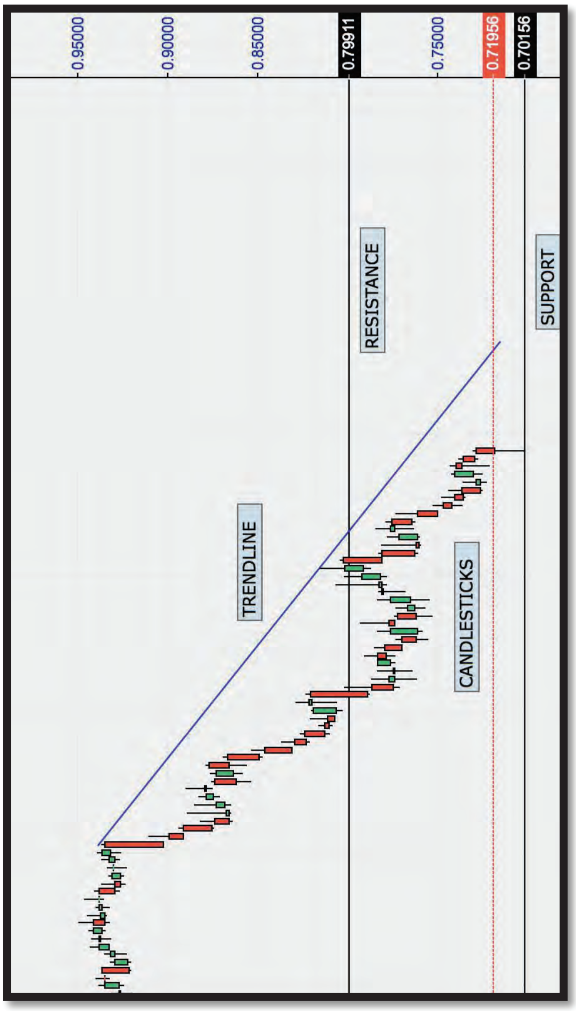


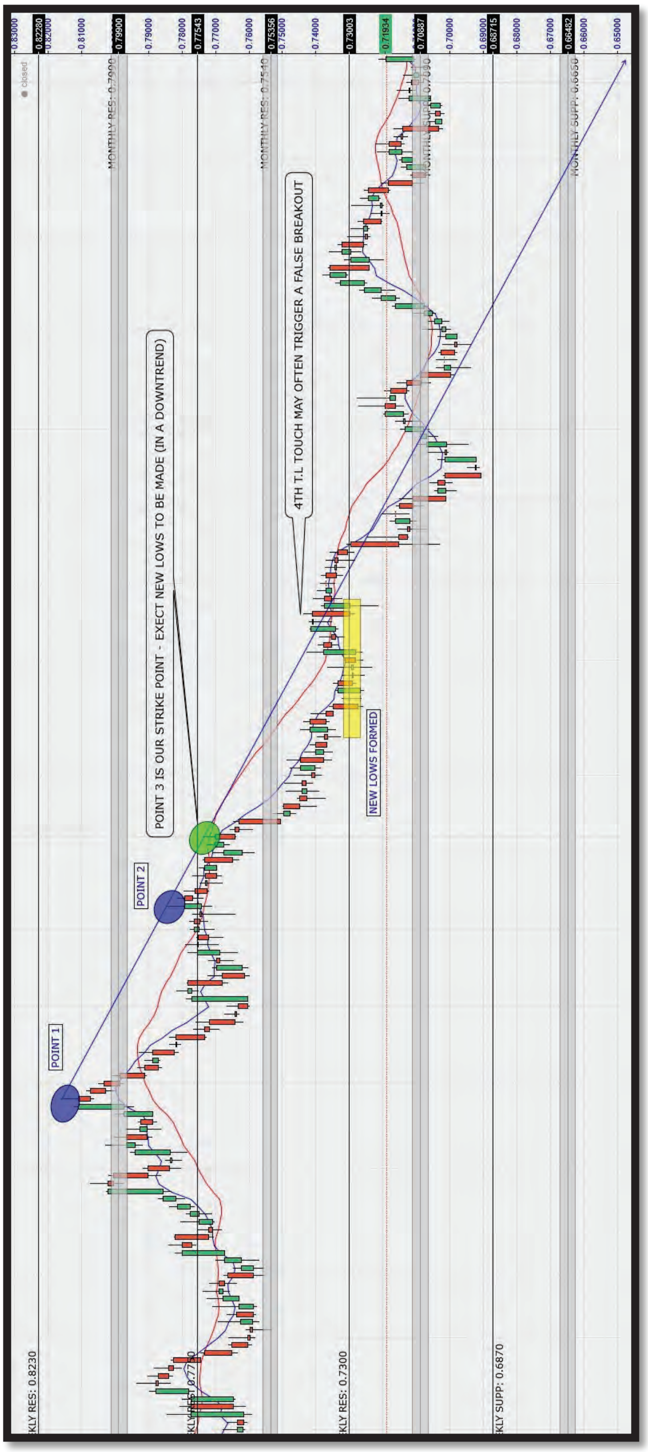
The first search for trend-lines should begin on the weekly timeframe. Once phase 2 + 3 have been completed, a deeper insight into the trend direction should be established which will assist with the directional bias in which to draw the trend-lines. Once satisfied with the weekly chart (stick to one or two lines) then scale down to the daily timeframe for further application. Keep the lines as neat as possible, extending them into the future as trend-lines also act as a sentiment guide. In this case on the AUD/USD the sentiment was extremely bearish, however the daily (blue) trend-lines have been broken to the upside after the support level holding. Current price is floating above the weekly (black) trend-line and if the pair decides to continue to the upside then we may have a bullish reversal on our hands!

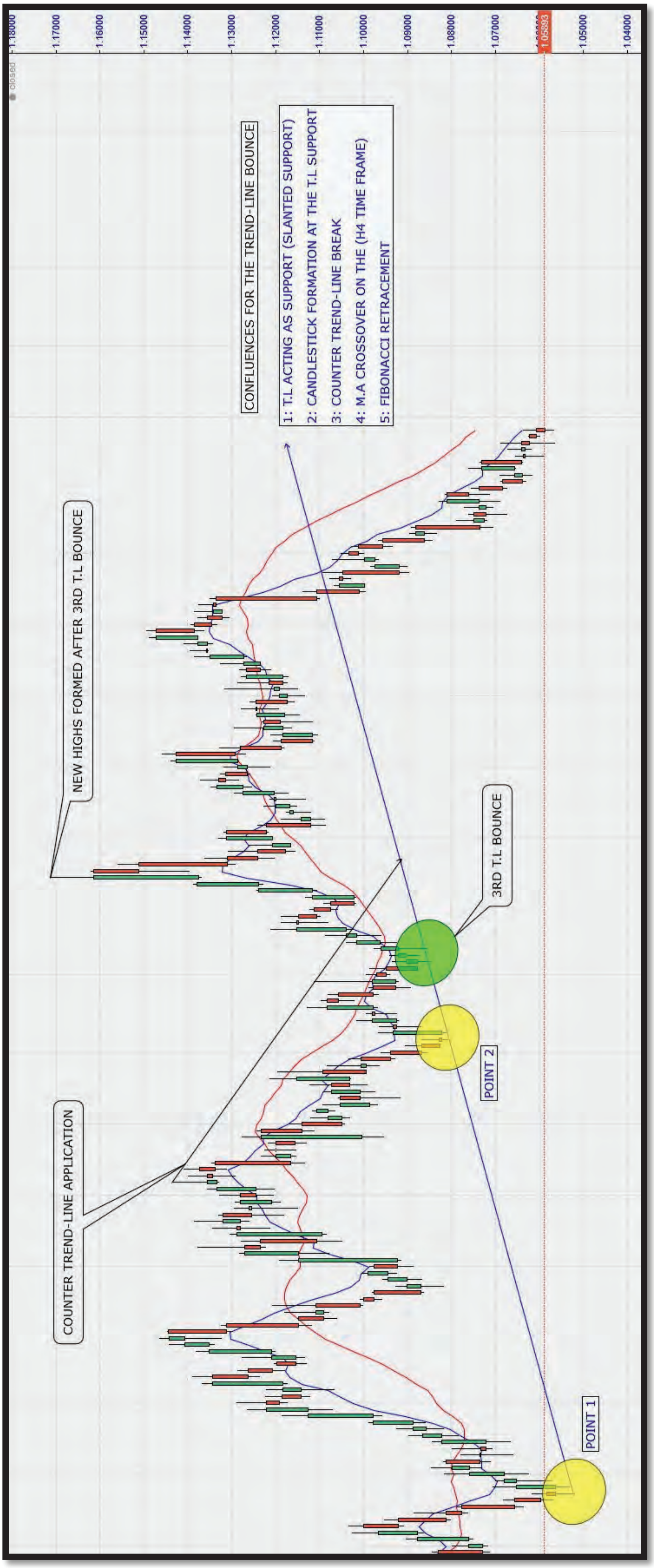
Trend-line bounce rules and confluences to look for:

The trend is always a traders friend only if they adhere to the directional bias. This steadfast rule also applies to trading trend-lines, basically meaning you should only look to buy at **bullish support** areas above the trend-line or sell at **bearish resistance** areas **below the trend-line.** Trading only in the direction of the trend well let you exploit potential trend-line bounces as efficiently as possible. And while they won't always give you 100% winning trades, the trades that are winners should deliver more pips than had if you would when attempting to place trades against the trend.

Here is a clear example displaying the point in which we should wait for when trading a trend-line bounce. This 3rd point/strike rule is for the Weekly + Daily trend-line bounces only, not counter trend-lines which we will get to shortly. Confluences are listed on the next page.



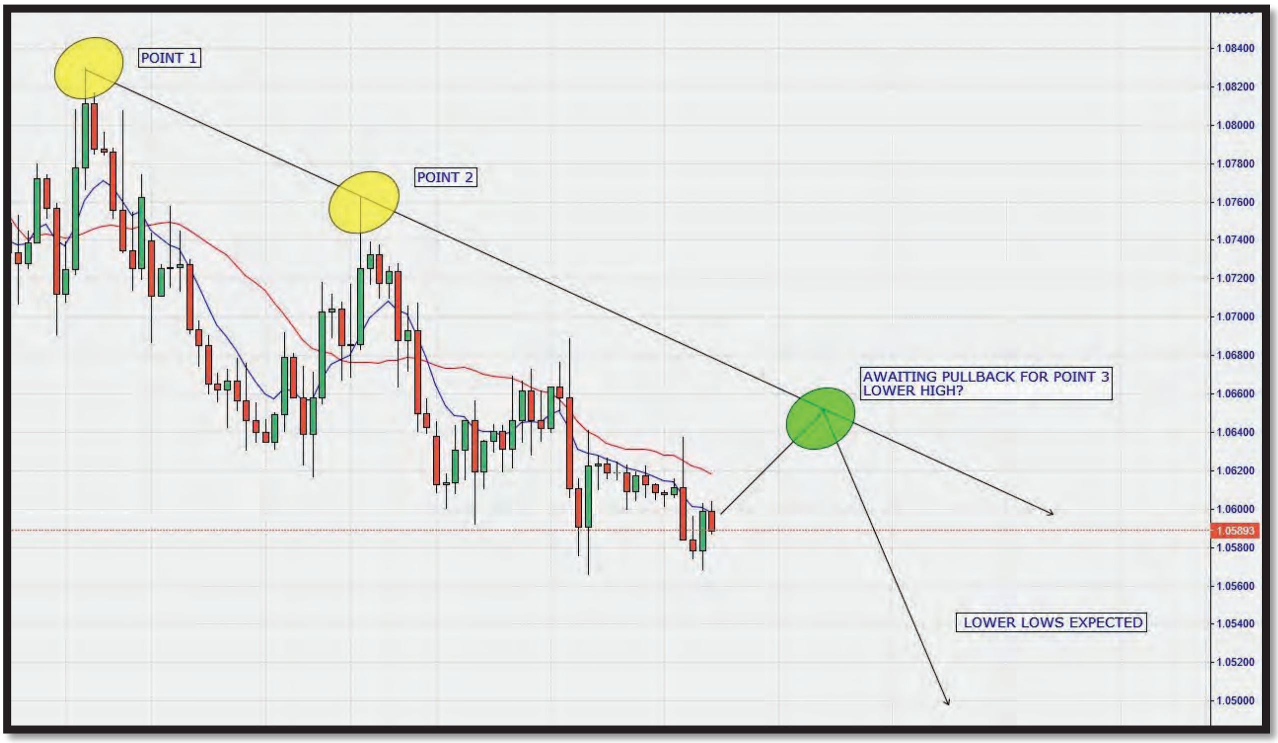



CONFLUENCES FOR THE TREND-LINE BOUNCE
1: T.L ACTING AS SUPPORT (SLANTED SUPPORT)
2: CANDLESTICK FORMATION AT THE T.L SUPPORT
3: COUNTER TREND-LINE BREAK
4: M.A CROSSOVER ON THE (H4 TIME FRAME)
5: FIBONACCI RETRACEMENT
NEW HIGHS FORMED AFTER 3RD T.L BOUNCE
COUNTER TREND-LINE APPLICATION
3RD T.L BOUNCE
POINT 2
POINT 1
1.18000
1.17000
1.16000
1.15000
1.14000
1.13000
1.12000
1.11000
1.10000
1.09000
1.08000
1.07000
1.05593
1.05000
1.04000

Each time you see the price bounce off the same line, the more likely it is that others are watching it too and are playing the same game you are. This could help you get several good entries in a row, but remember trend-lines won't last forever. So you want to make sure you set proper stop losses to get you out quickly if the **support/resistance** trend-line eventually fails.

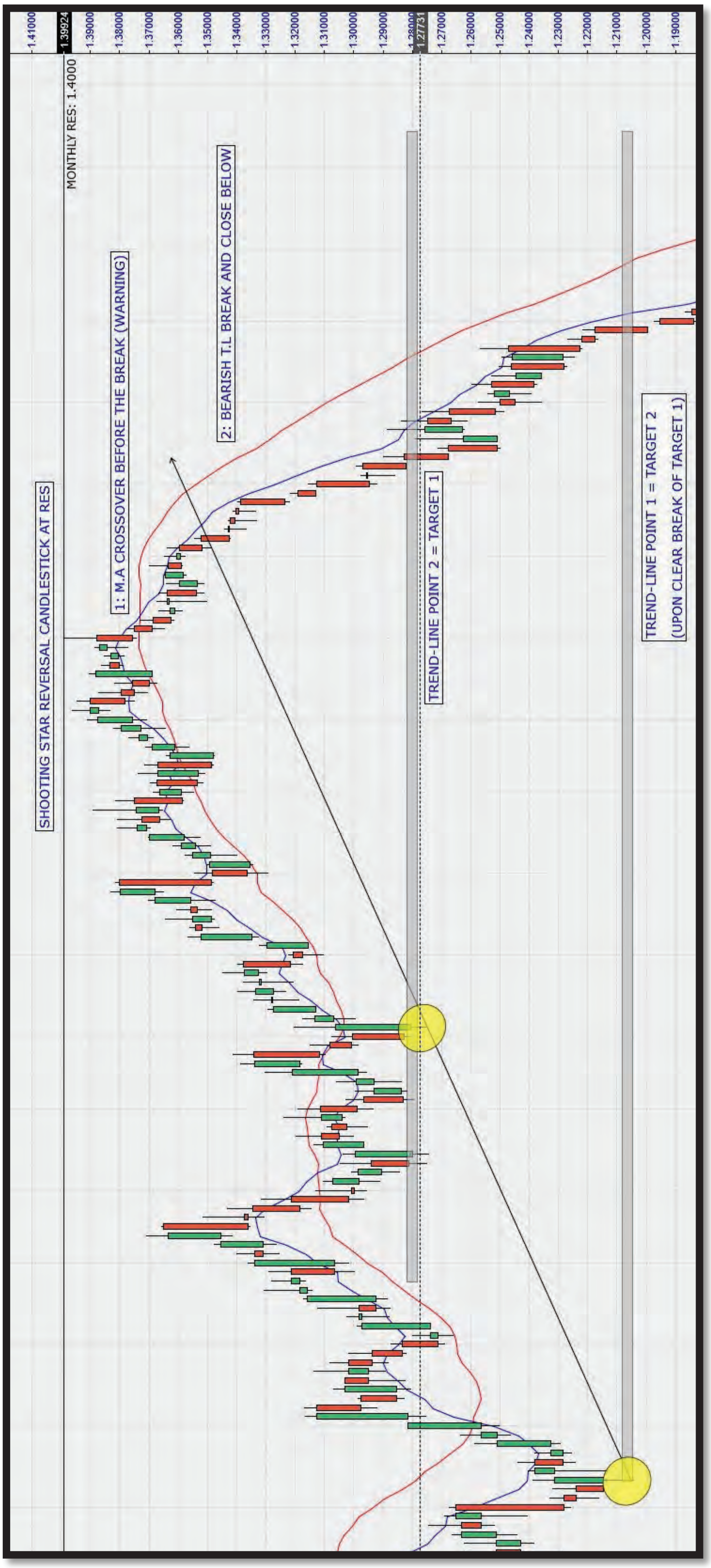
An upward slanting (**Bullish/ Ascending**) trend-line indicates price has been **trending up**, so you want to look for **buying opportunities.** Buying opportunities occur when the price drops down and comes close to the 3rd trend-line bounce as displayed below.

A downward slanting (**Bearish/Descending**) trend-line indicates price has been **trending down**, so you want to look for **selling opportunities.** Selling opportunities occur when the price moves up and comes close to the 3rd trend-line bounce as displayed below.



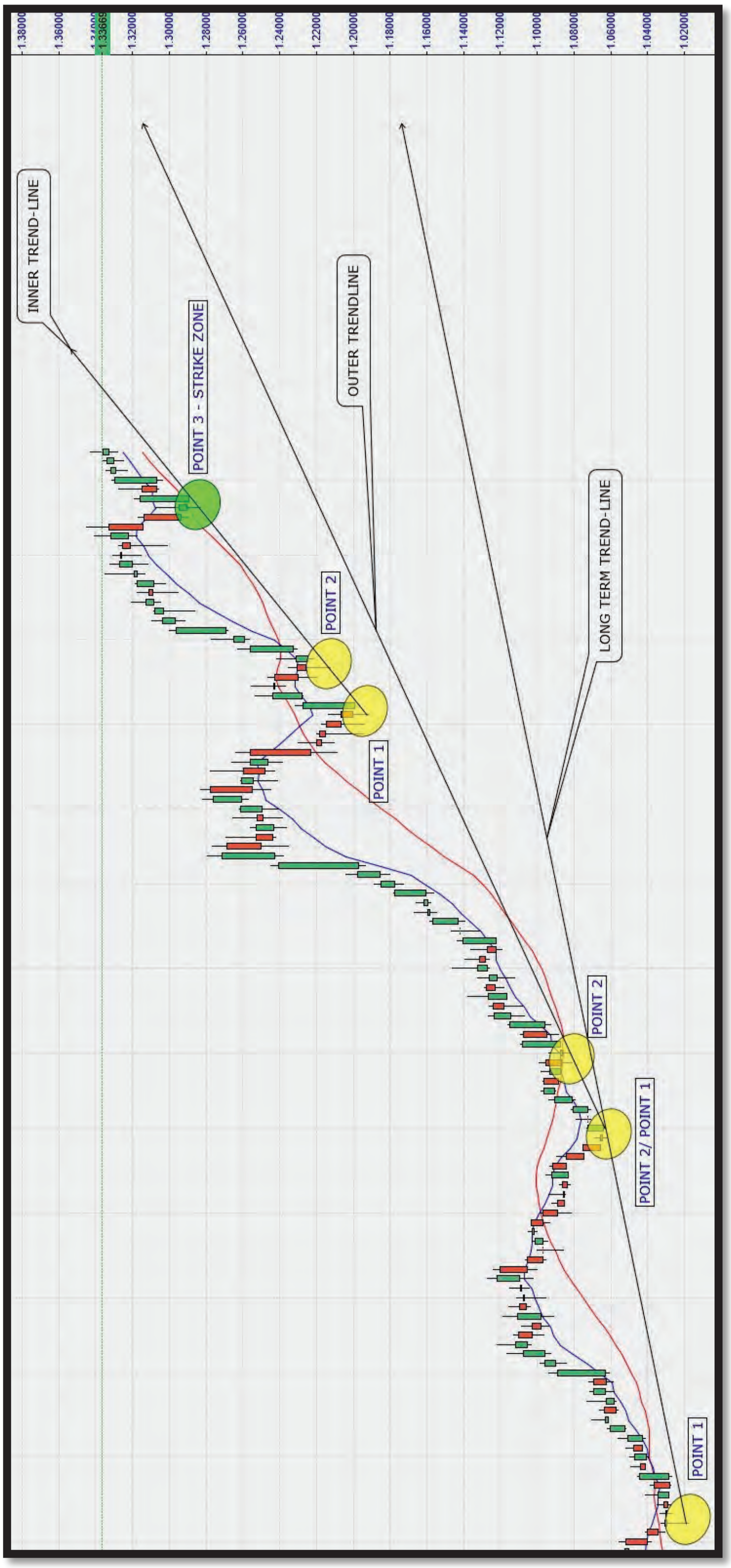
Trend-line break rules and confluences to look for:

Trend-lines can indeed break! There are specific rues to adhere to once a Weekly/Daily trend-line is broken, these rules assist with structure and anticipating future price points in order to ride a reversal to maximum efficiency or simply use it as a bias.



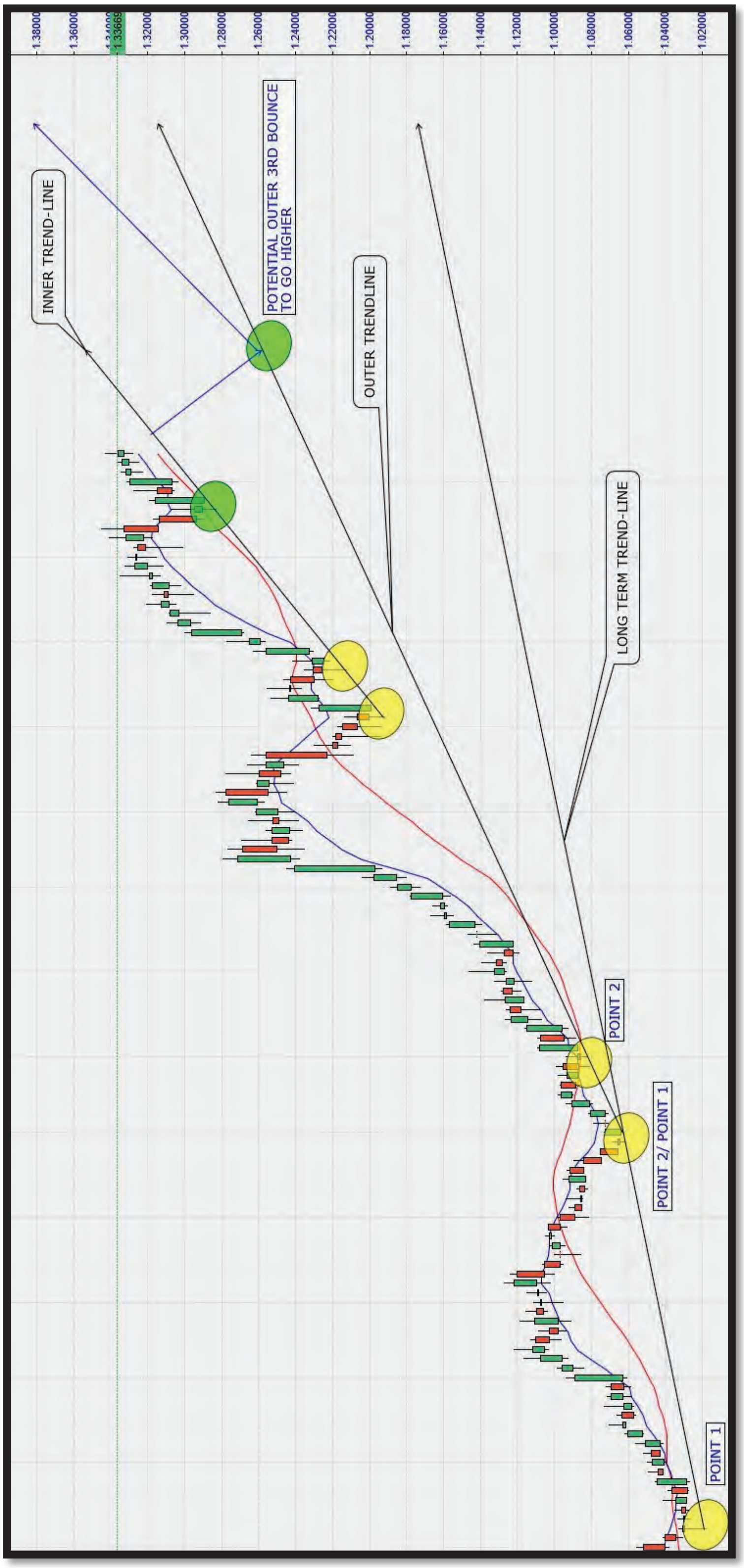
Inner, Outer & Long term Trend-line application:

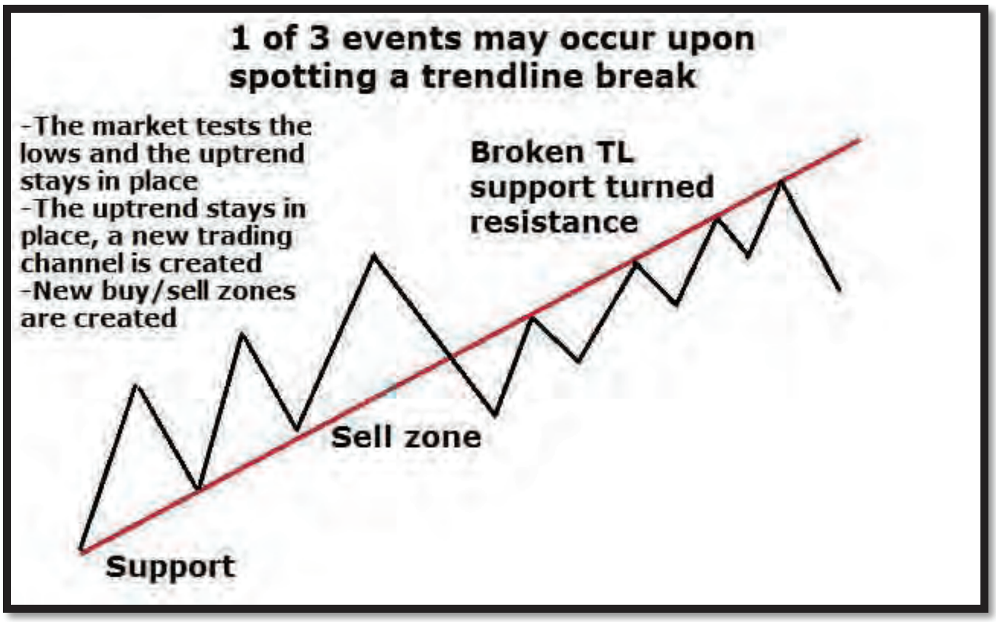
Multiple trend-lines can be drawn onto a chart. It is suggested up to 3 in total! When performing this, ensure you are not going too far back, zooming out too much as its important to stay relevant to short/medium term prices. The example below displays the inner, outer and long-term trend-lines with their respective connection points. These indicate the USD/CAD is firmly bullish with a most recent 3rd bounce evident, the price is expected to reach new highs.

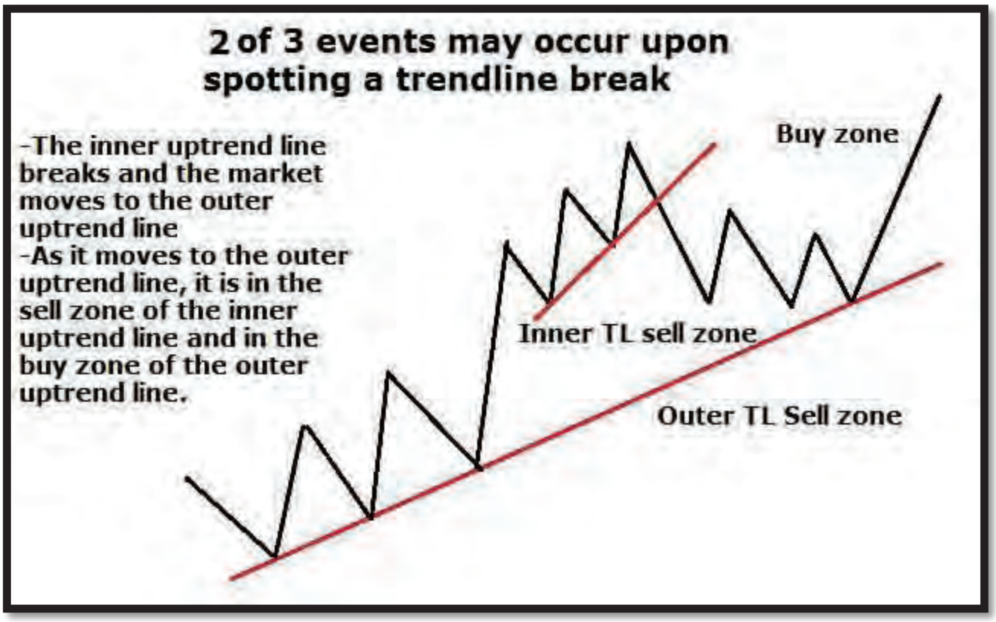


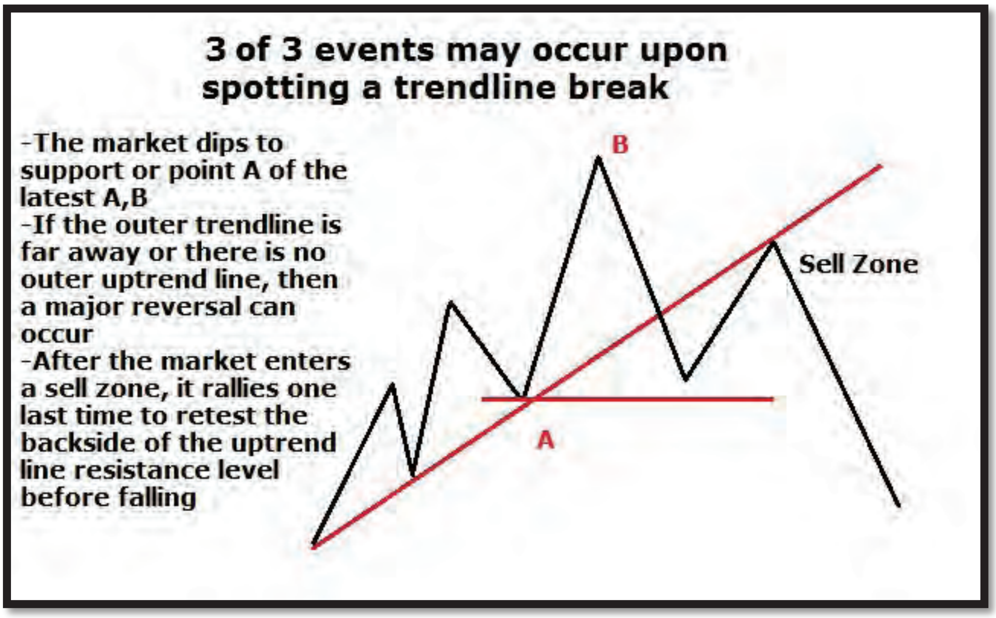
Inner, Outer & Long term Trend-lines. The break:

Once the inner trend-line has been broken and you are on the short side of that specific currency pair you must take profit near to the outer trend-line. In effect, the trend-lines are jut slanted areas of support/resistance so profit taking should be set around these key levels. Not only that, the future price action must be anticipated as the price could be lining up for a third bounce on the outer/long-term trend-line in order to perform the next leg (Bullish in this case)




1 of 3 events may occur upon spotting a trendline break
-The market tests the lows and the uptrend stays in place
-The uptrend stays in place, a new trading channel is created
-New buy/sell zones are created
Broken TL support turned resistance
Sell zone
Support


2 of 3 events may occur upon spotting a trendline break
-The inner uptrend line breaks and the market moves to the outer uptrend line
-As it moves to the outer uptrend line, it is in the sell zone of the inner uptrend line and in the buy zone of the outer uptrend line.
Buy zone
Inner TL sell zone
Outer TL Sell zone


3 of 3 events may occur upon spotting a trendline break
-The market dips to support or point A of the latest A,B
-If the outer trendline is far away or there is no outer uptrend line, then a major reversal can occur
-After the market enters a sell zone, it rallies one last time to retest the backside of the uptrend line resistance level before falling
B
Sell Zone
A

Rules to trading the sell zone:

-Find and draw all trend-lines. **Inner, outer and long-term** as this will help you to determine if the market is in an **uptrend, downtrend** or if a trend line has been broken signifying the potential end of a trend and **reversal;**

-Find the uptrend line break and the bearish candle in the sell zone;

-Find the **back side of the uptrend line** (**resistance**) to see if it is lower than the last high, giving you a high probability trade setup;

-Establish the last high in order to determine where your protective stop loss will be placed;

-Find the **outer uptrend line** as well as **support** to determine where the market may go for profit taking;

-Figure out the latest **A,B,C,D's** and find the **D extension**;

-Stop loss shall be placed 15-30 PIPs above the 3rd bounce candlestick reversal.

Rules to trading the buy zone:

-Find and draw all trend-lines– **Inner, outer and long-term** as this will help you to determine if the market is in an **uptrend, downtrend** or if a trend line has been broken signifying the potential end of a trend and reversal;

-Find the downtrend line break and the bullish candle in the **buy zone**;

-Find the **back side of the downtrend line** (**support**) to see if it is higher than the last low, giving you a high probability trade setup;

-Establish the last low in order to determine where your protective stop loss will be placed;

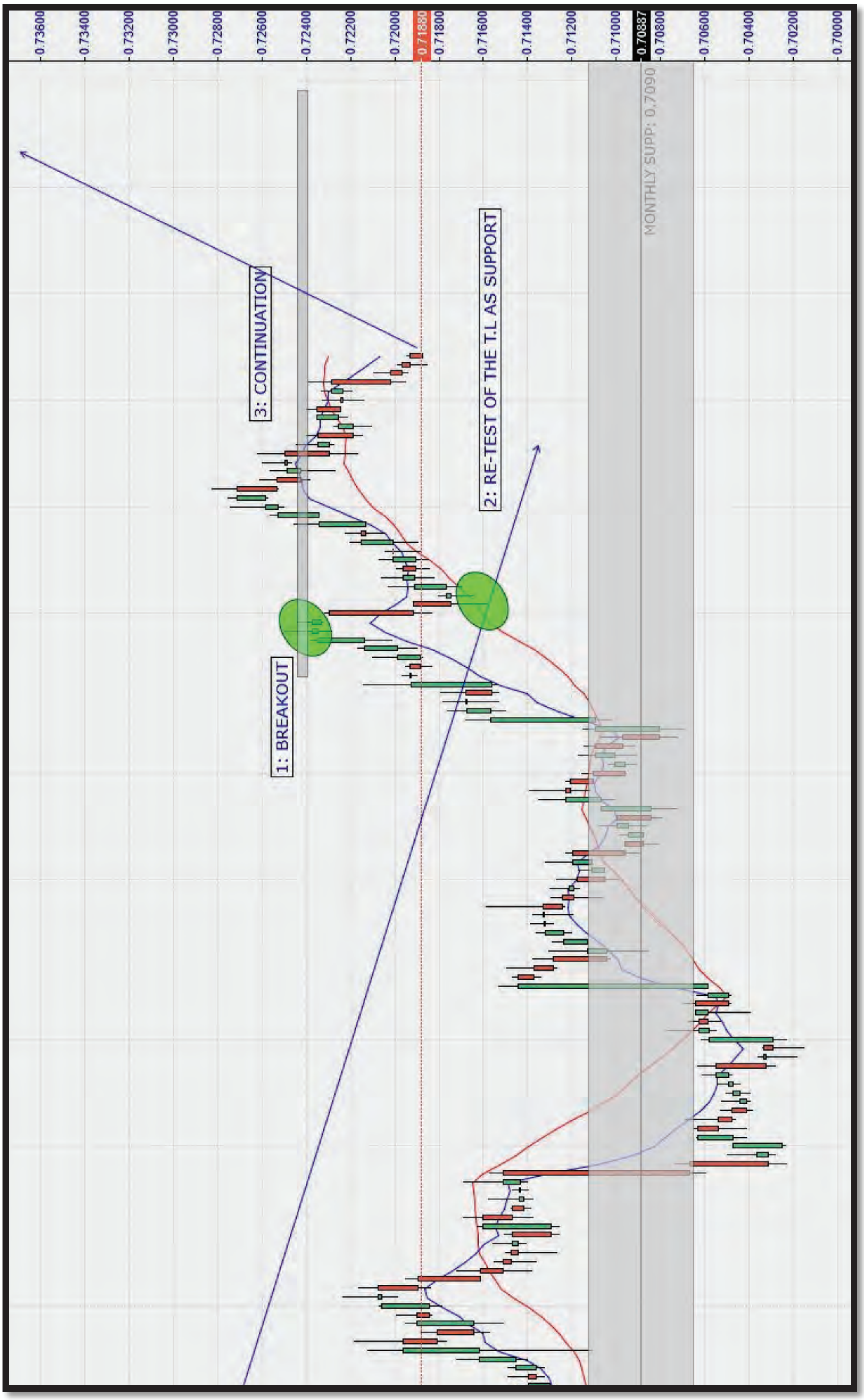
-Find the **outer downtrend line** as well as **resistance** to determine where the market may go for profit taking;

-Figure out the latest **A,B,C,D's** and find the **D extension**;

-Stop loss shall be placed 15-30 PIPs below the 3rd bounce candlestick reversal.

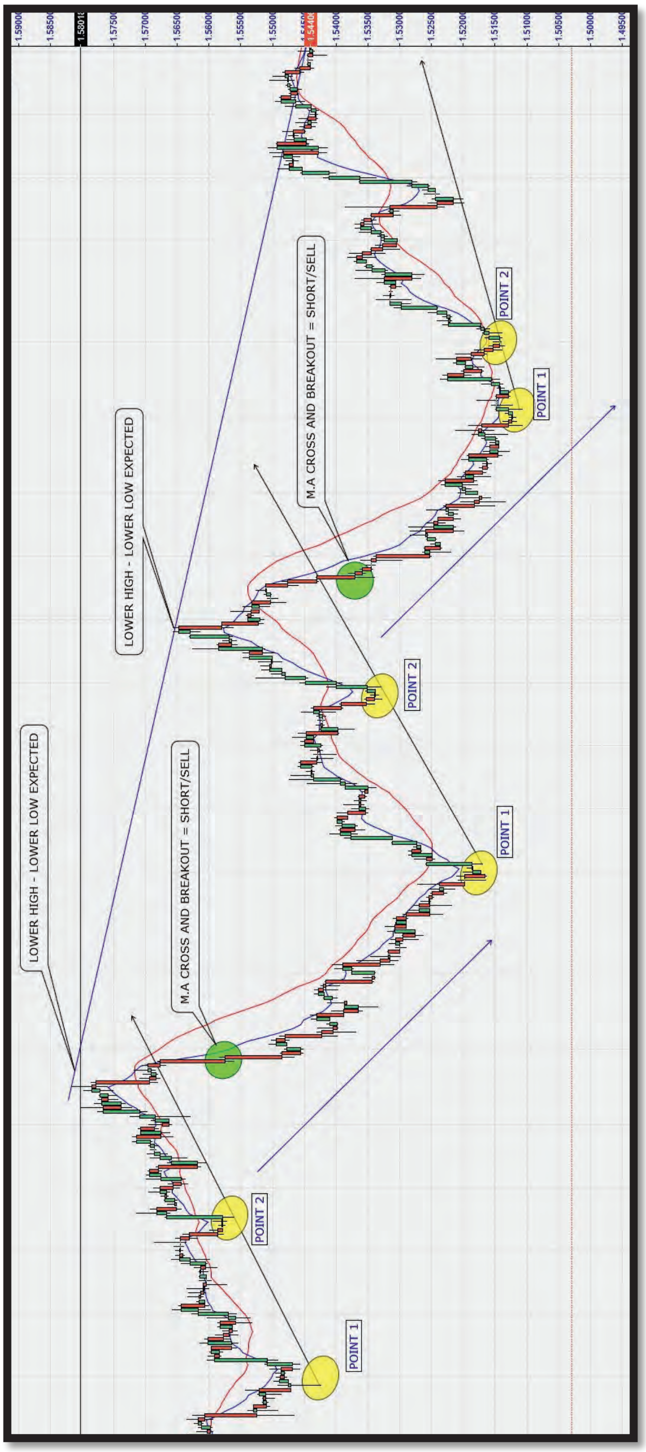
Breakout, Retest, Continuation:

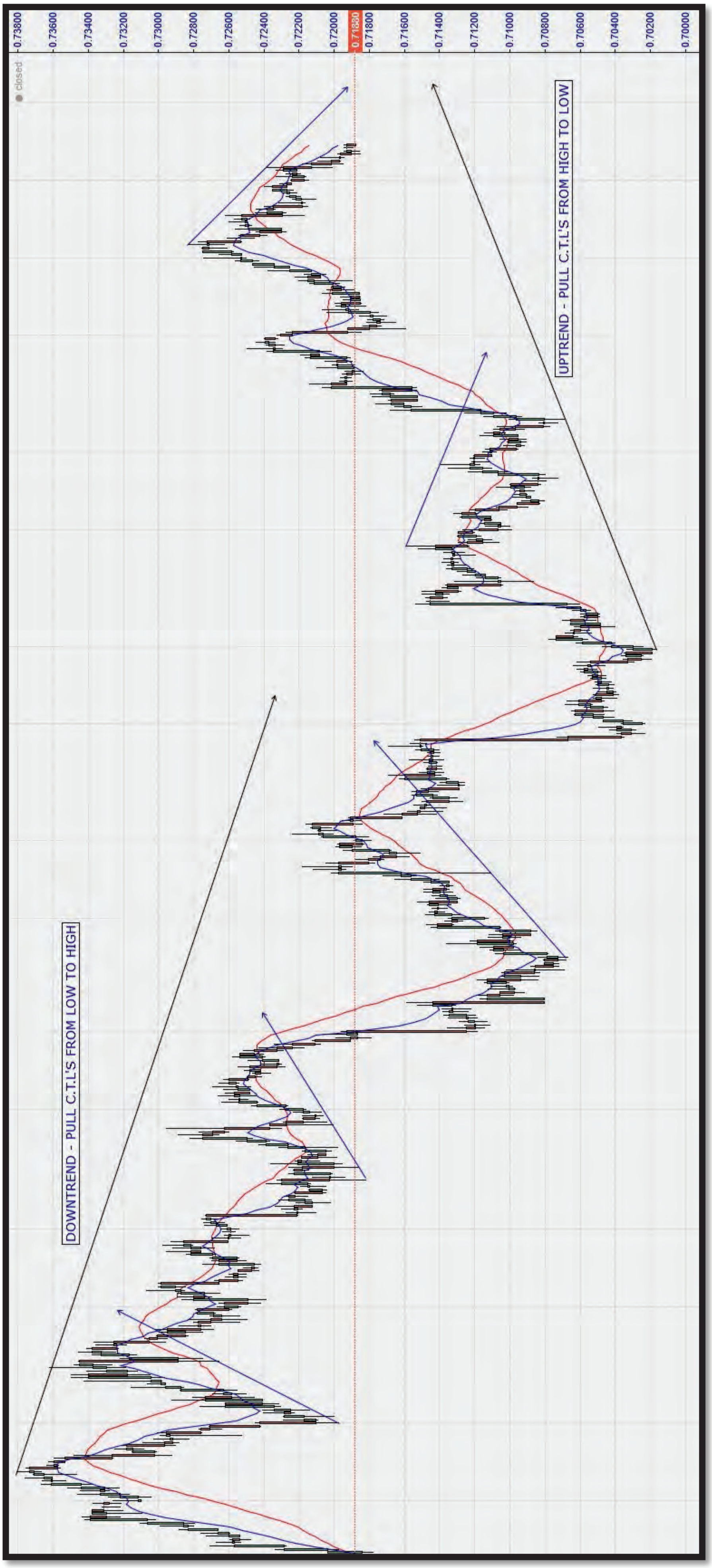
Upon a breakout of a trend-line, the price will tend to pull back toward the line to re-test it as a new support zone as displayed below. Vice verse for a descending channel break. Its handy to draw a thin strip across the new high and await a clear continuation before executing the trade. (To be more conservative)



Counter trend-line application:

Counter trend-lines (C.T.L's) are highly important., when placed accurately they can provide brilliant trade setups for trend trading. Counter trend-lines shall be placed on the H4 chart + H2 chart once the key levels and overall trend-lines have been placed on any specified currency pair. They are known as 'counter' trend-lines as they are pulled from low to high on a bearish pullback and high to low at a high to low on a bullish pullback. For instance; as soon as the C.T.L is broken (alongside the M.A crossover) and a fully formed & closed candlestick has been formed above/below the C.T.L we execute a trade in the trend direction. Most of the time we anticipate a new low/new high to be formed upon a C.T.L break. An example is shown below.



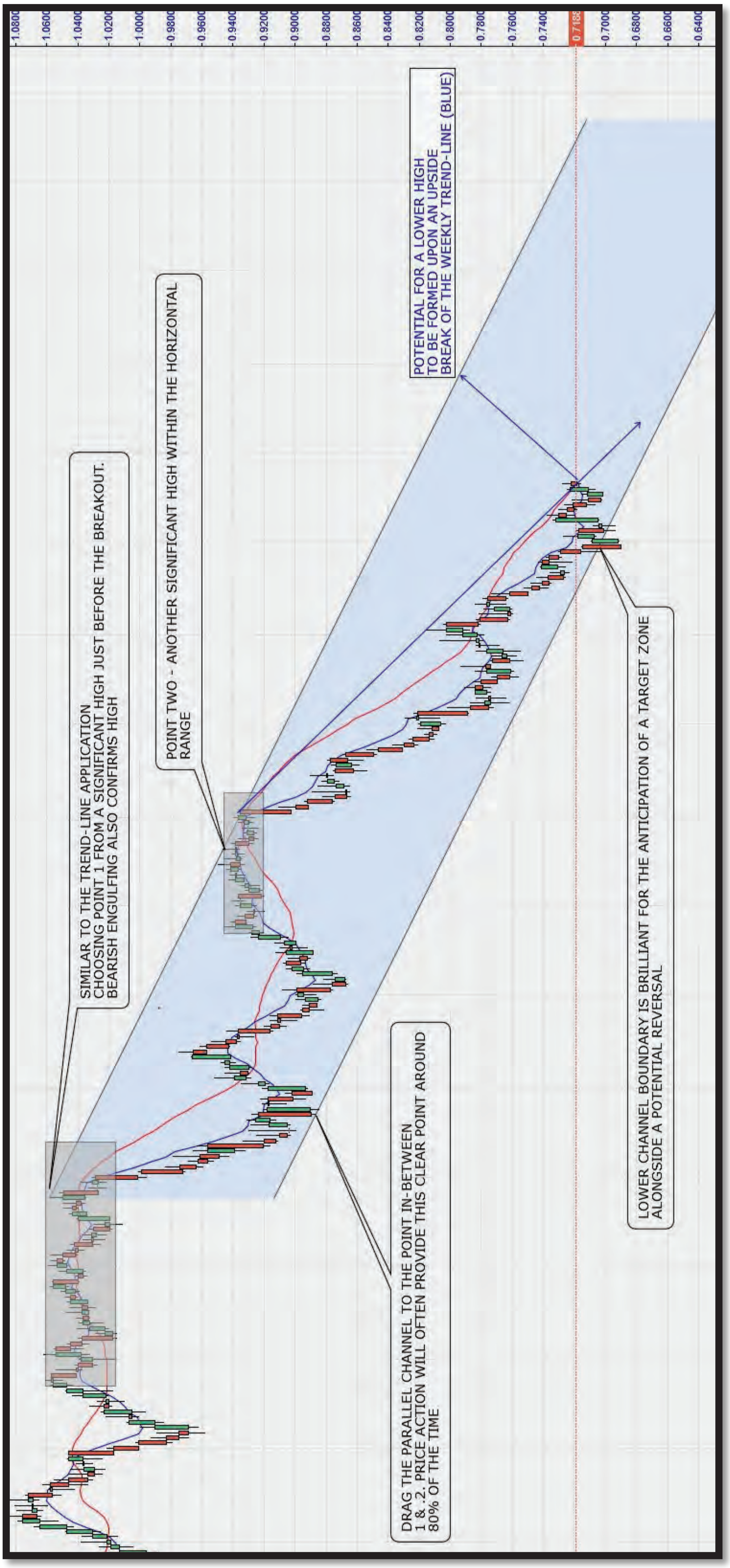

DOWNTREND - PULL C.T.L'S FROM LOW TO HIGH
UPTREND - PULL C.T.L'S FROM HIGH TO LOW
0.73800
0.73600
0.73400
0.73200
0.73000
0.72800
0.72600
0.72400
0.72200
0.72000
0.71850
0.71800
0.71600
0.71400
0.71200
0.71000
0.70800
0.70600
0.70400
0.70200
0.70000

Channel Trading:

Parallel channels are one of the most common chart patterns found on the charts. They provide the trader with excellent opportunities for high probability trade setups regardless if the market is in a trending or a non-trending state and are not timeframe dependant.

Horizontal channels on the other hand are known as '**trading ranges'** or '**consolidation'** which we went through in detail prior to this section. No matter what the current condition of the market may be, there are always parallel channels present whether they be **horizontal**, **upwards** (**ascending**) or **downwards** (**descending**) as displayed in the examples below.

Parallel channels can be defined as soon as you find two top and two bottoms (**they are marked with yellow boxes on the chart**). As soon as you find such a channel, you can use the following trading strategy: you must wait until the price on the chart is close to either the upper or lower trend line in order to determine the setup. Check out the Descending channel below.



PROGRESS NOTES

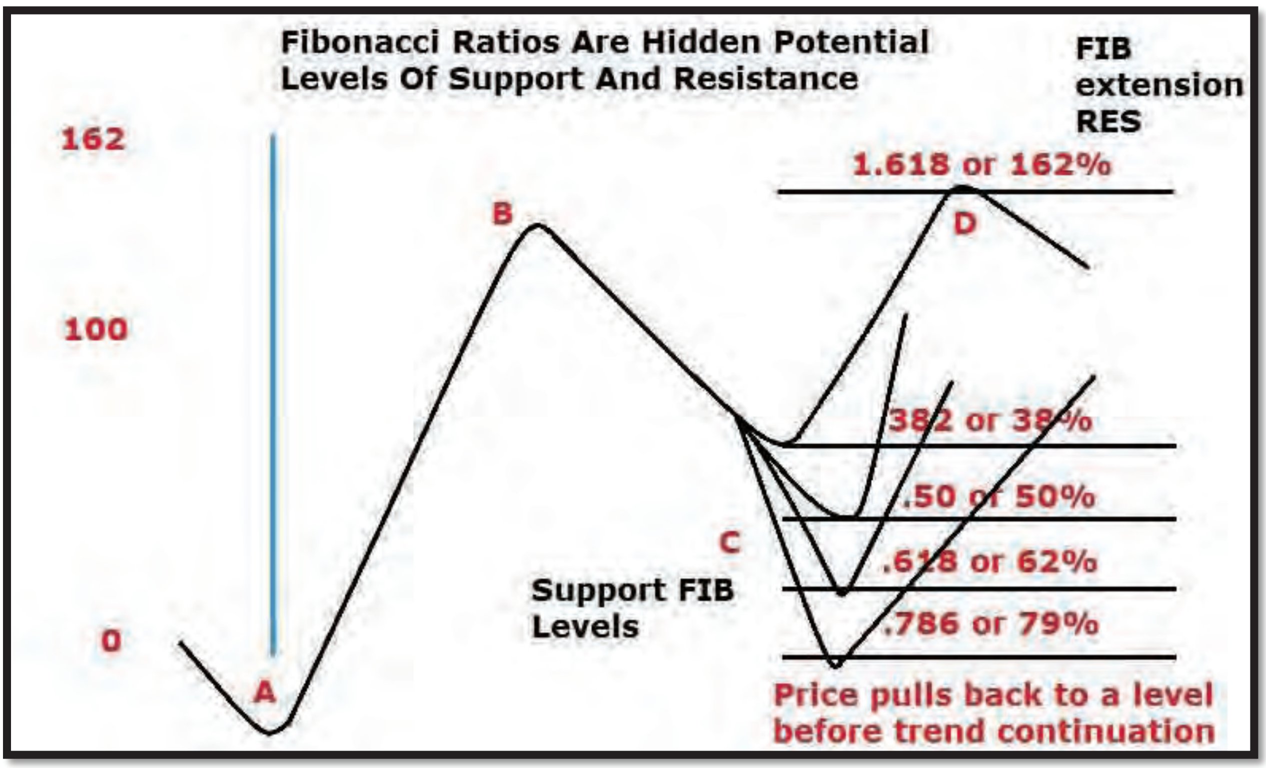
PROGRESS NOTES

Phase 5: Fibonacci Play

Fibonacci is one of the most famous names in mathematics. This would come as a surprise to Leonardo Pisano, the mathematician who is famously know by that name. And he might have been equally surprised that he has been immortalised in the famous sequence – **0, 1, 1, 2, 3, 5, 8, 13,** (**adding the previous two numbers together will give you the next in the sequence)** – rather than for what is considered his far greater mathematical achievement – helping to popularise the modern number system in the Latin-speaking world.

The Fibonacci number sequence is what constructs sacred geometrical patterns. Everything in the universe is constructed in a spiral fashion. Fibonacci sequences are what construct nature and even the genetic and physical make up of the human body. If you take a pair of next-door Fibonacci numbers and divide the larger by the smaller, you get an approximation to a number called the golden ratio (**1.618**). For example: **13 divided by 8 = 1.625, 21 divided by 13 = 1.615.**

Alongside the geometrical patterns in nature and the relation to this numerical sequence within the human organism, it can also be applied into the markets and utilised in order to find high probability trading setups on a multitude of timeframes.



The Fibonacci Levels which AstroFx focus on primarily are:

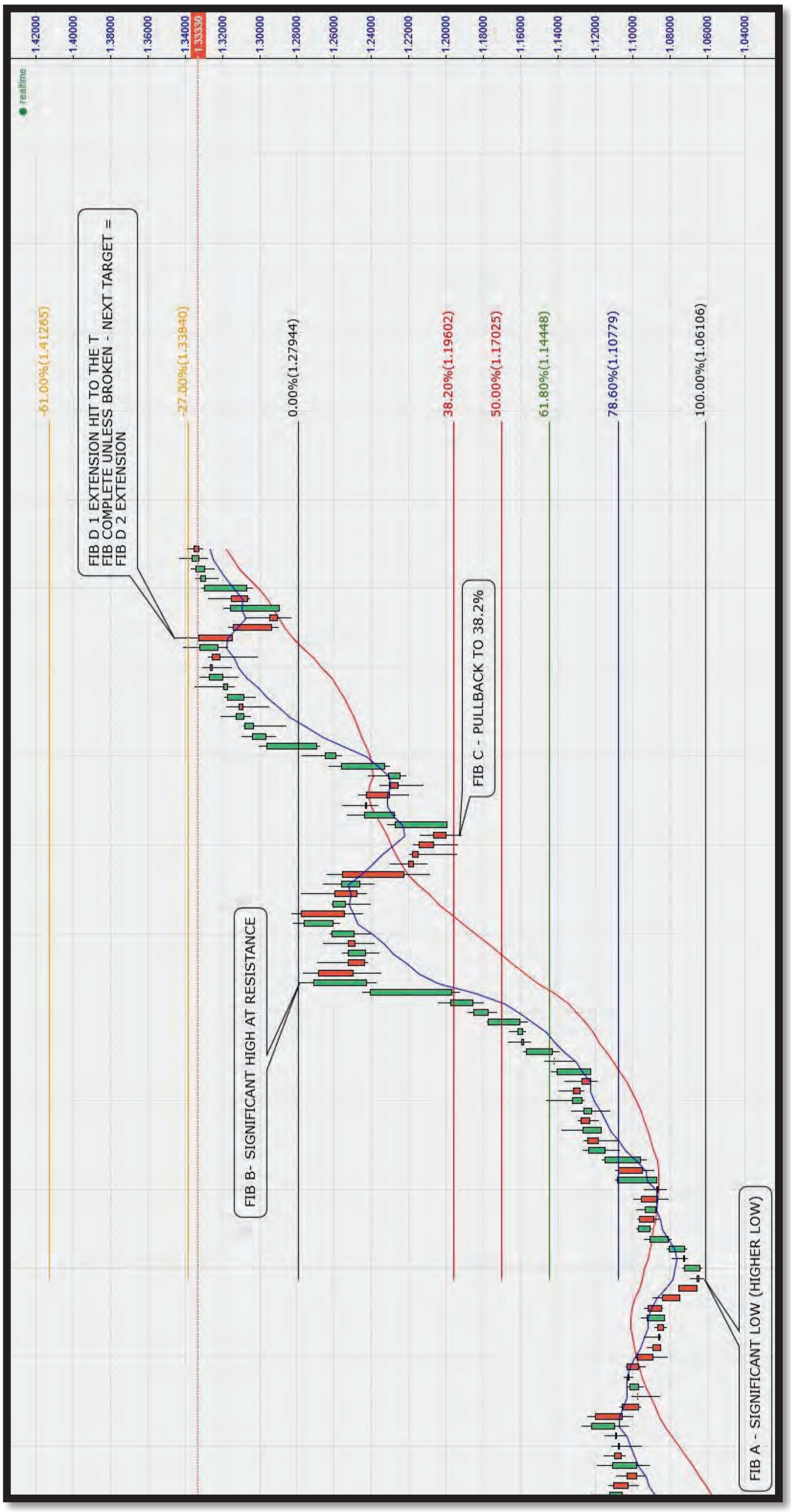
Retracement level: 38.2% - Fast and aggressive pullback bounce.

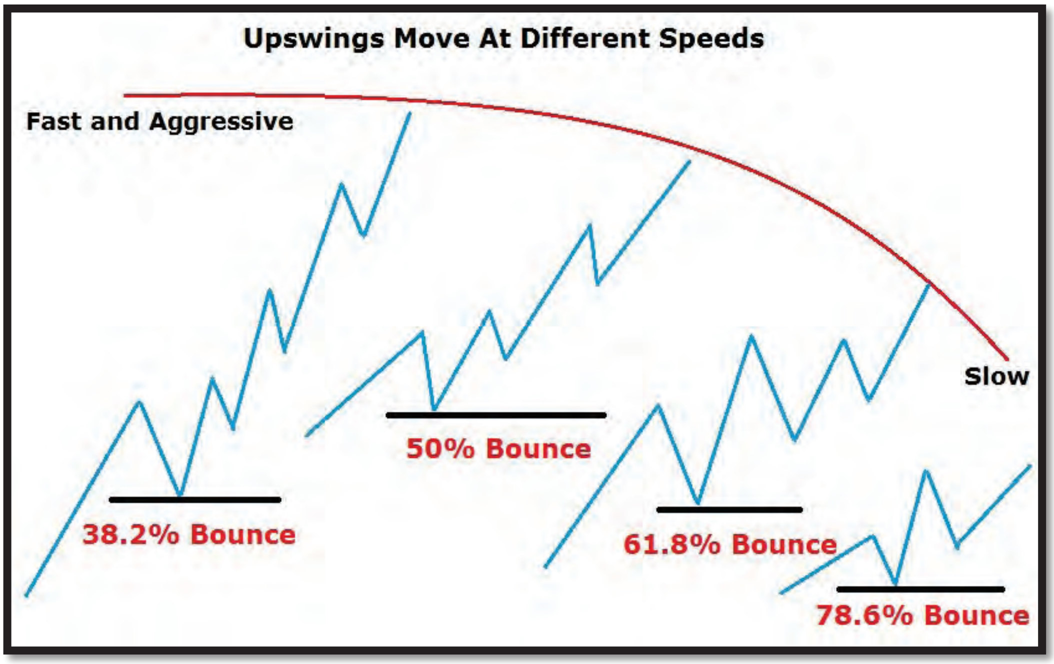
Retracement level: 50% - Medium pullback bounce.

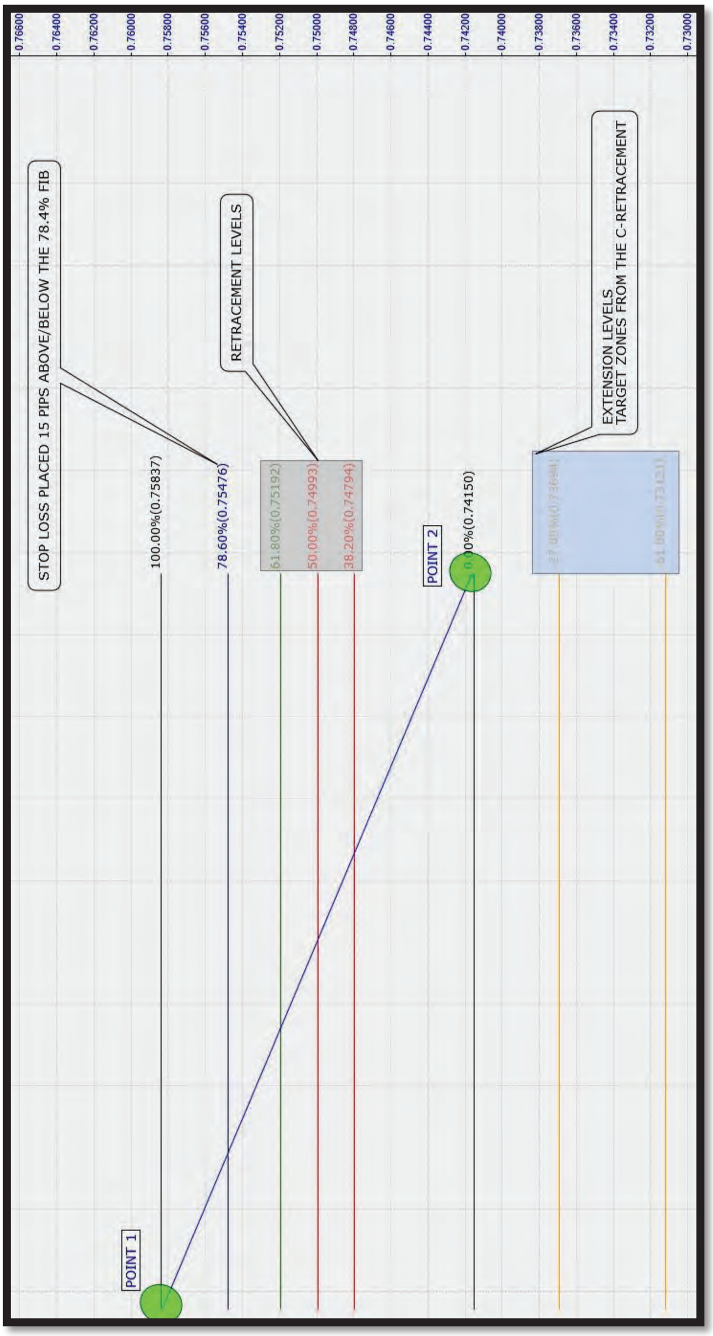
Retracement level: 61.8% - Golden Number pullback bounce.

Retracement level: 78.6% - Stop-loss level to be placed –10 PIPs.

Extension levels: -61.8% + -27% - Target area for trend continuation.



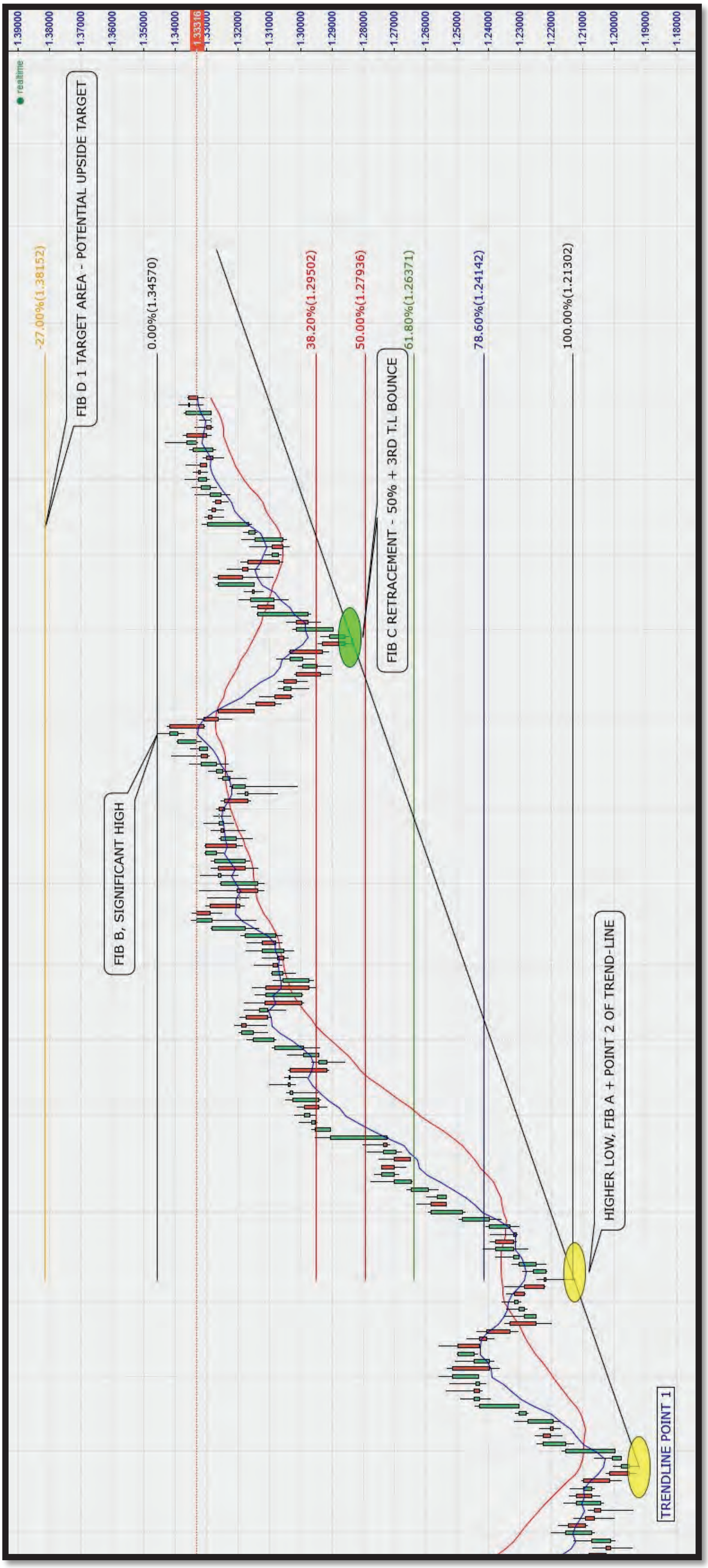

Upswings Move At Different Speeds
Fast and Aggressive
Slow
38.2% Bounce
50% Bounce
61.8% Bounce
78.6% Bounce


STOP LOSS PLACED 15 PIPS ABOVE/BELOW THE 78.4% FIB
RETRACEMENT LEVELS
EXTENSION LEVELS
TARGET ZONES FROM THE C-RETRACEMENT
100.00%(0.75837)
78.60%(0.75476)
61.80%(0.75192)
50.00%(0.74993)
38.20%(0.74794)
0%(0.74150)
POINT 1
POINT 2

Bullish & Bearish Fibonacci wave example:

The Fibonacci should be drawn from a significant low point (FIB A) and dragged up towards the next significant high (FIB B). These significant pints are defined by candlestick formations at levels of support/ resistance, once satisfied with the A-B wave the Fibonacci, pull the tool over to the right hand side to allow P.A to play out.

When applying Fibonacci, start on the weekly timeframe (in the same direction as the momentum/trend) which should have already been determined throughout the practice of earlier technical phases. Remember that the currency can take a longer period of time to reach the potential D1 + D2 extension levels on the weekly and daily charts and is a primary tool used to determine a clearer directional bias of the overall trend. The H4 & H2 Timeframes are the best for Fibonacci execution...these are the timeframes in which you must incorporate the stop loss rule (15 PIPS above the 78.6 %)


FIB D 1 TARGET AREA - POTENTIAL UPSIDE TARGET
-27.00%(1.38152)
0.00%(1.34570)
38.20%(1.29502)
50.00%(1.27936)
61.80%(1.26371)
78.60%(1.24142)
100.00%(1.21302)
FIB B, SIGNIFICANT HIGH
FIB C RETRACEMENT - 50% + 3RD T.L BOUNCE
HIGHER LOW, FIB A + POINT 2 OF TREND-LINE
TRENDLINE POINT 1

Below is a clear example of FIB perfection! This GBP/AUD weekly chart completed a bullish A,B,C,D pattern. The 38.2% FIB retracement level held extremely well, launching the price into new high territory with an almost perfect reaction from the FIB D2 extension level. Once a Fibonacci A, B,C, D has been completed we can now go ahead and draw a new FIB from the FIB C point up to the FIB D point (reversal level). This is ideal for a new FIB wave if the market decides to pullback before going even higher. (Displayed on the next page)

As you can see, once a Fibonacci setup has been completed, a new FIB can be applied from the previous FIB C (Now new FIB A) up to the previous FIB D (Now new FIB B) These points are displayed below (highlighted green) with the new FIB tool displaying the potential FIB retracement levels for a potential new higher low to be formed triggering a bullish trend continuation (With targets projected to the new FIB d extension).

The below example is a bullish A,B,C,D H4 example. This is a classic before and after shot from AstroFx, a brilliant example of how to conduct your trading journal (more details later). A long/Buy entry was executed at 0.7180— 50% FIB C retracement with the price breaking a counter trend-line and rallying to form new highs. The FIB D1 extension (**0.7328—10 PIPS below**) was hit to the absolute T! A 160 PIP gain in just over 24 hours. This is an example of when the stop loss 15 PIPS below the 78.6% level should be respected.

Remember: The market can move up and down in a very fast paced manner and for this reason it is very important that you create the habit of envisioning the future movements. Always plot your support and resistance levels onto the charts each and every day whilst observing past resistance levels for future support and vice versa in a downtrend.

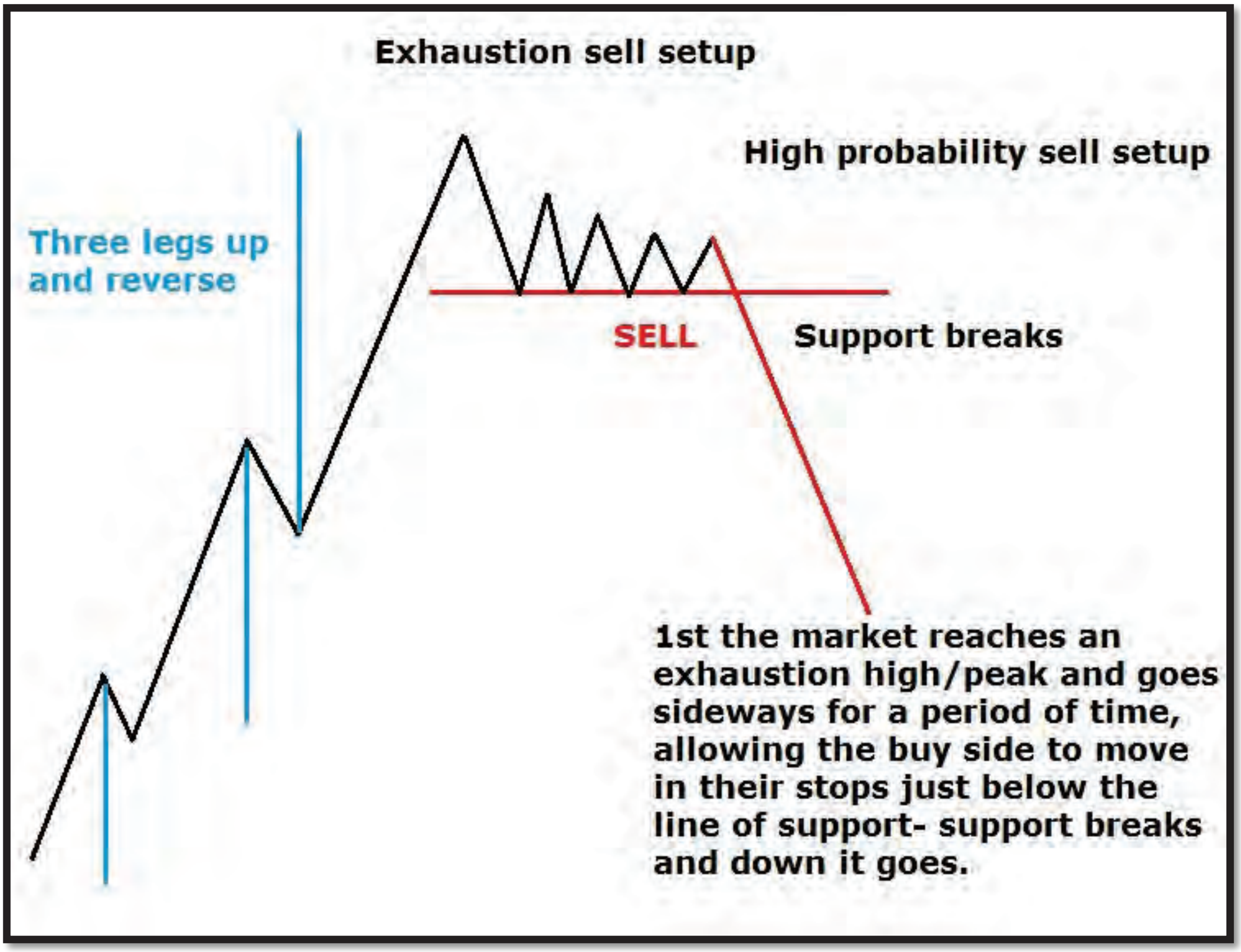
In regards to the C wave retracement, be vigilant of the candlestick reversal, trend-line bounce alongside the touch of a FIB level as such convergences are all a good case for trade execution. Remember to place the protective stop loss **10-15 PIPs above or below** the **78.6% FIB**. Exit the trade just before the projected **D wave extension level** **(-61.8%/161.8%**) by placing the target price **10 PIPs before the resistance** (**if bullish**) or **10 PIPs above support** (**if bearish**), you can also use countertrend lines for maximum profit potential and a higher probability trade setup.

Trading the **61.8% and the 78.6% FIB** bounce in the direction of the prevailing trend is great as your stop loss will always be relatively small. If the market takes out the **78.6% FIB level** with a daily candlestick close (**79% of the latest swing**) then it has a high probability of reversing as it is the last level of hidden **support/resistance**.

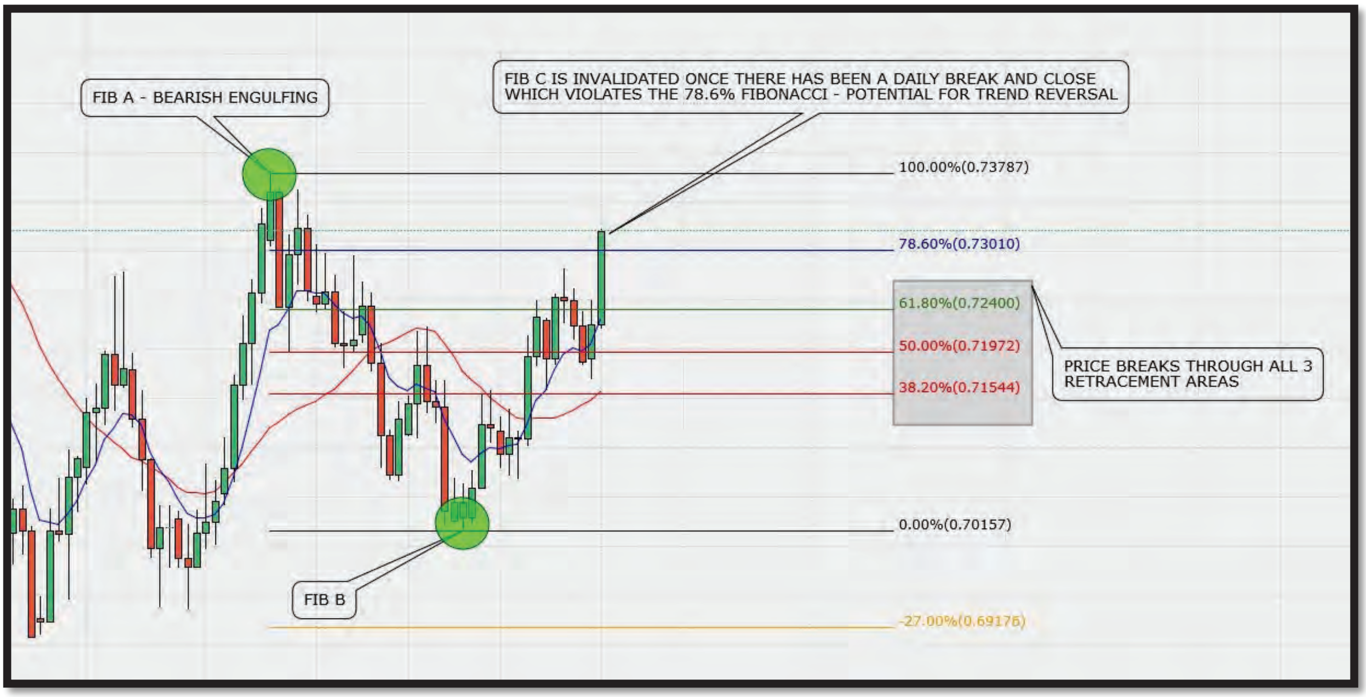
If the market retraces to the **38.2%, 50% or 61.8% FIB** level then the market has a high chance of taking out the **B wave high/low**, predominantly reaching the **−27 or −61.8%** (**D extension**). If the **C wave retraces** and there is a daily candle close above/below the **78.6%** level (as shown on the following page) then there is a chance of trend reversal but if it turns around without making a new low (**below the A wave**) then the market may start sideways movement/consolidation.

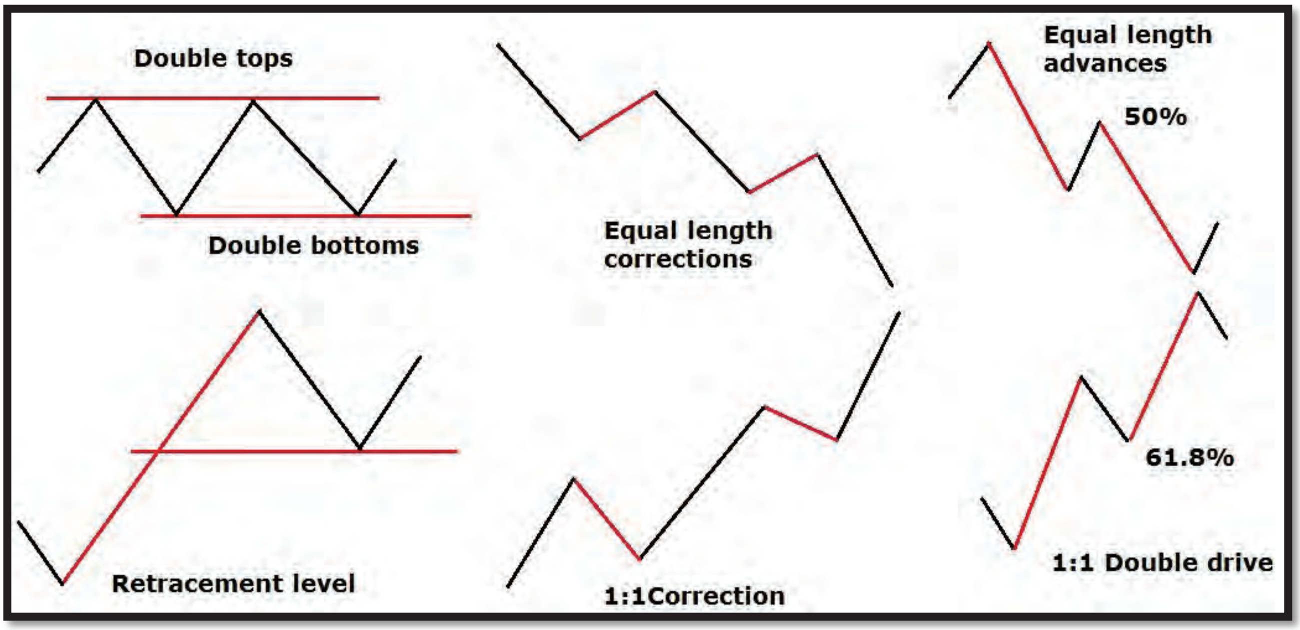
Many technical buyers and sellers will know that the 50% and 61.8% are important support levels. Most will recognise the fact that trouble lies ahead if the market breaks below the defined support. Sellers will know how to seize the opportunity also. Normally if the second test of the Fibonacci support fails to attract good volume and does not rally, buyers may throw in the towel or plan to reverse short. Situations such as these get traders thinking about their own self preservation as humans are creatures of habit and will only see the main option ahead for them—get out or lose money!

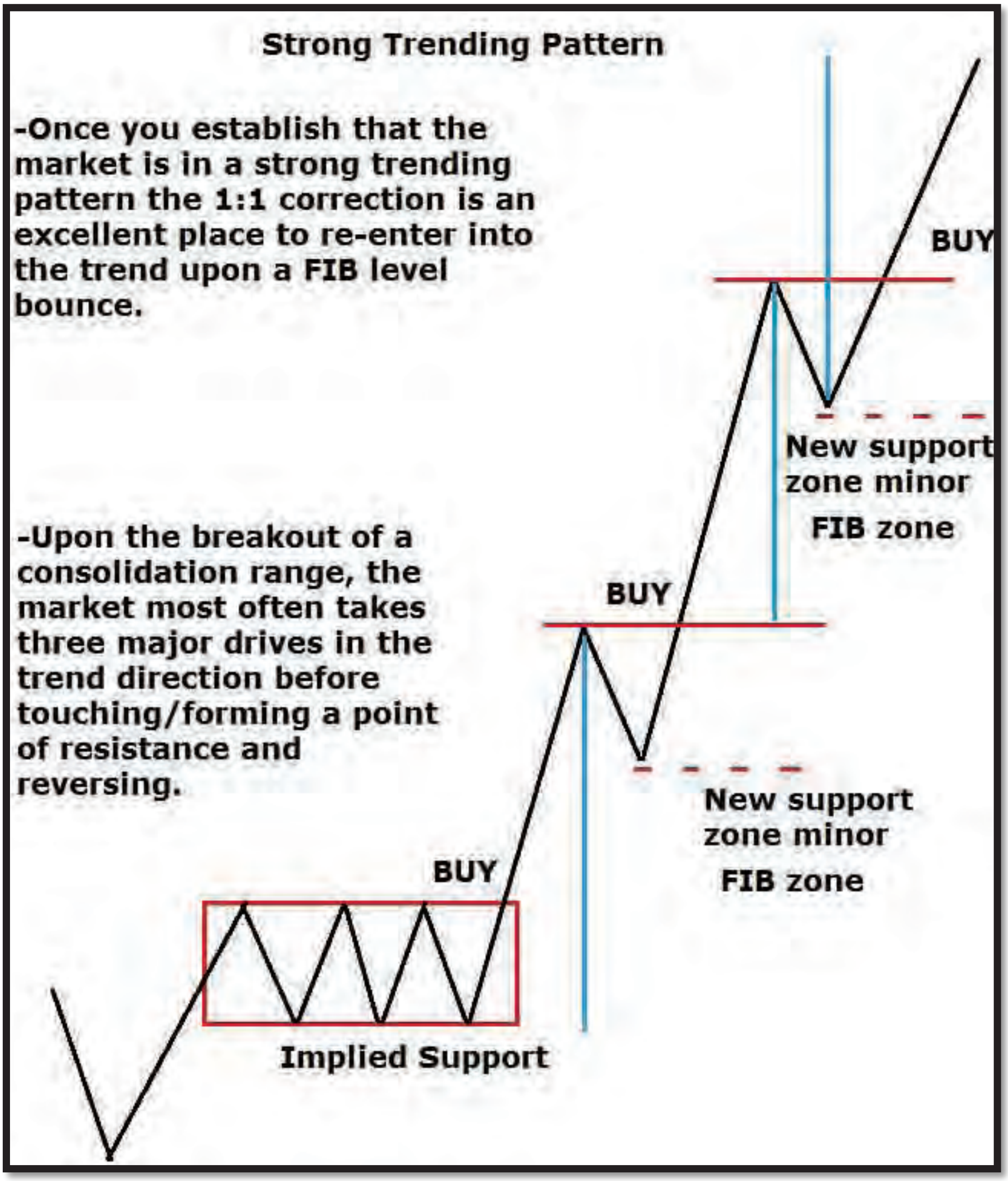
In such a case we are dealing with the effects of human emotion, greed and fear along with the fact that everything they know is working against them. Moods can change very quickly when the tide turns and if you are prudent enough to recognise this in advance, you can surely take advantage of it.

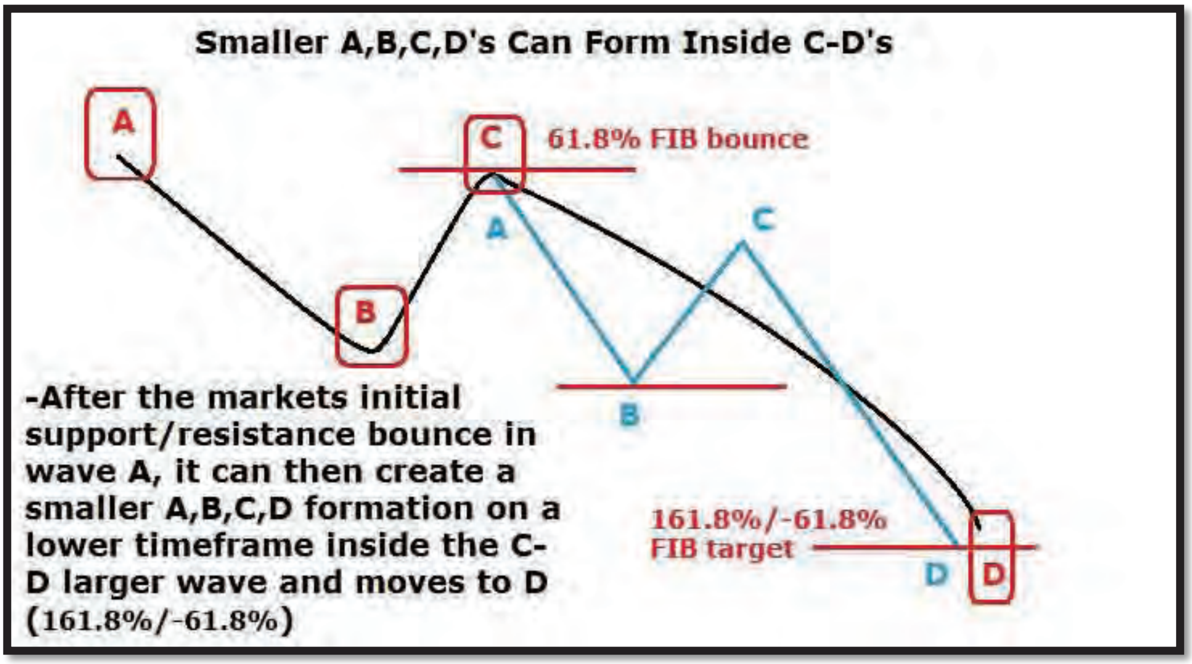


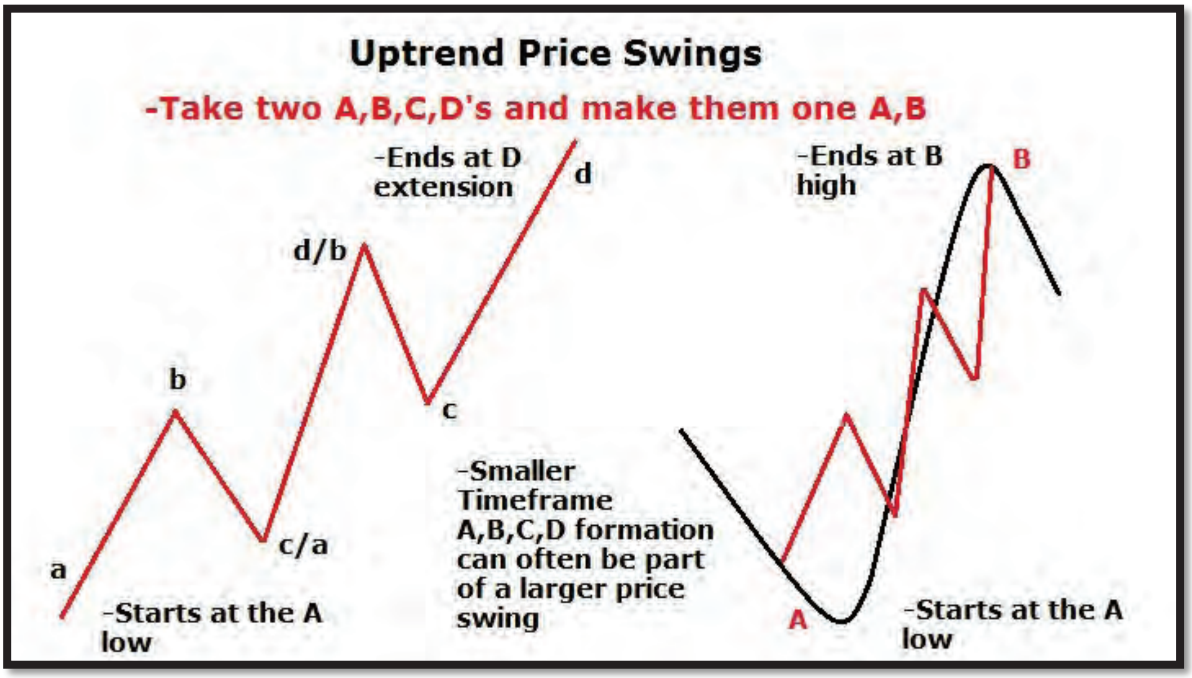
Below is an example of when the price breaks through all of the Fibonacci retracement levels. In such a scenario it is highly important to be mindful of the higher timeframe key levels as a potential reversal might be in play especially if the pair closes above the 78.6% (On the daily timeframe).




Double tops
Double bottoms
Equal length corrections
Equal length advances
50%
Retracement level
1:1Correction
61.8%
1:1 Double drive


Strong Trending Pattern
-Once you establish that the market is in a strong trending pattern the 1:1 correction is an excellent place to re-enter into the trend upon a FIB level bounce.
-Upon the breakout of a consolidation range, the market most often takes three major drives in the trend direction before touching/forming a point of resistance and reversing.
BUY
New support zone minor FIB zone
BUY
New support zone minor FIB zone
BUY
Implied Support



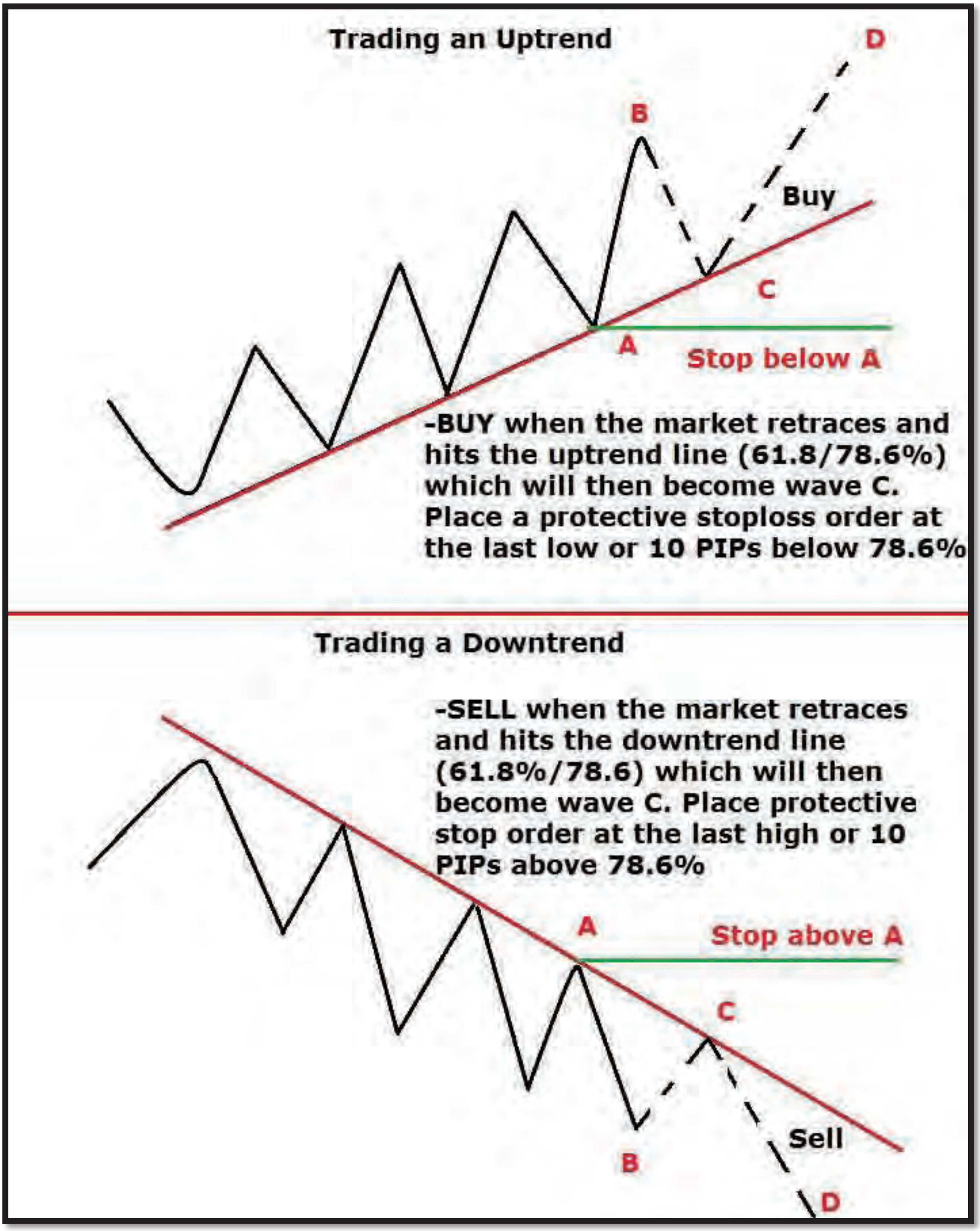


-When combining price swings, you are taking the smaller price swings and merging them with larger ones in the direction of the trend. By doing so you are also trying to find a convergence of Fibonacci numbers, perhaps a larger wave **38.2% FIB swing that may converge with a smaller wave 61.8%;**

-A high probability trade setup can be found once you have clearly established a **larger price swing of an A-B**, that consists of smaller **a, b, c, d's**;

-Once the most recent smaller wave **a, b, c** has been established there is a high chance there will be a convergence of Fibonacci numbers at the **smaller and larger C waves;**

-Enter the trade at the converging **C wave support/resistance** in the trend direction. **Find the larger wave D extension for profit taking.**


Trading an Uptrend
D
B
Buy
C
A
Stop below A
-BUY when the market retraces and hits the uptrend line (61.8/78.6%) which will then become wave C. Place a protective stoploss order at the last low or 10 PIPs below 78.6%
Trading a Downtrend
-SELL when the market retraces and hits the downtrend line (61.8%/78.6) which will then become wave C. Place protective stop order at the last high or 10 PIPs above 78.6%
A
Stop above A
C
Sell
B
D

Rules to trading the Fibonacci Uptrend:

-**Draw all trend-lines** onto the chart (**inner, outer and long term**) alongside your four levels of **support/resistance** in order to determine the direction of the markets current trend;

-Find the latest **upward A and B wave**. Use the Fibonacci tool to draw the **Fibonacci retracement and extension price lines**;

-Find a **C buy entry at the Fibonacci convergence** along with another price action signal such as a **candlestick formation** or past resistance which is now support.

-Establish the **projected Fibonacci D extension** and be sure to keep the four levels of resistance in mind. Find the closest level of resistance that sits near to the FIB extension level and place your target price **10 PIPs below the RES level or 161.8/-61.8% level**. (**Remember when the bulls score a point the market pulls back.**)

Rules to trading the Fibonacci downtrend:

-**Draw all trend-lines** onto the chart (**inner, outer and long term**) alongside your four levels of **support/resistance** in order to determine the direction of the markets current trend;

-Find the latest **downward A and B wave**. Use the Fibonacci tool software to draw the **Fibonacci retracement and extension price lines**;

-Find a **C sell entry at the Fibonacci convergence** along with another price action signal such as a **candlestick formation** or past support which is now resistance.

-Establish the **projected Fibonacci D extension** and be sure to keep the four levels of support in mind. Find the closest level of support that sits near to the FIB extension level and place your target price **10 PIPs above the SUPP level or 161.8/-61.8% level**. (**Remember when the bears score a point the market pulls back.**)

PROGRESS NOTES

PROGRESS NOTES

Phase 6: Japanese Price Action Candlesticks

Interestingly, the history of the Forex candlestick leads back to Japan, where the origin of candlestick charts date back more than five hundred years. Japanese traders used them for the purpose of conducting analysis on the rice markets. The technique evolved over time into the candlestick charts used in Japan and countless technical traders all over the world.

The Western adoption of Japanese candlestick charts was only about 25 years ago. It became gradually popular in the U.S. trading community. Earlier, it didn't generate any interest, as the perception was that it was difficult to learn and very time consuming. With the advent of computers and computer programming, there was no looking back for Forex candlesticks.

Candlesticks are simply the purest form of price action that provide a visual picture of what is occurring in the market. The signals on a candle chart are the same as a bar chart but hold more reliability and can visually align your thoughts with the market. The use of indicators will in no way, shape or form increase the reliability of candles, and do not compare to the candles way of delivering visual confirmation signals of support and resistance.

Candle pattern recognition is a recurring arrangement of price bars that suggests the future movement of prices, which in turn guides your thought processes as a trader. The patterns in this lesson communicate how traders have previously acted and what their beliefs (**expectations**) are in that time frame, at that specific moment. Overall the candlesticks speak to traders in 'candle language' and are the basis for the continuous collective thought processes and trading decisions that determine the directional bias of the market.

It is important to note that attempting to define the accuracy of candle names or patterns without considering the trend, support and resistance is useless. There are over 50 Candlestick patterns both bullish and bearish. Some memorise all of the names but in reality this is not necessary, each candle produces new thoughts. When observing charts, it is important to ask yourself questions that may backup any current viewpoint. For example; Once the current candle has completed form, what does it communicate? Does it confirm or contradict the prior candles message? Did that candle break and/or close beyond a prior high or low? After each candle forms, ask yourself: ***'Is this confirmation of my directional bias, has it weakened it or did it negate it completely.'***

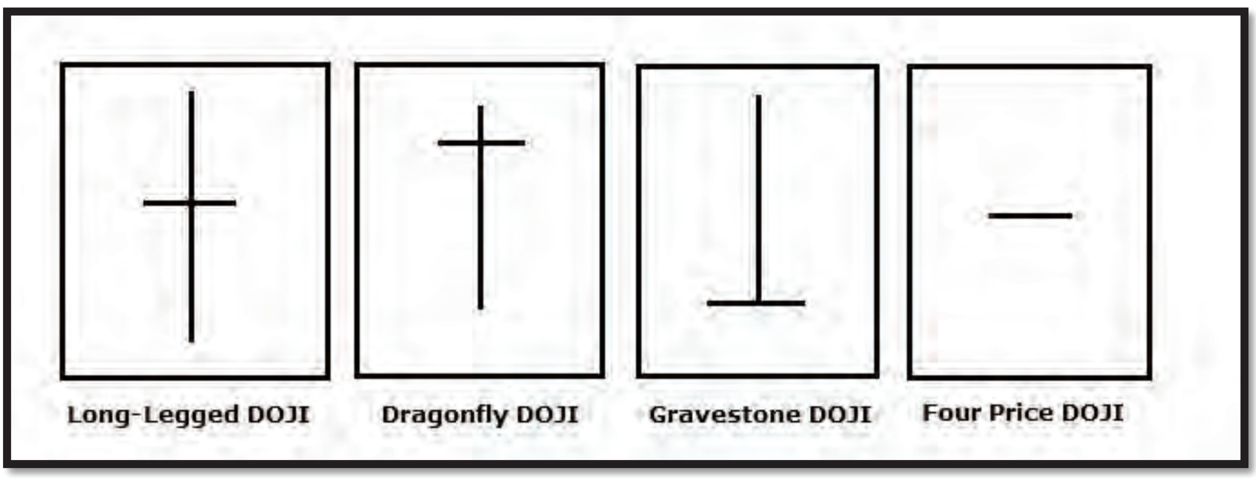
Various forms of the 'DOJI':

Doji candlesticks have the same **open and closing price or at least their bodies are extremely short**. A Doji should have a small body that appears as a thin line.

Doji candles **suggest indecision** or a **struggle for turf positioning between buyers and sellers**. Prices move **above and below** the open price during the timeframe session but **close at or very near to the open price**. Neither buyers or sellers were able to gain control with a result that is essentially a draw between the bulls and the bears.

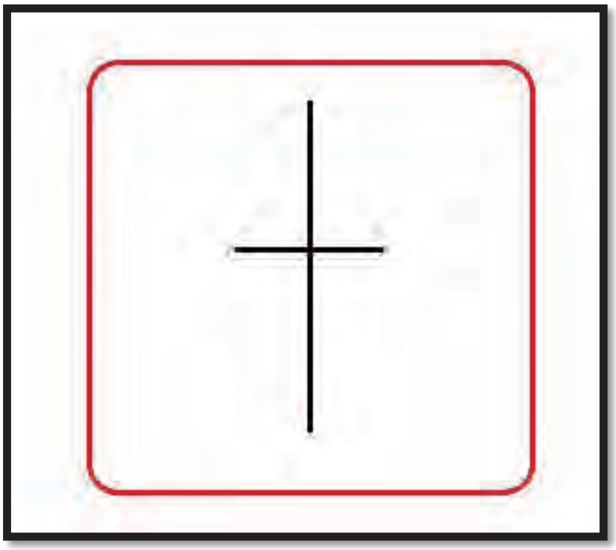
There are **four special types** of Doji candlesticks. The length of the upper and lower shadows can vary and the resulting candlestick gives a formation similar to a cross, inverted cross or plus sign. The word 'Doji' refers to both the singular and plural form. When a Doji forms on your chart, ensure special attention is given to the **preceding candlesticks**.

Doji candlestick pattern is one of the most important candlestick patterns. Representing the **equilibrium between supply and demand in the markets**, it is a clear trend reversal signal. Communicating the prices open and close at or near the same level, candlestick Doji indicates **indecision of investors**. It is therefore very important to recognize Doji. If the Doji makes appearance **after a long uptrend**, it is a warning to investors that the trend is either close to peaking, or has already peaked in the open markets. But if it is visible after a long downtrend, it means that the prices have been forced down.



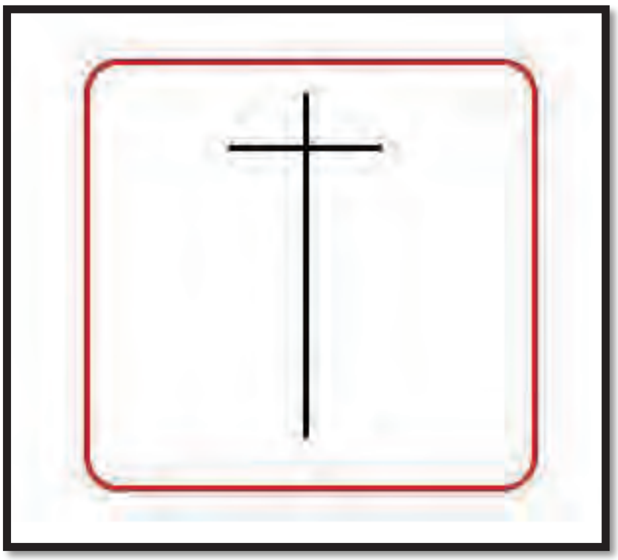
Long-legged Doji:

This Doji candlestick pattern has a **long upper and lower shadow**, which is almost **equal in length**. It is important for the trader to observe the candle's close in relation to the midpoint. A close below the midpoint of the candle indicates weakness. Long-legged Doji pattern indicates that **prices traded well above and below the session's opening level**, but the end result shows little change from the open.



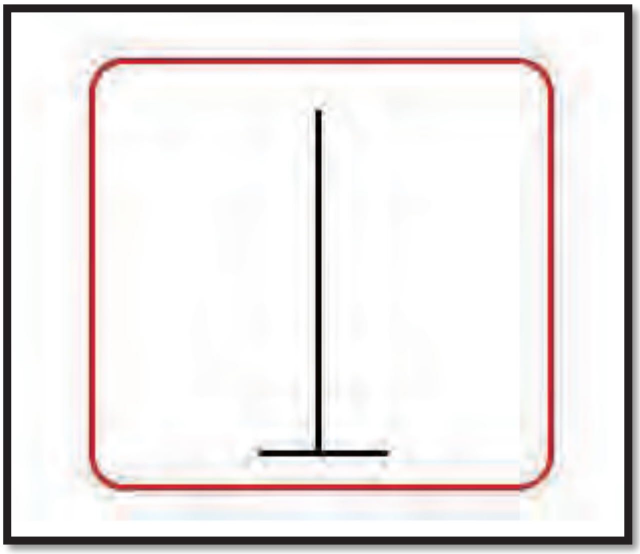
Dragonfly Doji:

This type of Doji pattern forms when the **open, high, and close are equal,** and the low creates a **long lower shadow**. Dragonfly Doji indicates that sellers moved the prices lower during the session, but by the end of the session the buyers **pushed the prices back to the opening level** and the session high. Looking like a "T" with a long lower shadow and no upper shadow, it is important to understand the Dragonfly Doji pattern.



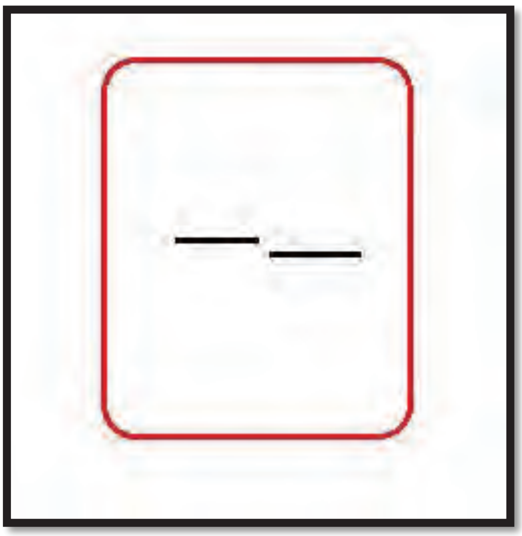
Gravestone Doji:

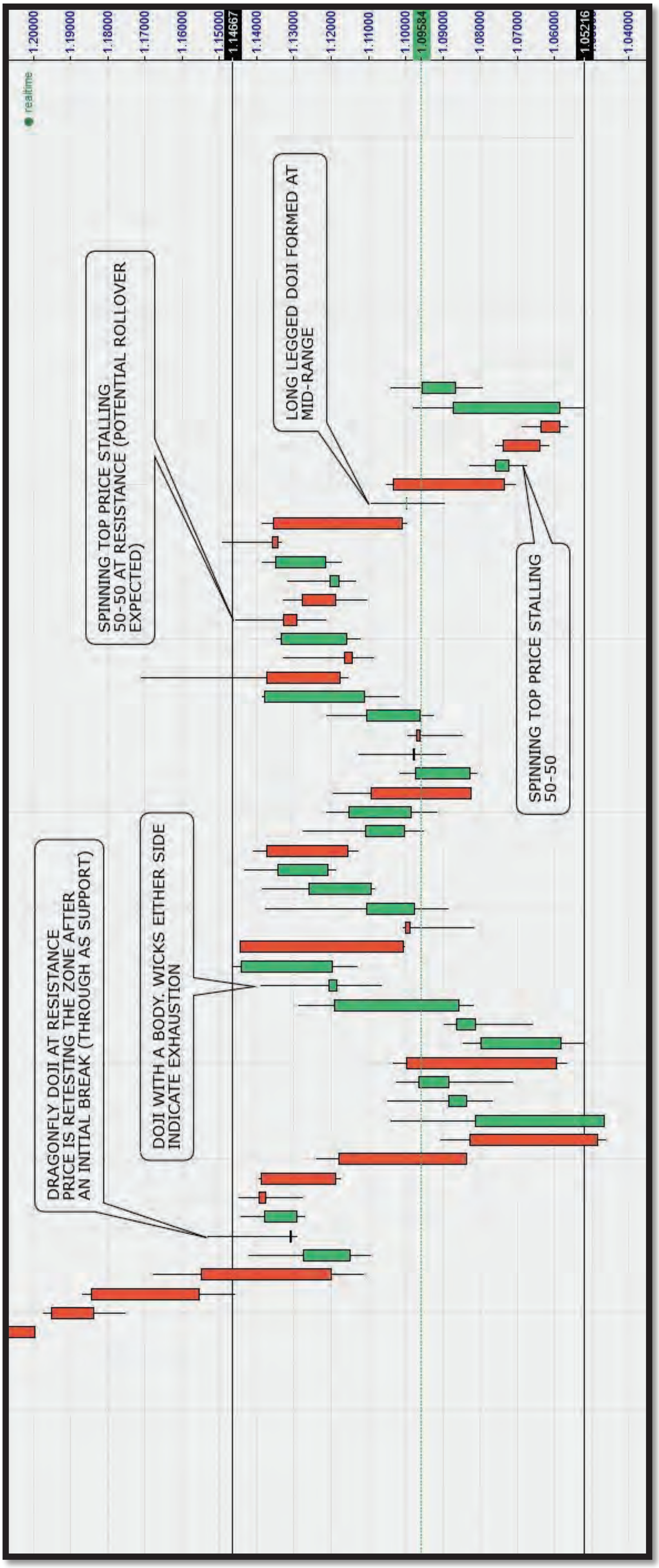
This candlestick Doji is a **similar opposite of the dragonfly**, forming an up-side down "T." Having a **long upper shadow and no lower shadow**, it forms when the open, low and close are equal in Gravestone Doji. The high is what creates the long upper shadow. This Gravestone Doji candlestick pattern shows that **the buyers pushed the prices higher during the session**, and by the end of the session, the **sellers moved the prices back down to the opening level**.



Four Price Doji:

Four Price Doji formation identified when the **length of the candlestick body is equal to or not or very short**, there is no upper shadow (**if available then its size is very short**) and there is no lower shadow (if available then its size is very short). Although Doji patterns like this are rare enough, but this pattern clearly reflects the **total hesitancy condition and uncertainty** that is happening in the market that gives rise to the potential for the direction of trend reversal, normally found on low timeframes.





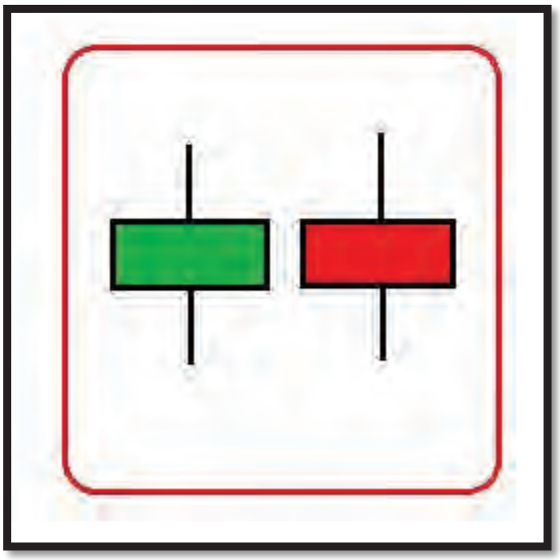
DRAGONFLY DOJI AT RESISTANCE PRICE IS RETESTING THE ZONE AFTER AN INITIAL BREAK (THROUGH AS SUPPORT)
DOJI WITH A BODY. WICKS EITHER SIDE INDICATE EXHAUSTION
SPINNING TOP PRICE STALLING 50-50 AT RESISTANCE (POTENTIAL ROLLOVER EXPECTED)
LONG LEGGED DOJI FORMED AT MID-RANGE
SPINNING TOP PRICE STALLING 50-50
realtime
1.20000
1.19000
1.18000
1.17000
1.16000
1.15000
1.14667
1.14000
1.13000
1.12000
1.11000
1.10000
1.09584
1.09000
1.08000
1.07000
1.06000
1.05216
1.04000

The Spinning Top:

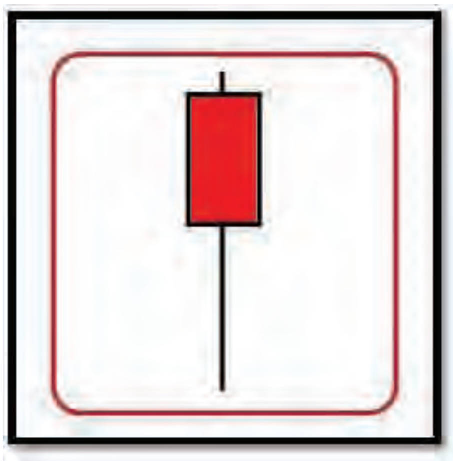
The candlestick with a long **upper shadow/wick**, long **lower shadow/wick** and small real bodies are called '**spinning tops**'. The colour of the real body is not very important as this pattern simply indicates the **indecision between the buyers and sellers, bulls and the bears**.

The small real body (**whether green or red**) shows little movement from open to close and the shadows/wicks indicate that both buyers and sellers, bulls and bears were fighting but **neither gained the upper hand**. Even though the session opened and closed with little change, **prices moved significantly higher and lower in the meantime**.

If a spinning top or even a series of spinning tops formed during an uptrend, this usually means there are **not many buyers left** and a possible reversal in direction could occur. If a spinning top or series of spinning tops formed during a downtrend, this usually means there are **not many sellers left** and a possible reversal in direction could occur.



The Hanging Man:



The Hanging man is **bearish candlestick pattern** that forms at the **end of an uptrend**. It is created when there is a **significant sell-off** near the market highs, but buyers are able to push the currency pair back up so that it closes at or near the opening price. Generally the large sell-off is seen as an early indication that the bulls (**buyers**) are losing control.

As mentioned, this formation is bearish if they occur after a significant uptrend but this pattern occurs after a significant downtrend it is called a **Hammer**. They are identified by **small red bodies** (**small range between opening and closing prices**) and a long lower shadow (**the low was significantly lower than the open, high and close**)

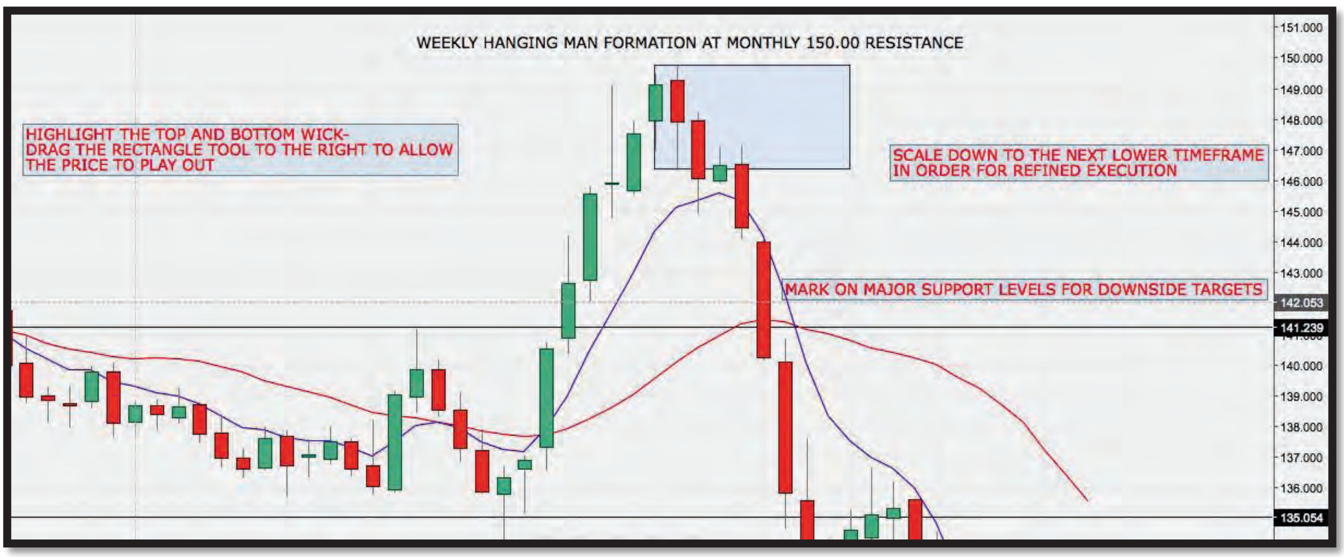
The Hanging man has **little to no higher shadow/wick** and has a **lower shadow/wick** which is at least two times as long as the body of the candle. Unlike the hammer, the **lower shadow/wick** which constructs the bottom half of the candle indicates selling pressure. An excellent price action trade setup is when the formation is established at a point of **resistance**.

Step 1 is simply highlighting the hanging man candlestick formation with the rectangle tool ensuring the highest degree of accuracy at the top wick and bottom wick, extending the box over to the right hand side (allowing price to play out). This becomes the setup chart and you will then have to step down to the next timeframe and follow the execution rules. Below is a weekly hanging man so we then step to the daily (next page).

WEEKLY > DAILY.

DAILY > H4.

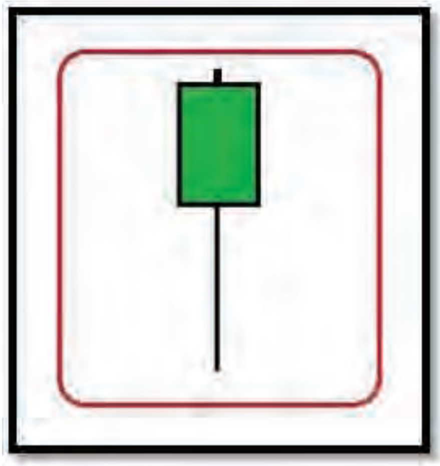
H4 > H2



Once the candlestick has been highlighted we then step down to the adequate timeframe (listed on the previous page). In this example the hanging man was spotted on the weekly chart so we then step down to the Daily timeframe in order to follow the execution rules (as displayed below) We now have a refined viewpoint of the price action and rather than entering a 50-50 sell trade right after the hanging man has formed, we can simply wait for the M.A crossover and a clear candlestick break below the range. In doing this we have simply awaited a clear sign of a reversal in momentum, the resistance has held firm and the trend is reversing to the downside.

The Hammer (also known as a Pin bar):

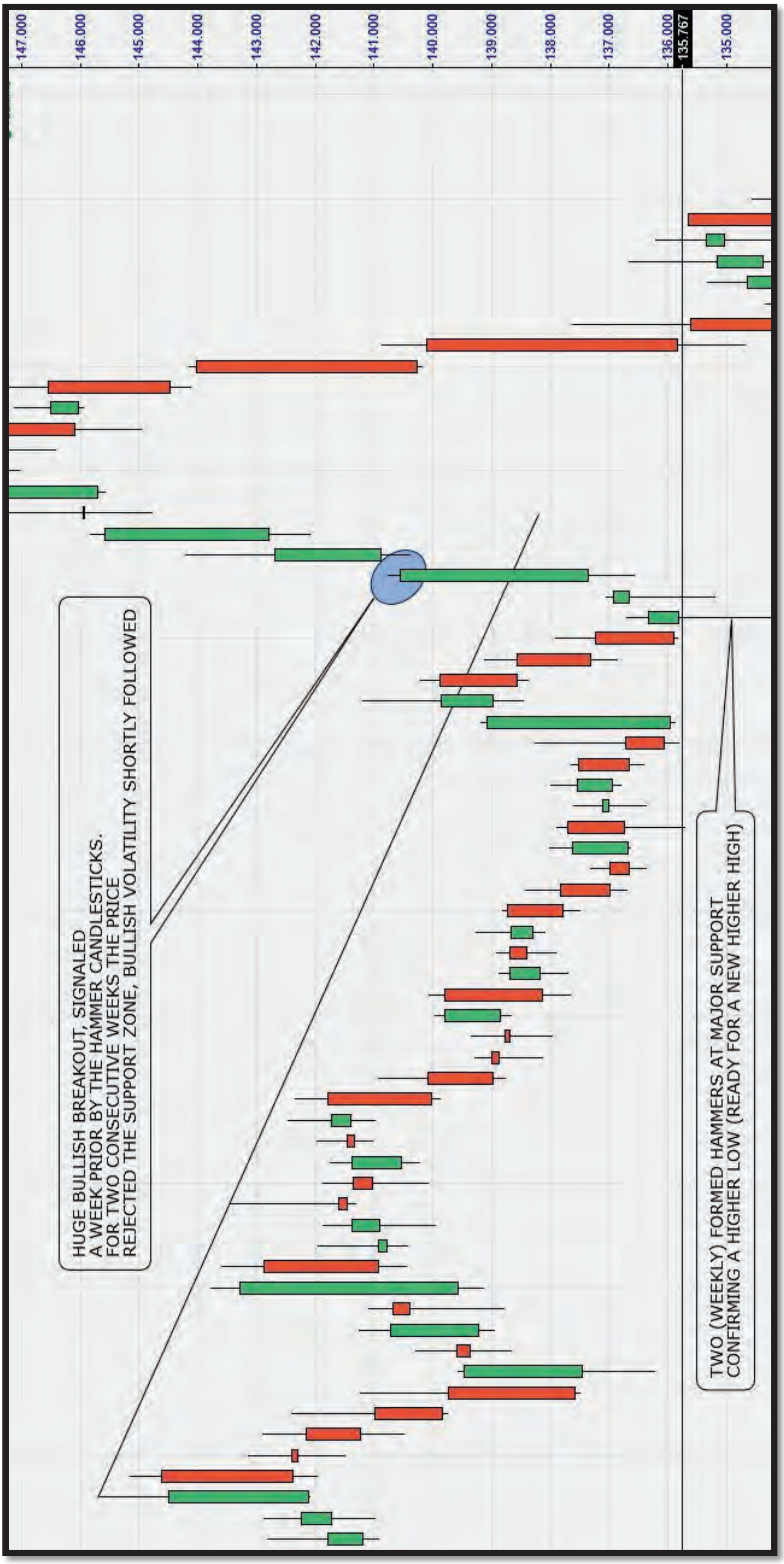
The **Hammer and Hanging man look exactly alike** but have totally different meanings depending on past price action. Both have cute little bodies (**green or red**), **long lower shadows/wicks** and **short or absent upper shadows/wicks.**



The Hammer is basically a **bullish reversal pattern** that forms at the end of a downtrend. It is named a Hammer because the market is '**hammering**' out a bottom. When price is falling, a hammer signals that the **bottom is near** and price will start to rise again. The **long lower shadow/wick** indicates that sellers **pushed the price lower but buyers were still able to overcome this selling pressure and closed relatively near the open price**.

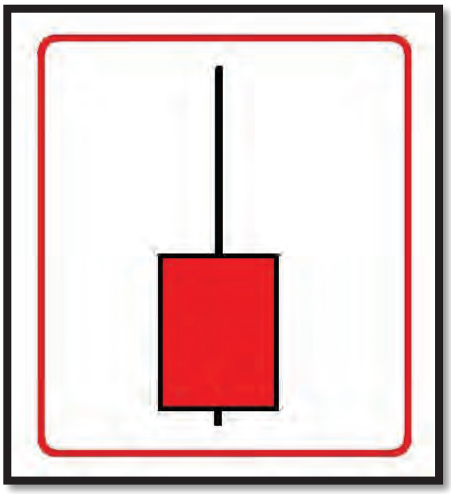
As a word of caution, when you see a hammer it does not necessarily mean that that you should go and place a buy order. One will need more bullish confirmation to do so. Use the hammer signal as a warning, a potential upside reversal.

How to recognize a Hammer, the Japanese candlestick reversal pattern? It is fairly easy. The long shadow is **about two or three times of the real body**. There is **little or no upper shadow**. The real body is at the upper end of the trading range and the colour of the real body is not too important but a **green hammer** gives stronger confirmation.


HUGE BULLISH BREAKOUT, SIGNALED
A WEEK PRIOR BY THE HAMMER CANDLESTICKS.
FOR TWO CONSECUTIVE WEEKS THE PRICE
REJECTED THE SUPPORT ZONE, BULLISH VOLATILITY SHORTLY FOLLOWED
TWO (WEEKLY) FORMED HAMMERS AT MAJOR SUPPORT
CONFIRMING A HIGHER LOW (READY FOR A NEW HIGHER HIGH)
147.000
146.000
145.000
144.000
143.000
142.000
141.000
140.000
139.000
138.000
137.000
136.000
135.767
135.000

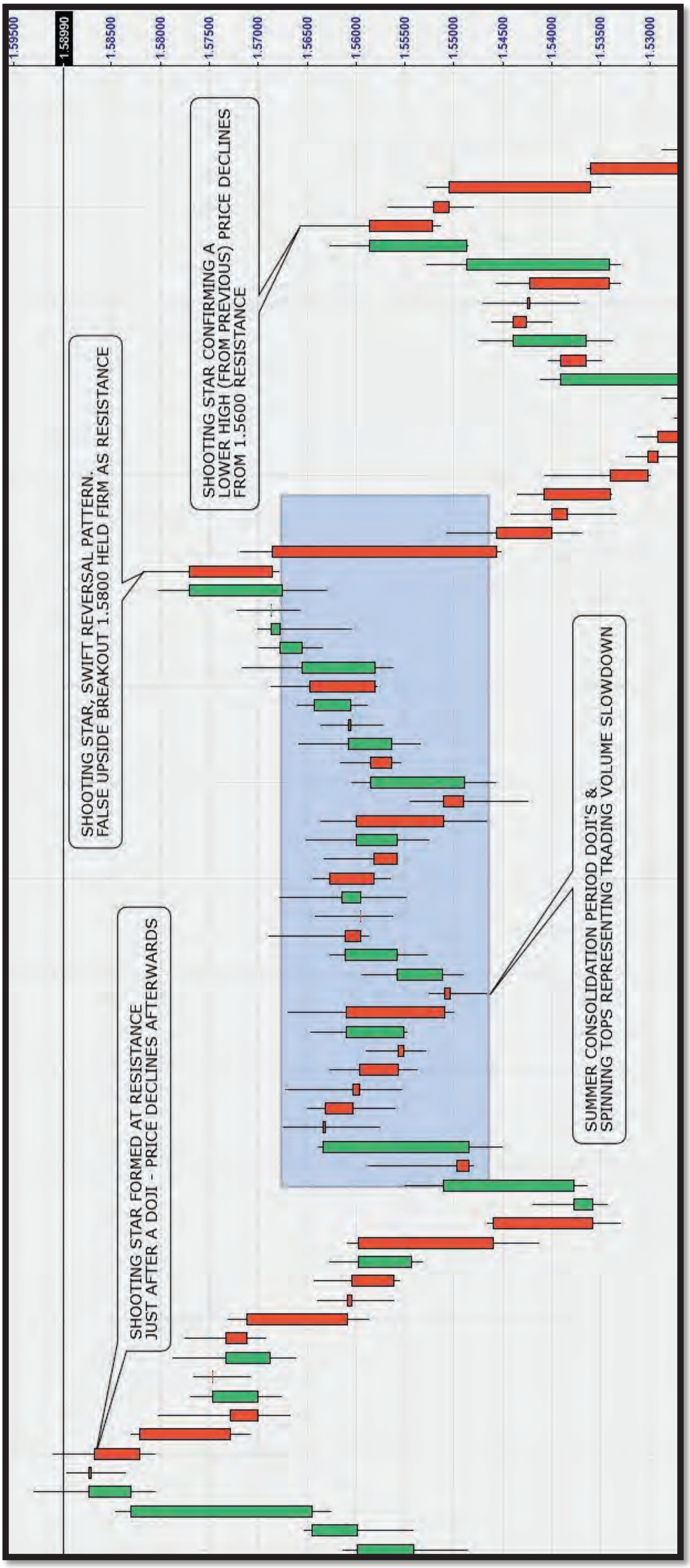
The shooting Star:

The Shooting formation is created when the **open, low, and close are roughly the same price**. Also, there is a **long upper shadow/wick**, generally defined as at **least twice the length of the real body**. When the **low and the close are the same**, a bearish Shooting Star candlestick is formed and it is considered a stronger formation because the **bears were able to reject the bulls** completely plus the bears were able to push prices even more by closing below the opening price.



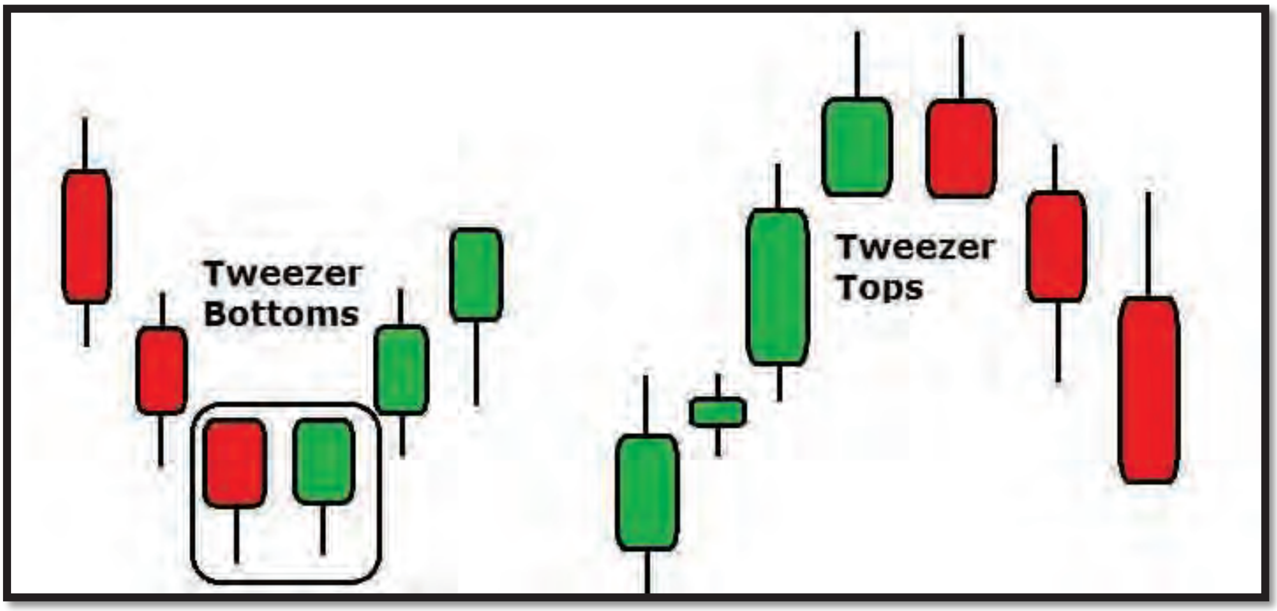
The long upper shadow of the Shooting Star implies that the market tested to find where **resistance and supply was located**. When the market found the area of resistance or the highs of the day, bears began to push prices lower, closing the candle near the opening price. Thus, the **bullish advance upward was rejected by the bears.**

Ultimately, a Shooting Star candle indicates that the prior uptrend is **about to end and may reverse into a downtrend** or move sideways and into a period of consolidation. This formation is an excellent trade signal upon the **high test of a resistance level by the shadow/wick**. You can execute a sell trade upon the close of the candle with a stop loss **10 PIPs above** the area of resistance as displayed on the following page.


1.59500
1.58990
1.58500
1.58000
1.57500
1.57000
1.56500
1.56000
1.55500
1.55000
1.54500
1.54000
1.53500
1.53000
SHOOTING STAR CONFIRMING A LOWER HIGH (FROM PREVIOUS) PRICE DECLINES FROM 1.5600 RESISTANCE
SHOOTING STAR, SWIFT REVERSAL PATTERN. FALSE UPSIDE BREAKOUT 1.5800 HELD FIRM AS RESISTANCE
SHOOTING STAR FORMED AT RESISTANCE JUST AFTER A DOJI - PRICE DECLINES AFTERWARDS
SUMMER CONSOLIDATION PERIOD DOJI'S & SPINNING TOPS REPRESENTING TRADING VOLUME SLOWDOWN

Tweezer Tops and Tweezer Bottoms:

The tweezers are dual candlesticks reversal patterns. This type of candlestick pattern could usually be spotted after an extended uptrend or downtrend, indicating a reversal is soon to occur. Notice how the formation looks just like a pair of tweezers.



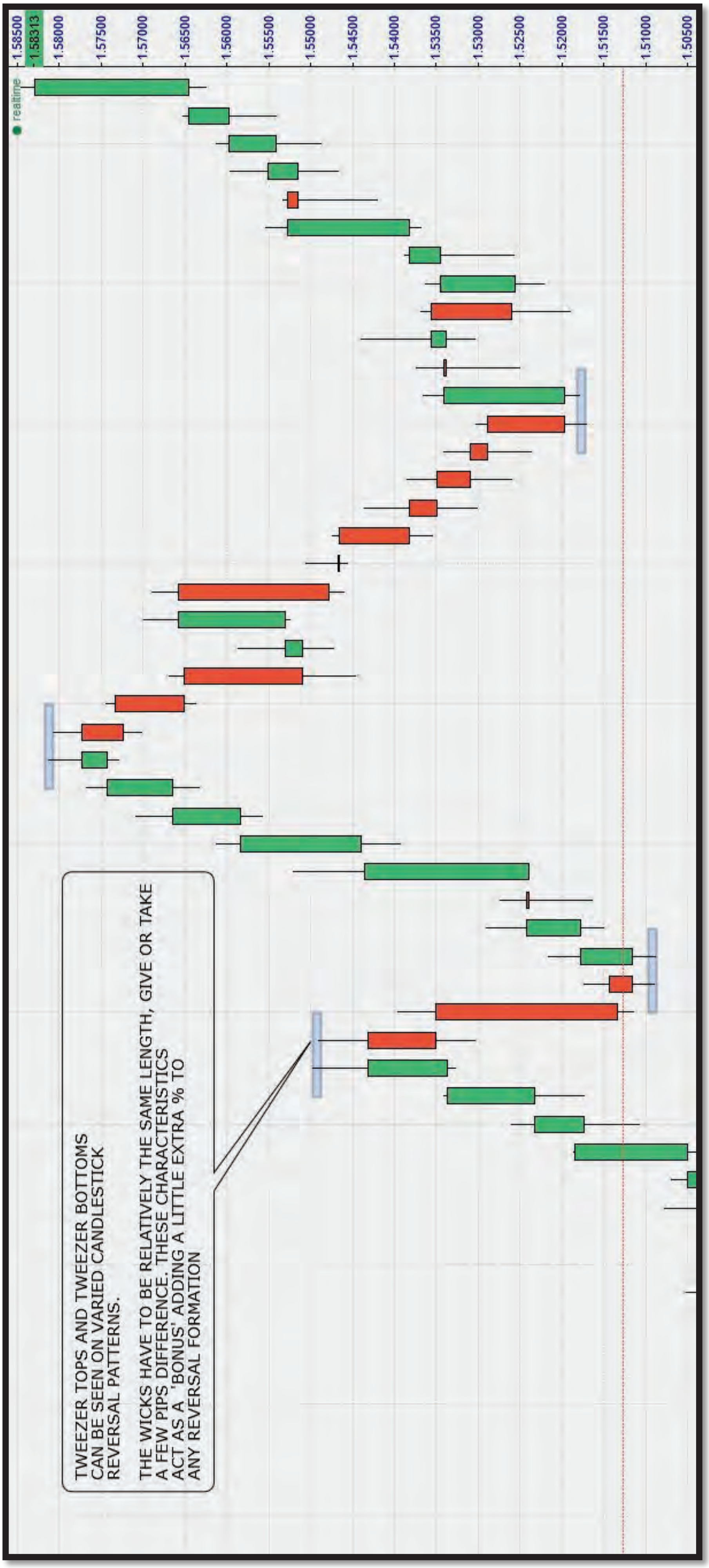
The most effective tweezers have the following characteristics:

-The first Tweezer candle is the same as the overall trend, if price is moving up, then the first candle should be **bullish/green** (**as displayed in the above left image**)

-The second candle is the opposite of the prevailing trend. If price has been moving up, then the second Tweezer candle should be **bearish/red**. (**as displayed in the above right image**)

-The **shadows/wicks** of the candles should be of **equal length**. Tweezer tops should have the same highs (**roughly**) whilst Tweezer bottoms should have the same lows.

Tweezer tops/bottoms are high probability price action reversal patterns that can be found on a range of timeframes. This setup is as powerful as the shooting star as it gives a clear indication that the **price tried to reach higher on two occasions but was rejected**, forming a clear point of resistance. These are best when traded from a point of previous resistance with a stop loss placed **10 PIPs** above/below the **shadow/wick** highs or lows.

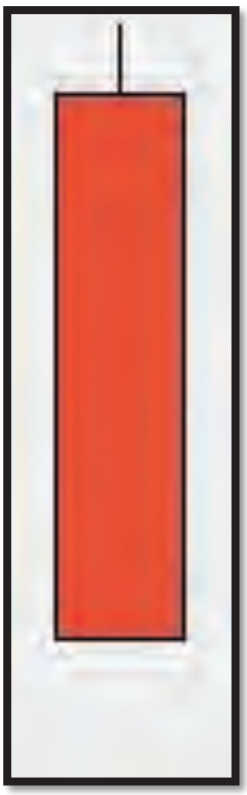

TWEEZER TOPS AND TWEEZER BOTTOMS CAN BE SEEN ON VARIED CANDLESTICK REVERSAL PATTERNS.
THE WICKS HAVE TO BE RELATIVELY THE SAME LENGTH, GIVE OR TAKE A FEW PIPS DIFFERENCE. THESE CHARACTERISTICS ACT AS A 'BONUS' ADDING A LITTLE EXTRA % TO ANY REVERSAL FORMATION
realtime
1.58500
1.58313
1.58000
1.57500
1.57000
1.56500
1.56000
1.55500
1.55000
1.54500
1.54000
1.53500
1.53000
1.52500
1.52000
1.51500
1.51000
1.50500

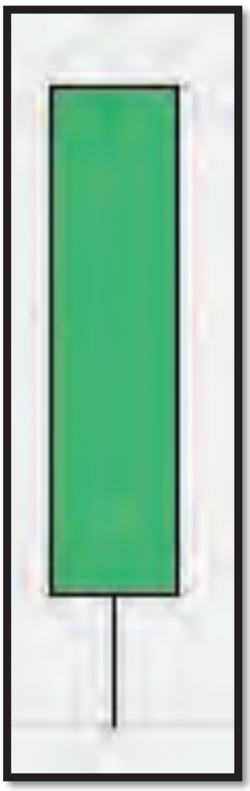
The Marubozu:

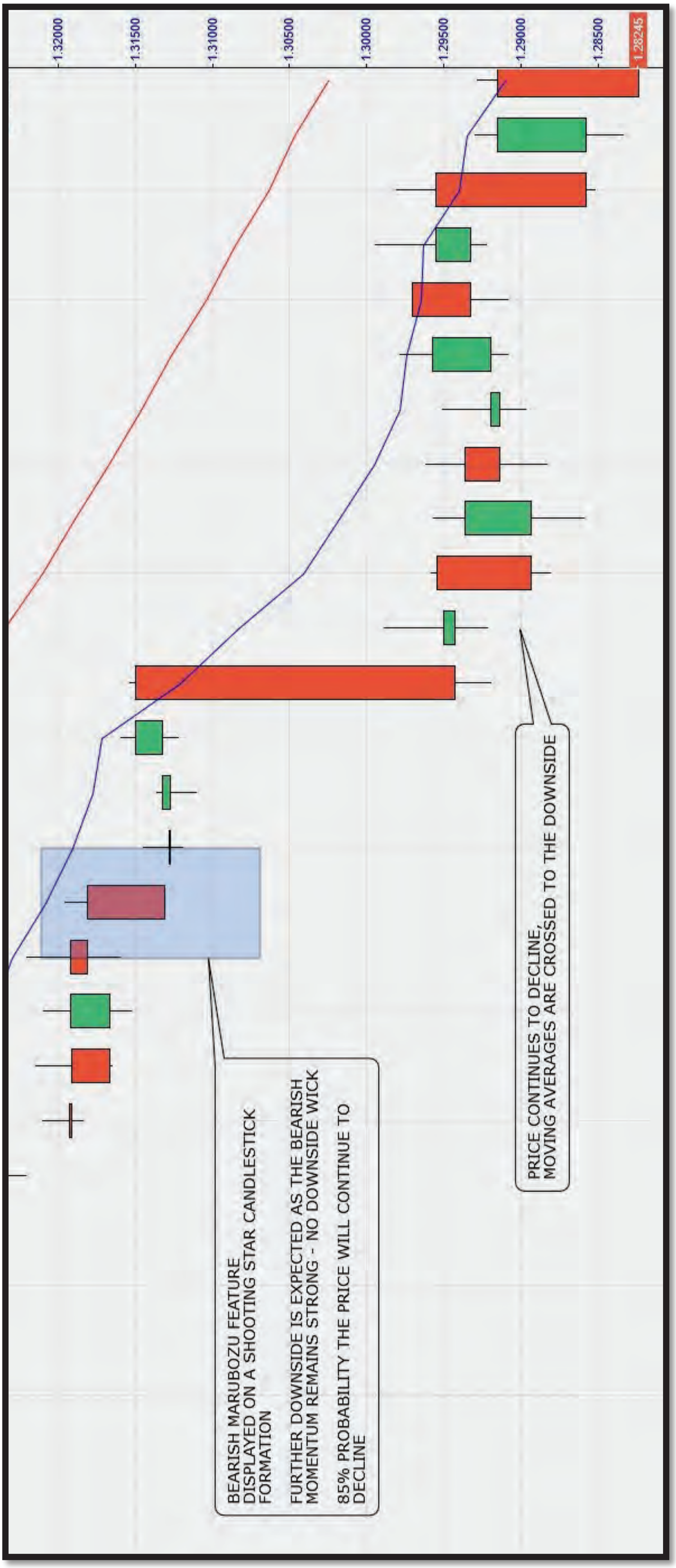
The Marubozu candles have **no shadows/wicks** attached to the closing price of their bodies. Depending on whether the candlesticks body is **green or red** (**bullish or bearish**), the **high/ low** is in fact the same as its **open and close price**.

The **green/bullish** Marubozu consists of a **long green body** with no **shadows/wicks** at the closing price (TOP). It is seen as a very **bullish candle** as it indicates that buyers were in control for the length of the candlesticks timeframe. It usually becomes the **first part** of a **bullish continuation** move or a bullish reversal pattern.

The **red/bearish** Marubozu on the other hand consist of a **long red body** with no **shadows/wicks** at the closing price (BOTTOM). This is a very **bearish candle** as it indicates that **sellers dominated price action** throughout the whole candles timeframe, usually implies **bearish continuation or bearish reversal**. The larger the timeframe, the stronger the bullish/bearish Marubozu move. The recommended timeframes are the weekly & daily as these give a strong indication that further momentum is expected in the specific direction in which the Marubozu candle is formed.

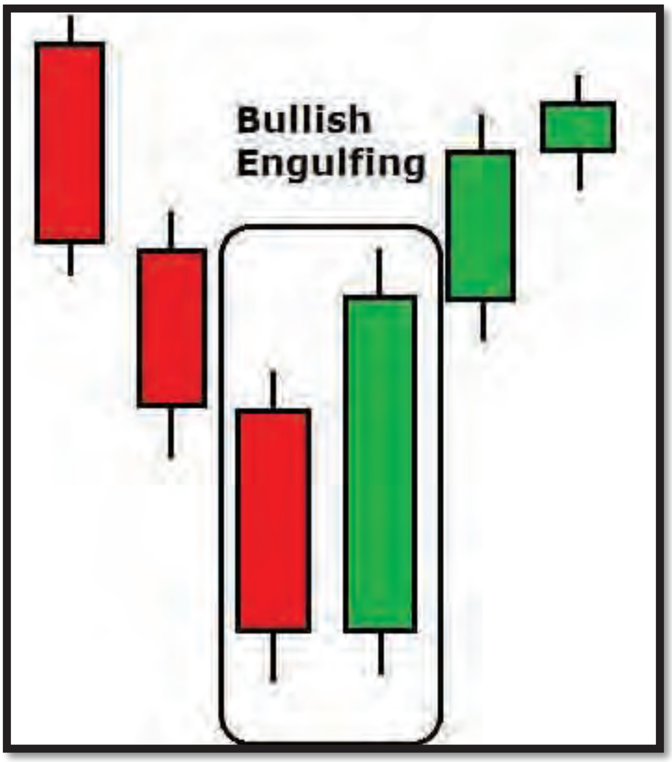




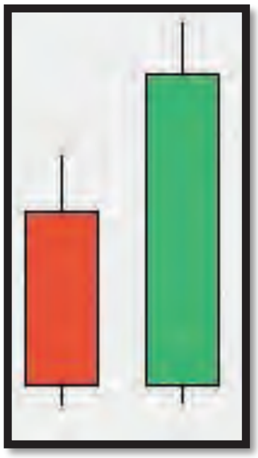

1.32000
1.31500
1.31000
1.30500
1.30000
1.29500
1.29000
1.28500
1.28245
BEARISH MARUBOZU FEATURE DISPLAYED ON A SHOOTING STAR CANDLESTICK FORMATION
FURTHER DOWNSIDE IS EXPECTED AS THE BEARISH MOMENTUM REMAINS STRONG - NO DOWNSIDE WICK
85% PROBABILITY THE PRICE WILL CONTINUE TO DECLINE
PRICE CONTINUES TO DECLINE, MOVING AVERAGES ARE CROSSED TO THE DOWNSIDE

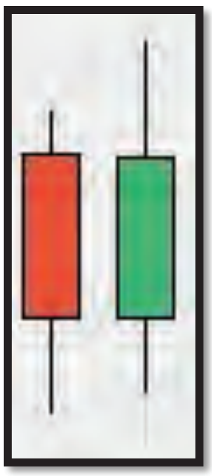
Bullish Engulfing Formation:

A **Bullish Engulfing pattern** usually occurs at the **bottom of a downtrend or consolidation range at levels of support**. It forms when a **small red candlestick** is followed by a **large green candlestick** that completely '**engulfs**' the body of the **previous candlestick**.



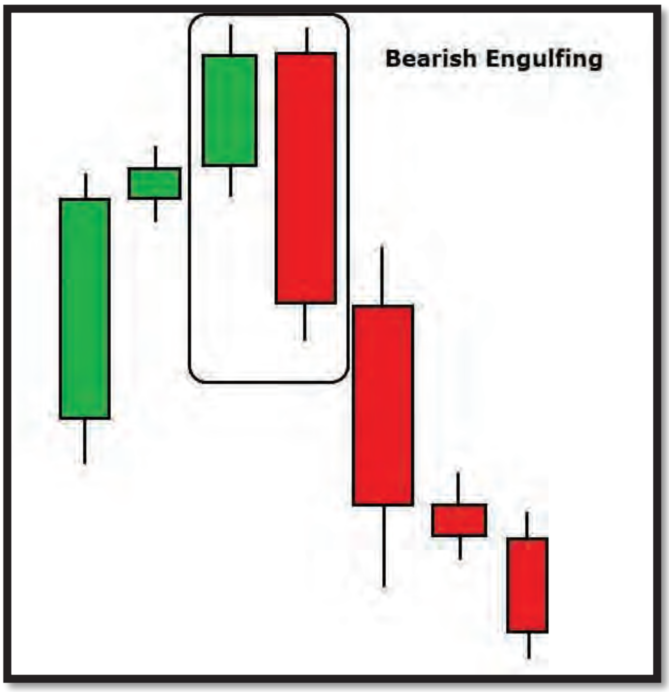
The **Bullish Engulfing pattern** indicates a change in sentiment from a **bearish decline, to a large green body candle that advances and closes at the highs of the previous candle**. Buyers step in after the open and take control of the market. Generally, **the greater the engulfing, the more bullish the reversal**. Large volume during the period in which the green candle forms, is an important confirmation of the short-term reversal.



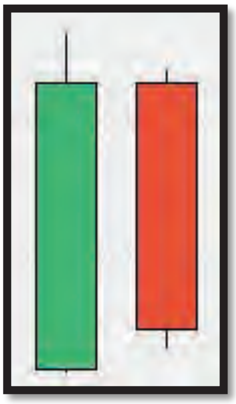


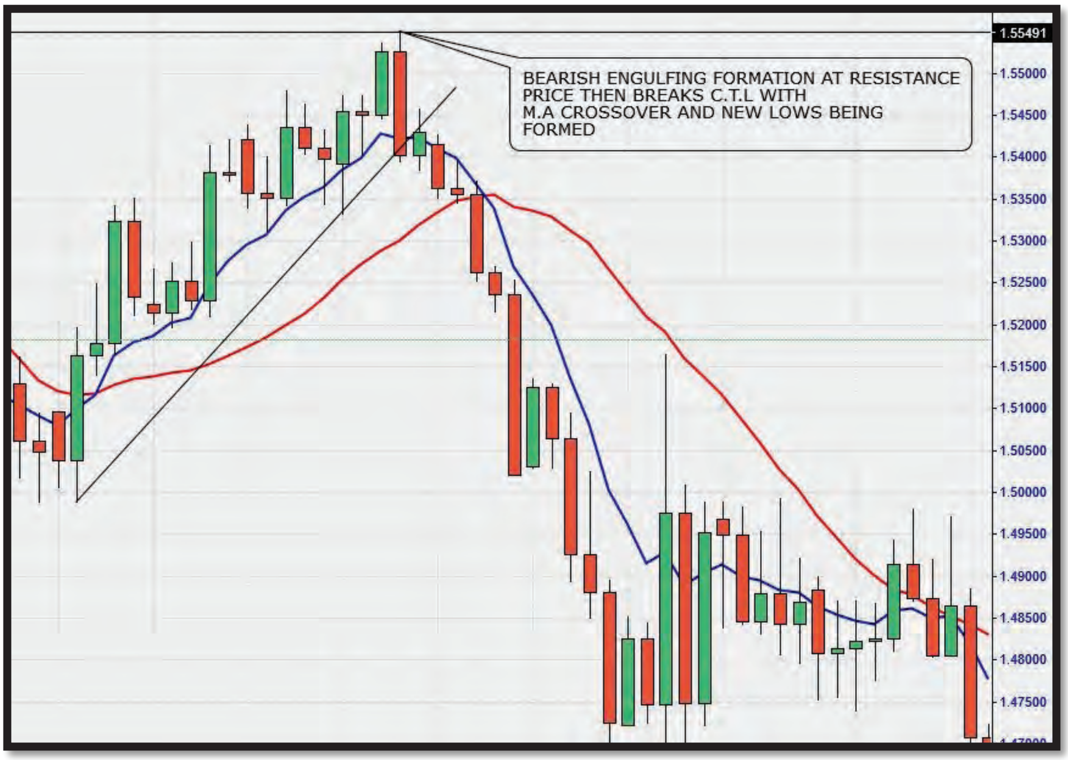
Bearish Engulfing formation:

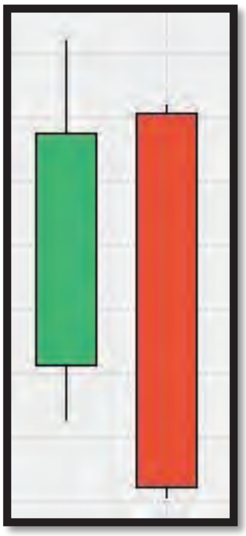
A **Bearish Engulfing pattern** usually occurs at the **top of a downtrend or consolidation range at levels of resistance**. It forms when a small black candlestick is followed by a large white candlestick that completely "engulfs" the body of the previous day's candlestick.



The **Bearish Engulfing pattern** indicates a change in sentiment from a **bullish advancement, to a large red body candle that closes at the lows of the previous candle**. Sellers take control after the open and dominate price action. Generally, **the greater the engulfing, the more bearish the reversal**. Large volume during the period in which the red candle forms, is an important confirmation of the short-term reversal.



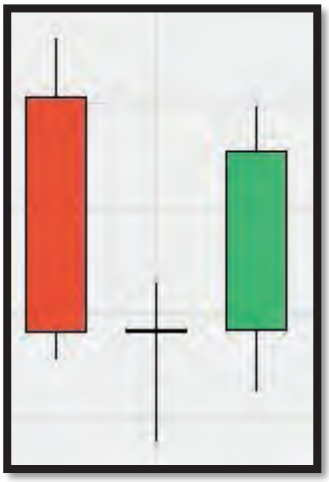


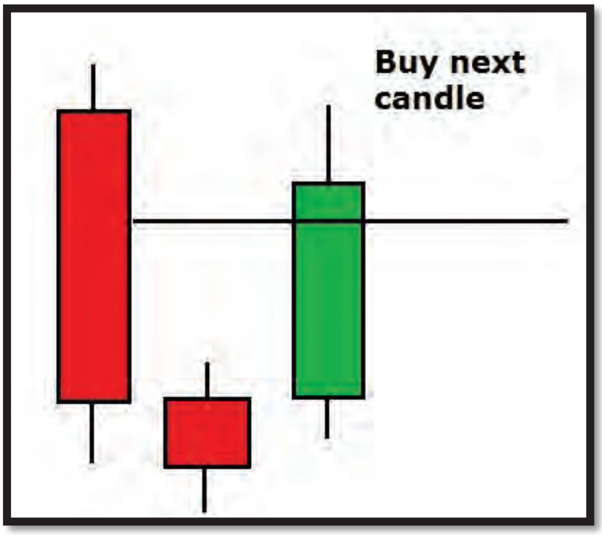


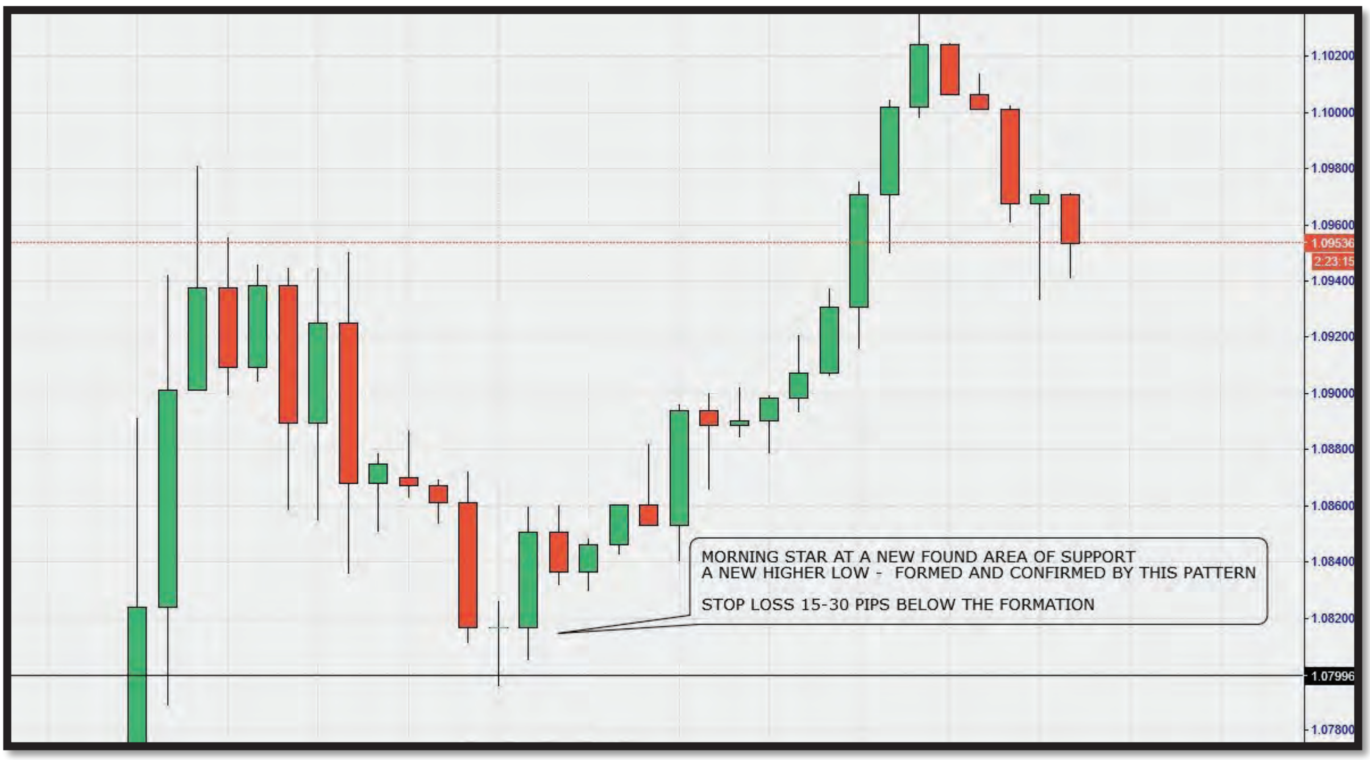
The Morning Star formation:

The **morning star formation** is one that consists of **three candlesticks**. For the following examples, we will be referring to **daily candles** for ease of understanding.

The **Morning Star** starts with a **Bearish/red** candlestick which represents **selling acceleration**. The next candlestick can either be a **Spinning Top, a Doji or a Hammer/ Pin bar**. This second candlestick represents **indecision and a sudden halt to the downside acceleration**. The third and final candlestick in this formation is a **bullish/green candlestick** that must close within the **upper 40% of the first bearish/red** candlesticks range. Upon this **bullish confirmation**, a **buy trade** can be executed upon the opening of the next candlestick.



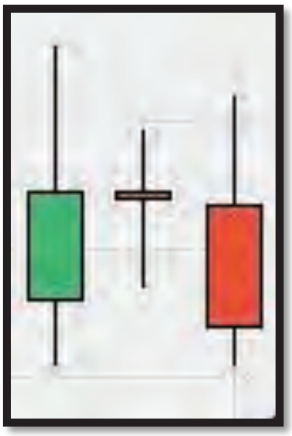


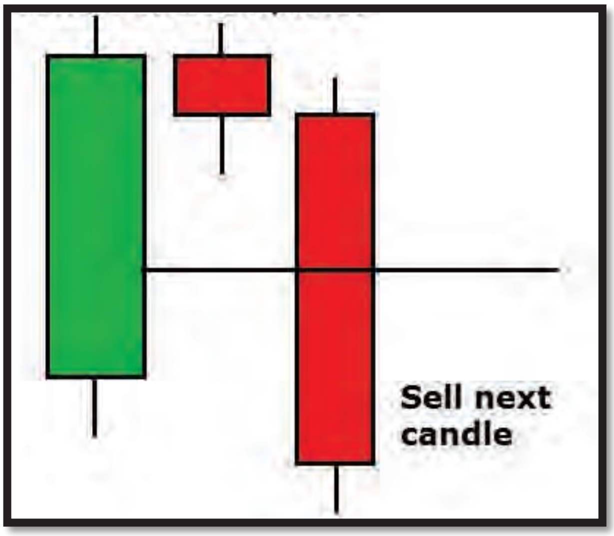


The Evening star formation:

The **Evening star formation** again consists of three candlesticks. For the following examples, we will be referring to **daily candles** for ease of understanding.

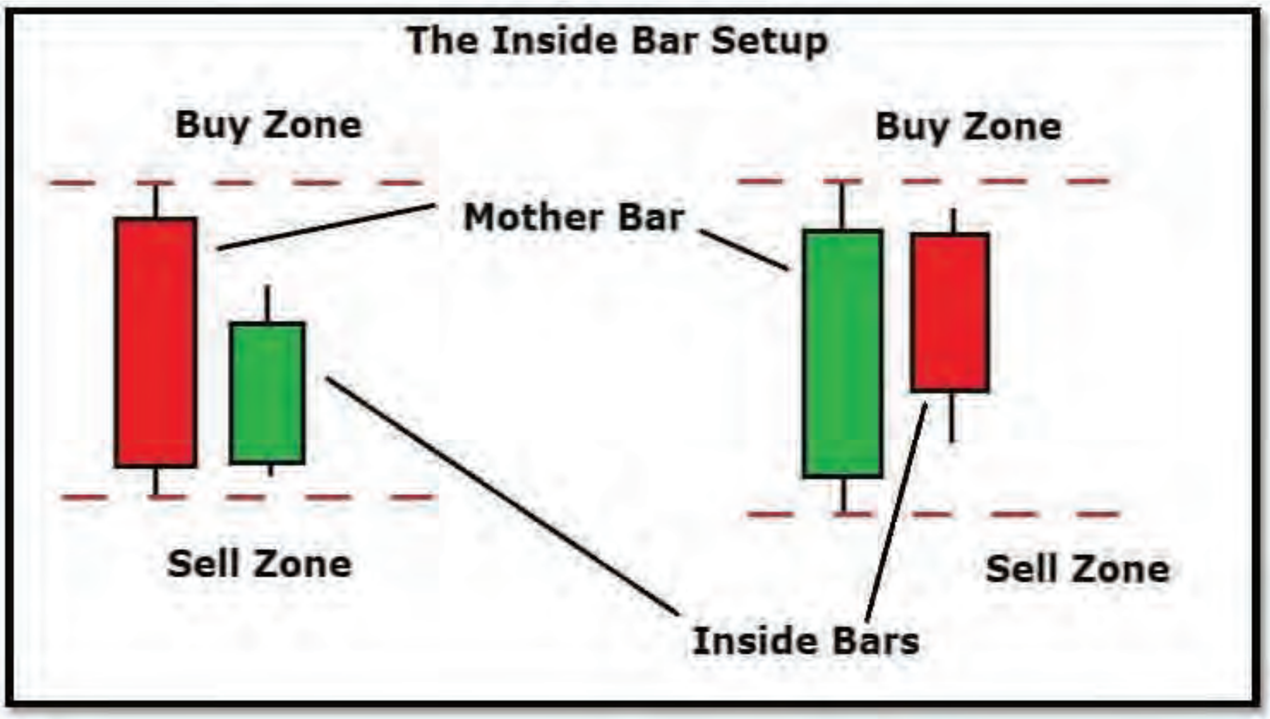
The **Evening Star** starts with a **bullish/green** candlestick which represents **buying advancements**. The next candlestick can either be a **Shooting Star, a Doji or a Spinning Top**. This second candlestick represents **indecision and a sudden halt to the upside advancements**. The third and final candlestick in this formation is a **bearish/red candlestick** that must close within the **lower 40% of the first bullish/red** candlesticks range. Upon this **bearish confirmation**, a **sell trade** can be executed upon the opening of the next candlestick.





The Inside Bar Formation:

The Inside Bar formation **consists of two candles**, the **second bar** is completely contained within the range of the first bar (**also known as the mother bar**). The formation is a high-probability price action trading strategy that provides traders with a good risk reward ratio since they typically require smaller stop losses than many other setups.



An Inside bar formation indicates a time of **indecision or consolidation**. Inside bars typically occur as a market consolidates after making a large directional move, they can also occur at turning points in a market and at key decision points like major **support and resistance levels**.

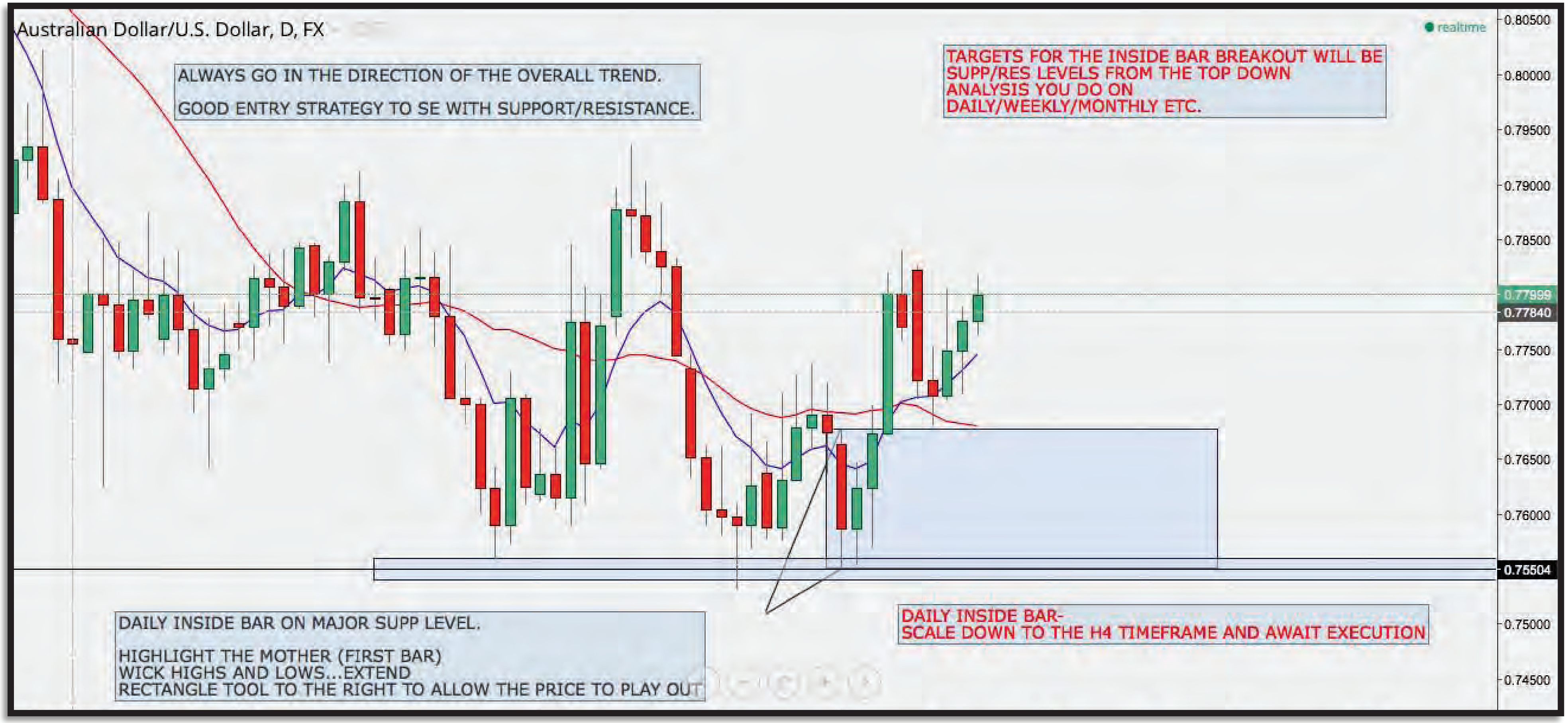
The most effective way to trade the Inside Bar setup is to establish the **high and low of the first mother candle**. The market is likely to break the **high or low and continue in the same direction** so the most effective way to trade this price action pattern is to set a **buy stop order 5 PIPs above the mother candles shadow/wick high** and a **sell stop 5 PIPs below the mother candles shadow/wick low**.

The stop loss should be placed at the opposite end of the mother candle. **15 PIPs above**. When the price eventually breaks out, you will be in the trade. You can then cancel the other stop order to prevent it being absorbed if the market reverses. Set your target levels inline with previous **support/resistance** levels.

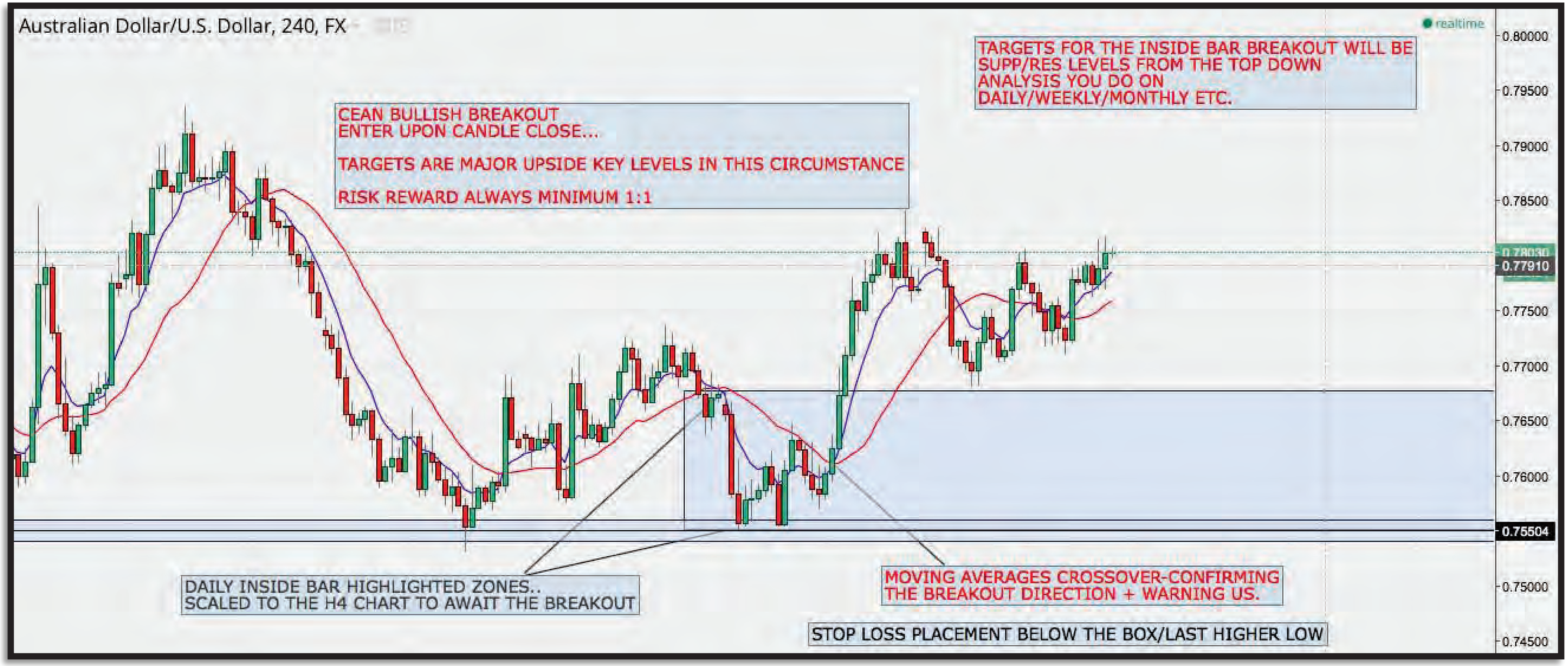
The first step when recognising an inside bar formation is to draw a highlighted box range from the top and bottom wick of the first candle (Mother Bar) as accurately as possible. These formations are brilliant to trade at key levels of support/resistance in order to catch the reversal. Once you have highlighted the formation with the rectangle tool you then step down to the lower timeframe and follow the execution rules. The best inside bar formations are found on the Daily timeframe:

Weekly > Daily **Daily > H4** **H4 > H2**

The example below is a daily timeframe inside bar, so we now step down to the H4 chart (next page)



Below is the H4 execution chart, stepped down from the Daily inside bar formation. As displayed, we now have a refined viewpoint of the currency pairs price action. The first step is to await the moving average crossover in the direction of the reversal/trend direction. Step 2 is to await a clean breakout & candle close above the box range (in the case of this particular example). You then execute the trade position with the target at the next key level with the stop loss placed 15 PIPS below the opposite end of the rectangle box.



Wrapping up Price Action Candlesticks:

As mentioned in the candlestick patterns introduction, there are many more formations other than the ones highlighted in this section. We have condensed the most useful and the ones which hold the highest probability as a trade setup for you to utilise in the most effective way when trading the market.

Remember that these candlestick formations are even more effective when combined with the other technical phases. You will have to use your initiative when combining them with chart patterns, Fibonacci, support and resistance etc. and your success will be measured upon your chart time practice (especially logging what you see in the market, saving the before and after shots of your possible trade entries and so forth). It is also important to note that candlestick formations play an important role in knowing when to exit a trade also.

Learn, learn and learn! With repetition and dedication it will get easier over time as you progress and memorise the candlestick patterns.

1. Various forms of the 'DOJI'

2. The Spinning Top

3. The Hanging Man formation

4. The Hammer (also known as a Pin bar)

5. The shooting Star

6. Tweezer Tops and Tweezer Bottoms

7. The Marubozu

8. Bullish & Bearish Engulfing Formations

9. The Morning Star and evening star formations

10. The Inside Bar Formation

PROGRESS NOTES

PROGRESS NOTES

Phase 7: Technical Charting Patterns

Price action moves through phases and no movement in the market is ever random. The following patterns are the most frequently spotted on the charts, we will be going through how to interpret them and combine their specified rules alongside other aspect of technical analysis.

The Head and Shoulders Pattern:

This standard head and shoulder pattern that is displayed on the previous page is a price action signal indication that a currency pair is **set to fall** upon pattern completion and is usually formed at the **peak of an upward trend**. There is also a **second version** which is known as the **head and shoulders bottom or inverse head and shoulders**. The inverse head and shoulders pattern is simply the opposite and signals that a currency pair is set to rise and usually forms at the base of a downtrend. In either case, the head and shoulders indicates an **upcoming reversal**, ultimately meaning the currency pair is likely to move against the prevailing trend.

The Neckline:

Both of the head and shoulder patterns have a similar construction in that there are **four main aspects** which construct the **head and shoulder pattern**: **two shoulders, a head and a neckline.** The pattern is a confirmed trade setup upon the break of the neckline/trend-line (**a level of support/resistance**), after the formation of the second shoulder. For example; An upward trend is seen as a period of successive rising peaks and dips (retracements) whilst the downward trend is seen as a period of successive falling peaks and pullbacks. The head and shoulders pattern illustrates a weakening in a trend where there is deterioration in the peaks and retracements.

Head and shoulders top:

-This pattern has **four main sequential** steps for it to complete itself and signal the reversal.

-The formation of the **left shoulder** is formed when the currency pair reaches a **new high and then retraces slightly to a new low**;

-The formation of the **head occurs** when the currency pair reaches a **higher high** then **falls back near the low** that was formed as part of the **left shoulder**;

-The formation of the **right shoulder** is formed with a high that is **slightly lower than the high formed in the head** but is again followed by a **fall back to the lows of the left shoulder**;

-The price then **breaks the neckline/trend-line**. In other words, **price falls below support** going on to **break the level of the three lows** created by the previous head and left shoulder.

Head and shoulders bottom (Inverse head and shoulders):

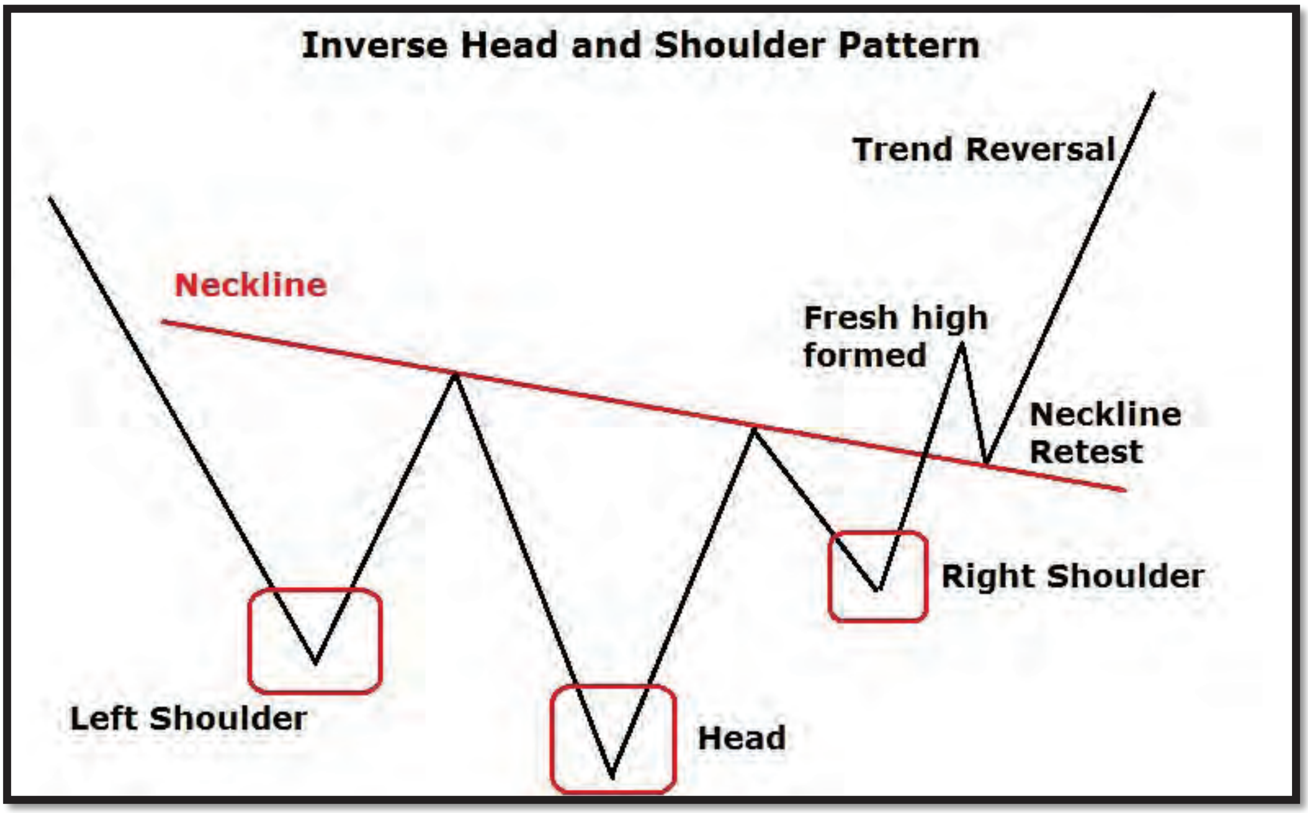
The **inverse head-and-shoulders pattern** is the exact opposite of the head-and-shoulders top, because it indicates that the currency paid is set to **make a move upwards.**

-The formation of the **left shoulder occurs** when the price initially falls to a new low and then **subsequently rallies to a new high**;

-The formation of the **head occurs** when the price moves to a low **that is below the left shoulders low**, followed a **return to the previous high**. This move back to the **previous high** creates the **neckline for this chart pattern**;

-The formation of the **right shoulder** is typically a **sell off that is less severe** than the one from the **previous head**. This is followed by a **return upwards to the neckline;**

-The currency pair then **breaks above the neckline/trend-line**. The pattern is then **completed when the price moves above the neckline** created by the previous head and shoulder.



After the **fourth step** (**when the neckline is broken**), the currency pair should be heading in a new direction. It is at this point when most traders following the pattern would enter into a position.

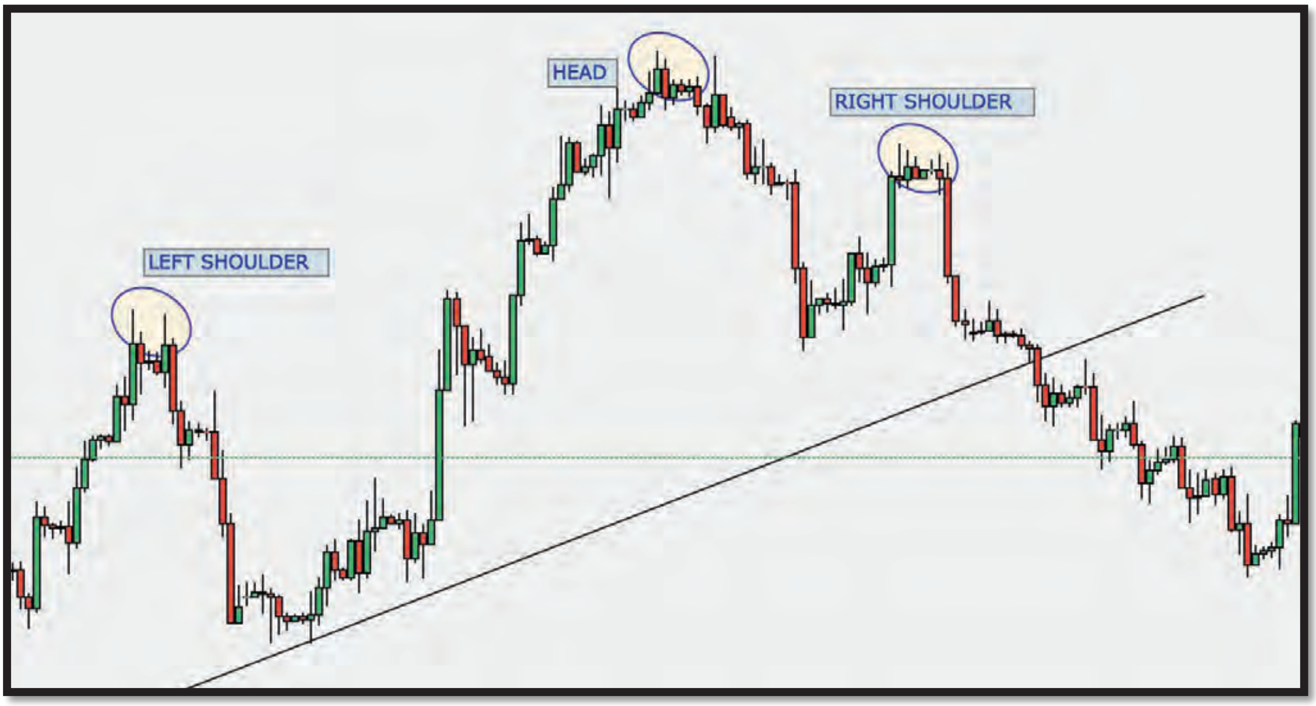
The head and shoulders chart pattern is formulated by three characteristics and can be spotted on the majority of timeframes, however the setup and execution performs best on the Daily and H4.

How to spot a Head and Shoulders formation:

Left shoulder: The prevailing trend must be that of a bullish one, with the price anticipating its next move around a key level of resistance. Price action may often form a bearish candlestick formation, acting as a catalyst for a deep pullback.

Head: The following wave will continue to rise forming a new high before forming another bearish reversal, leading the new price slightly lower once again. This peak is the highest point in the pattern.

Right shoulder: Finally the price will rise again, but this time it will not exceed the previous high, thus forming a lower high from the head.



Once Head and Shoulders Plays Out:

Once we have correctly established the head and shoulders pattern a 'neckline' is drawn by the connection of the lowest points of the two troughs. It is now possible to anticipate a break to the downside.

Take a look at the example on the following page:

The right shoulder is also known as a lower high, once this is formed and breaks the neckline the price declines. This break and the area of close vicinity below are great selling execution points. If you decide to execute a sell position and take a short trade, an ideal position to place your stop loss would be above the right shoulder.

We can calculate a target level by measuring the distance between the highest point of the head and the neckline. This distance is duplicated onto the breakout point, thus giving you your target level as displayed on the above chart.

Inverse Head and Shoulders:

The previous pattern may also be applied in bearish market conditions in a reverse aspect. The exact rules apply however it is simply the other way around. Once the neckline is broken, you will be expecting the market to provide you with a long set up, otherwise known as bullish.

Once you have chosen to execute a long trade you should place your stop loss around the right shoulder. Just as the target level was calculated on the head and shoulders pattern, you would now measure the distance between the valley of the head to the neckline and duplicate it into the breakout point.

Here is a clear example of an inverse head and shoulders formation.

The Double Top and Bottom:

One of the most common chart patterns in trading is the double top/bottom. This pattern appears so frequently on the charts that it alone could easily serve as evidence that price action is not as wildly random as many claim. As mentioned previously, one way to look at price charts is that they are simply an expression of the overall sum of traders sentiment/bias. The double top/bottom in particular represent a re-testing of temporary lows and highs also known as support and resistance.

The double top:

Double tops are usually found during an uptrend in prices where a new high is formed, followed by a pullback and a retest of that high. The retest of the initial high fails to surpass the price level established by the first peak, therefore price bounces/rejects the resistance level, often appearing on the charts in the shape of an 'M'. The second peak does not have to stop exactly at the price reached from the first peak but should be relatively close. This pattern is usually indicative of a trend that is weakening where buying interest is decreasing as shown below.

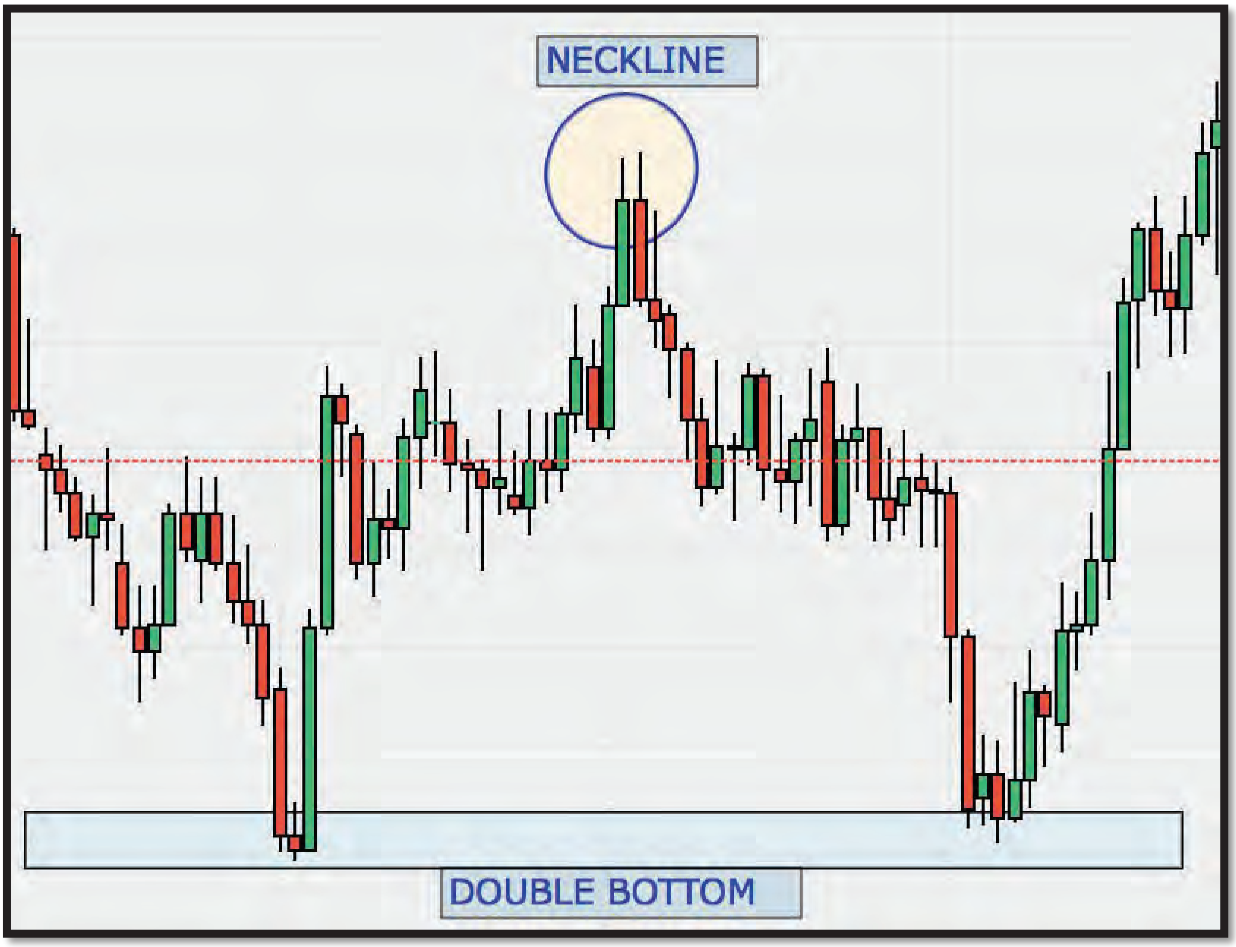
After a confirmed signal to take a short trade from the double top formation, the neckline acts as a firm target. Always be aware of the bigger pictures directional bias presented by the overall timeframes.

A double top indicates a key selling opportunity by showing us clear barriers in price, which has trouble breaking. The market will rise to a strong key level of resistance twice, with the second time forming a clear bearish candlestick formation bringing with it a chance of reversal to the downside.

After the initial rejection from the resistance key level the price will tend to fall and create a base known as the 'Neckline'. The price will then have a second attempt at testing the same level of resistance, which is the highlighted strip in the image below. Often, the price is seen to spike above the resistance, creating a new high if the prevailing trend is bullish. Double tops frequently provide the highest chance of reversal at weekly and monthly levels of resistance on the Daily or H4.

The Double bottom:

A double bottom is simply the opposite of a double top. This pattern most often occurs during a downtrend and is a signal of a reversal of the downtrend into an uptrend. This pattern is easily recognizable after the fact by its resemblance to the letter 'W'. The initial downward move will find a support at the first bottom and then the price action will rally off the support to a temporary new high (**the middle of the 'W'**). Another selloff will take place that will reach the same support level of the first bottom, and consequently cause another rally upwards. Lastly, the trend is confirmed when the price breaks through the upper resistance to complete the pattern and reversal as displayed below.

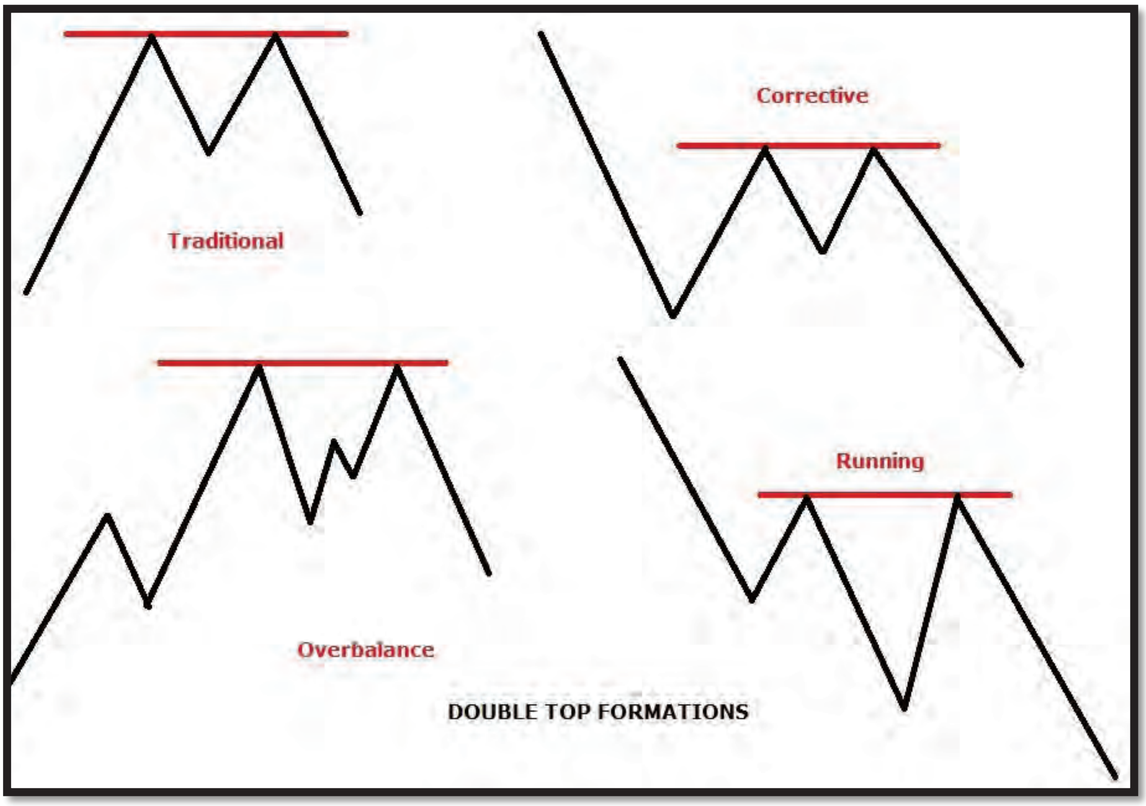


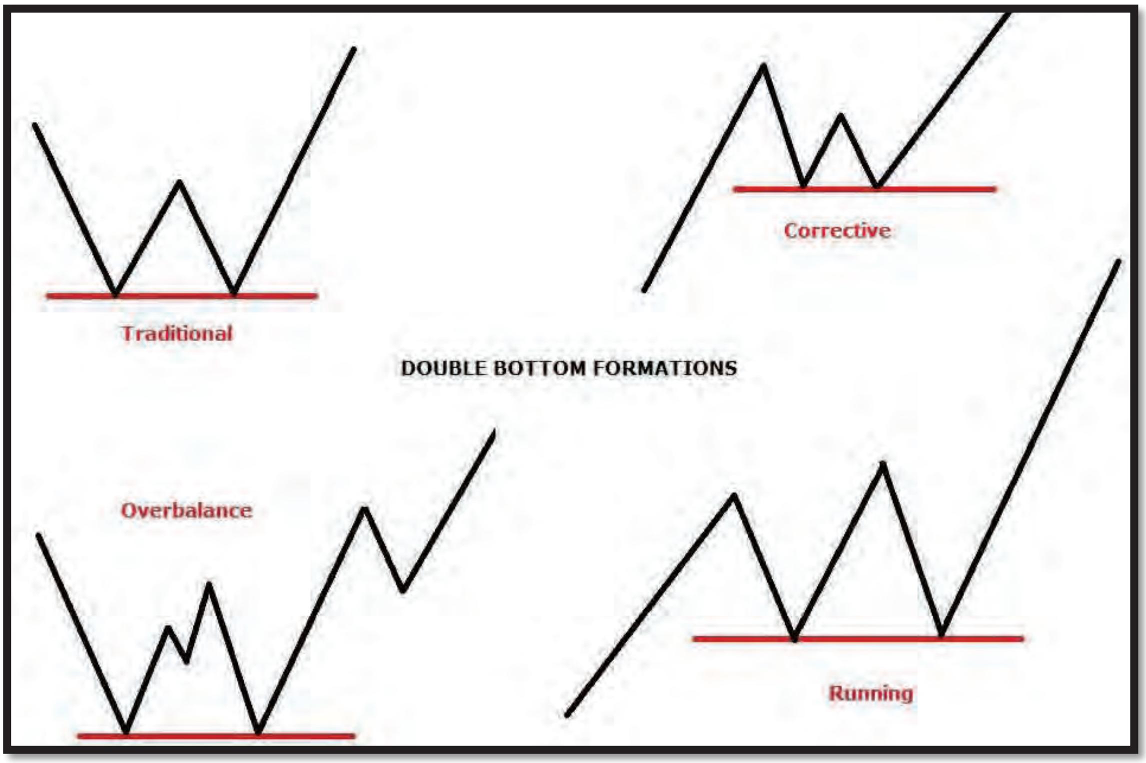
These are the most basic pattern structures of double tops and bottoms that can be found on the charts. As you can see, the key levels of support and resistance are absolutely vital when it comes down to pattern structures and clean chart price action setups. We will now go into some more advanced price action setups surrounding double tops and bottoms.

This second rejection confirms the double bottom formation; ideal for a buying opportunity or even an exit if you have been holding a short trade over a considerable period of time.

Double top and double bottom variations:

There are a multiple variations of the double top and bottom which can be found in the market. The double top/bottom can be seen as **trend reversal** patterns as well as **corrective moves** in line with the current trend as displayed below.





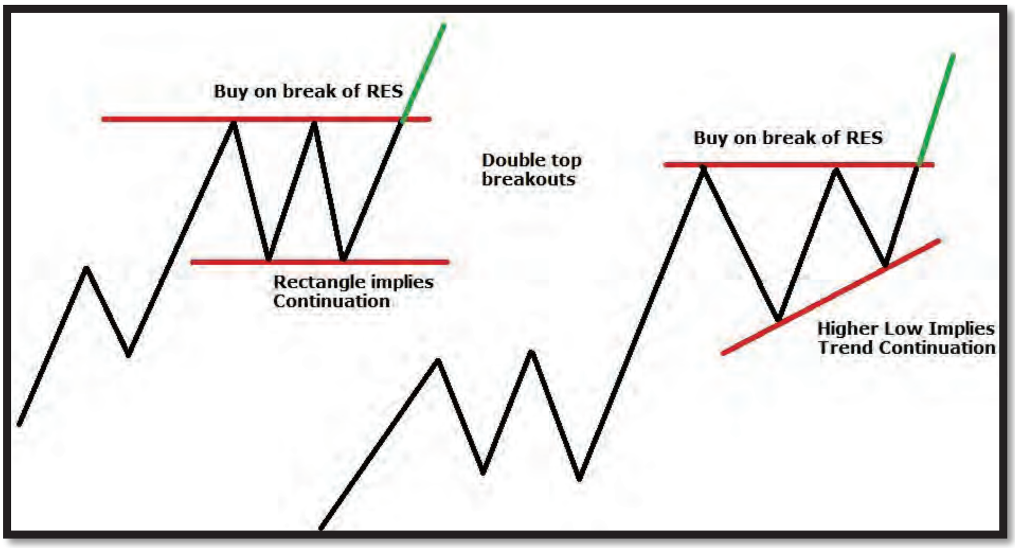
Traditional double tops/bottoms: have a greater potential to break out to the upside/downside;

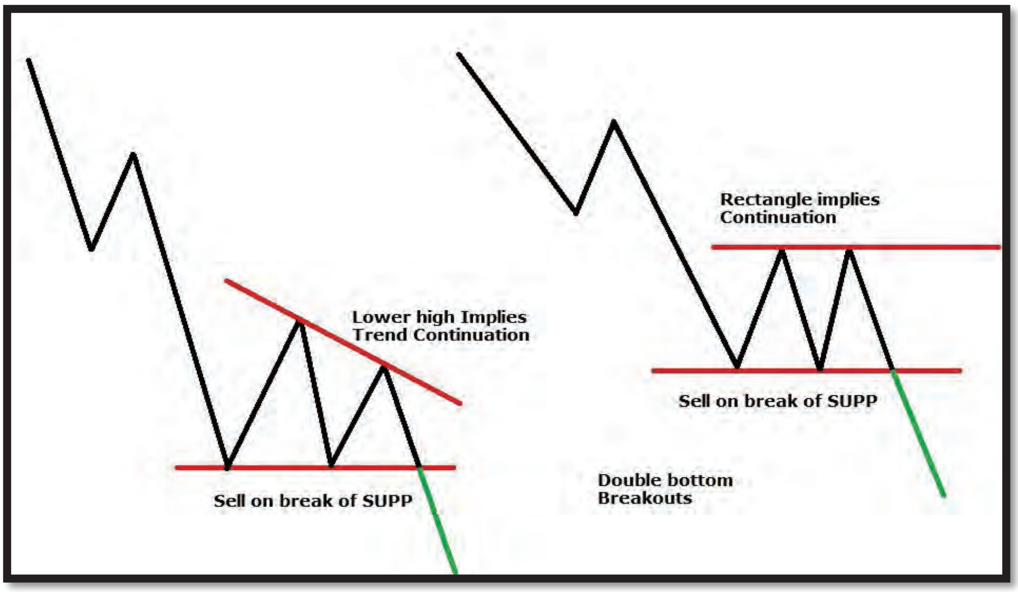
Corrective Double tops/bottoms: have more of a potential to continue in line with the current trend especially if they are on a **50%** or **61.8% FIB** retracement level (more on that later);

Overbalanced double tops/bottoms: This is where the correction prior to the double **top/bottom** is greater than the preceding correction and has more of a potential to reverse back **down/up**. They could even spike **above/below** the **resistance/support** level to give a false breakout before the reversal takes place;

Running double tops/bottoms: These formations will eventually reach a new **high/low** if there is a reversal off the level back inline with the current trend, especially if the **support/resistance** level ties in with a **50%** or **61.8FIB** retracement level.

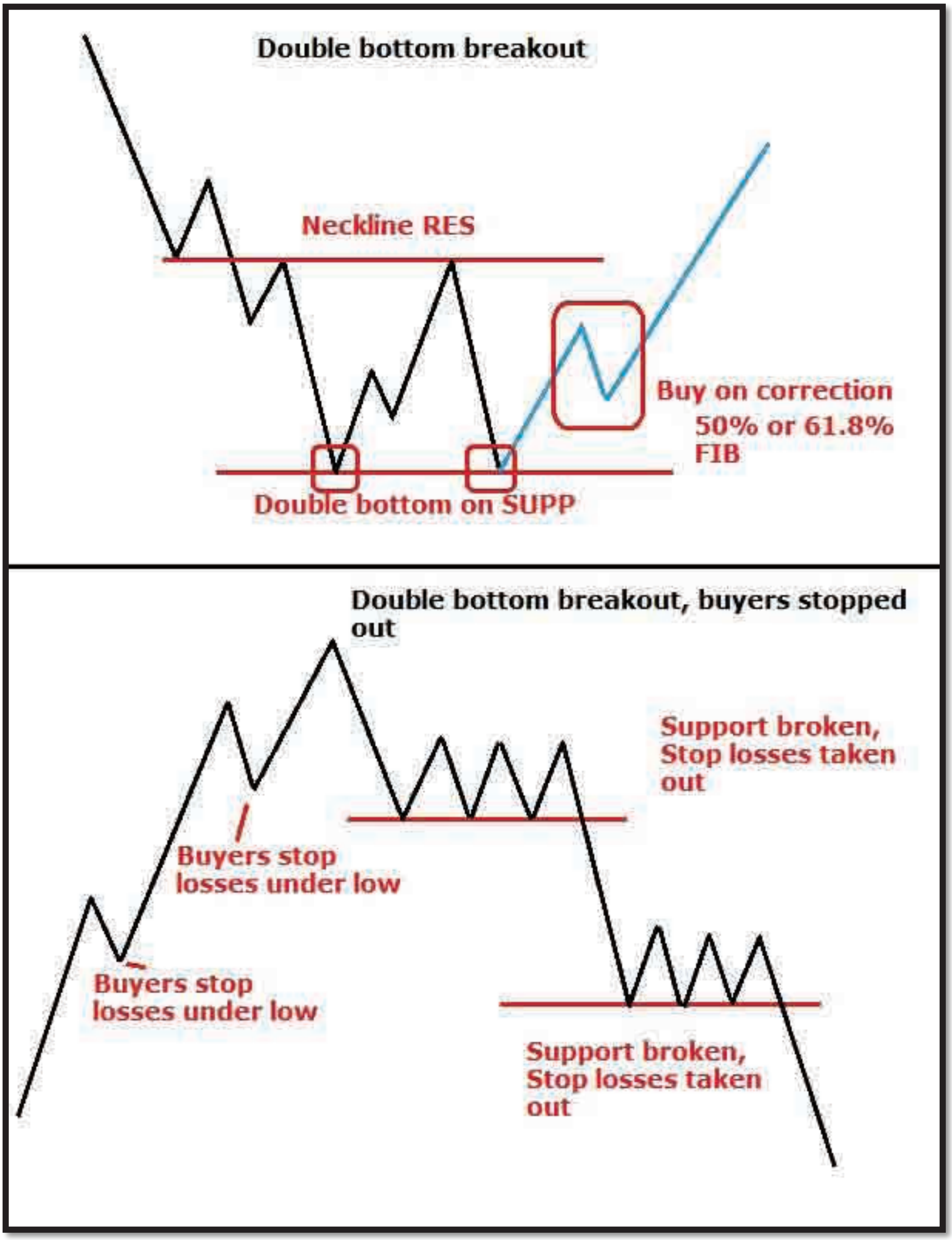
Double top and double bottom breakout patterns (rectangles and wedges):





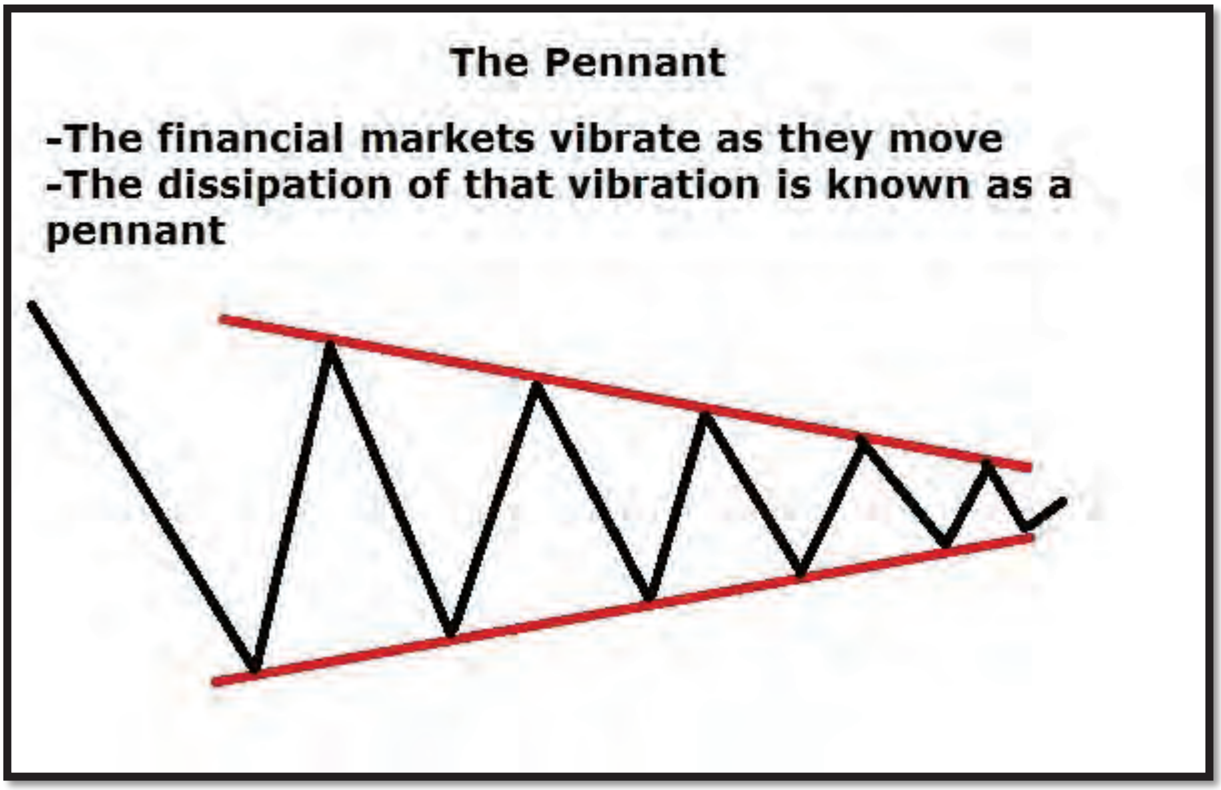
The double bottom reversal and breakout trade:

Usually if the market has reversed at a double bottom you will get an opportunity to **enter long** on the **1st correction** and by that time the continuation/move upwards would have some credence to be believable. The easiest thing you can do is **sell double bottom breakouts** as they have a huge following amongst savvy traders as they are places where many establishment investors get forced into the wall, at least temporarily.



Pennants and Triangles:

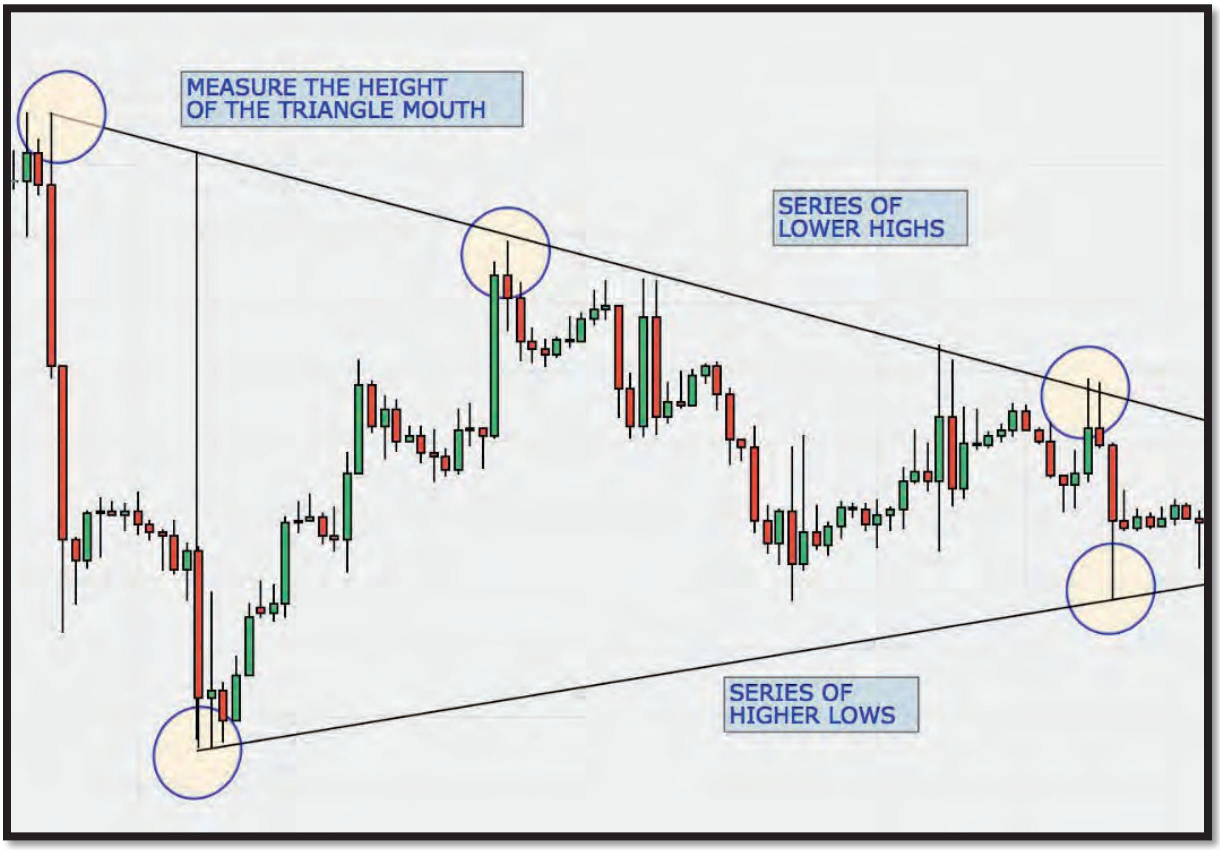
In the world of forex, the **pennant** is a pattern which takes shape by the consolidation and build up of price before a **breakout/continuation** of the prevailing market direction/trend. Pennants are **continuation patterns** that resemble its 'cousin', the **triangle pattern** and are both constructed of lower highs bound by downtrend sloping resistance trend-line and higher lows bound by a rising uptrend line as displayed in the example below.



-A pennant has to be preceded by a strong steep up move or down move that resembles a flagpole. No flagpole, then it's a triangle and not a pennant;

-Pennants are continuation patterns that usually breakout in the direction of the previous trend that started.

The two trend-lines that construct the pennant converge at a point is known as the '**apex**'. At first glance, that sounds like the exact description of a triangle. However, there are additional features that differentiate the forex pennant from the forex triangle. We go into more depth on the following pages.



Pennants are a form of consolidation:

Pennants usually form after there has been a fundamental announcement and/or a large breakout. They can also form right before a fundamental announcement, as they are considered a form of consolidation. Pennants can also form when prices have reached the value that traders are willing to pay, not more, not less.

When traders spot a pennant, which is a form of consolidation, they most often anticipate a breakout:

A breakout is when prices break out of a sideways pattern or pennant/accumulation and break through either lines of support or lines of resistance. For a high probability pennant/flag or triangle breakout, be sure to trade in the direction of the prevailing trend. If the bulls take control of the market, they will break out to the north and establish new highs. If the bears take control of the market, they will break out to the south and establish new lows.

There are different shaped pennants that appear on a range of time frames:

-Flag pole pennants;

-Ascending triangle pennants;

-Descending triangle pennants;

-Diamond pennants.

Rules for trading the pennants in the buy and sell zones:

-Find and draw all trend-lines; **inner, outer and long term** as this will help you to determine if the market is in an uptrend, downtrend or if a trend-line has been broken signifying the potential end of a trend and reversal;

-Draw your pennant trend-lines and determine what type of pennant you have;

-Establish the buy and sell zones whilst becoming aware of the backside of the trend-line (**potential resistance or support after the pennant breakout**);

-Whether it be **diamond pennants, ascending pennants, descending pennants or flag pole pennants**, the stop loss placement is the same for every one;

-Diamond and flagpole pennants can breakout either side regardless of the previous trend;

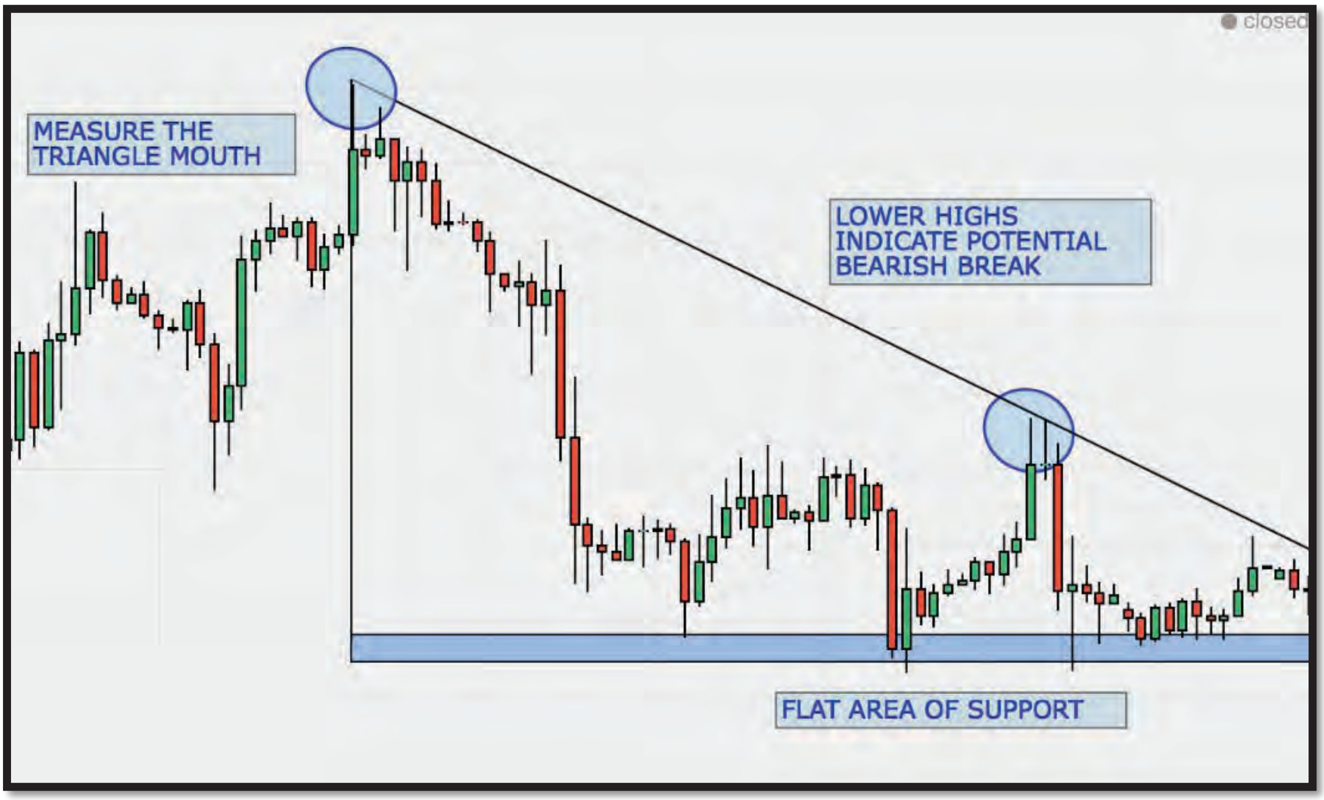
-**Ascending pennants** have a higher probability to breakout to the **north** whereas **descending pennants** have a higher probability to breakout to the **south;**

-You will need to wait for the **confirmation** of a full bodied **bullish/bearish** candle to form outside of the pennant. Your stop loss will need to be placed **10/15 PIPs above/below the last high;**

-If you cannot afford the stop loss, pass on the trade. Remember that the pennant pattern is nothing more than a form of consolidation. **They often form before fundamental announcements.**

Triangle Formations:

Forming when a particular currency pair is anticipating a sudden strong trend continuation move, triangles can be a great chart formation for breakout-traders to take advantage of. Price action tends to build up over a small period of time and the trick is to trade only once the triangle breaks in the direction of the over-all trend, this can be weekly or daily.

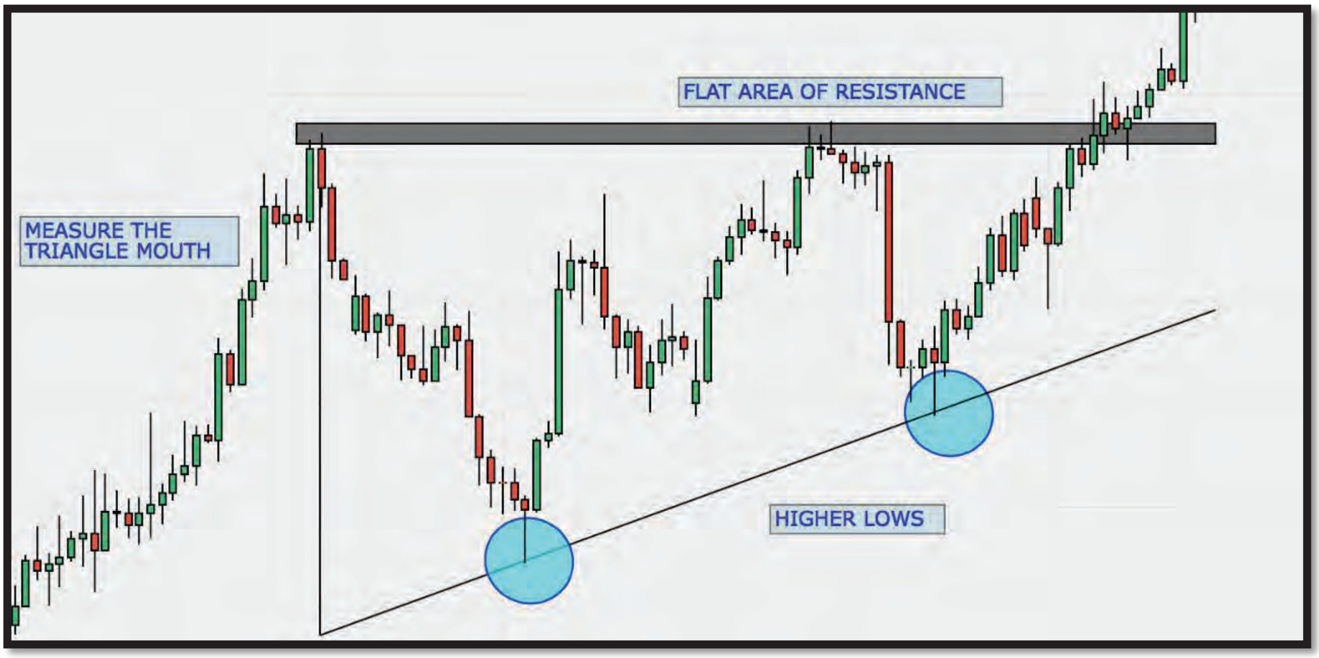


This form of pattern should be approached with caution as they do have a tendency to form false breakouts in the opposite direction, before continuing in the same direction. Depending upon the type of triangle you are presented with, you will have a better indication and capitalise on this.

We can spot descending triangle formations in the midst of bearish markets. As displayed on the descending triangle below, this type of pattern occurs when there is a support level that the price cannot seem to break and a slope of lower highs indicating a possible continuation of bearish momentum, as the sellers are pushing against the buyers

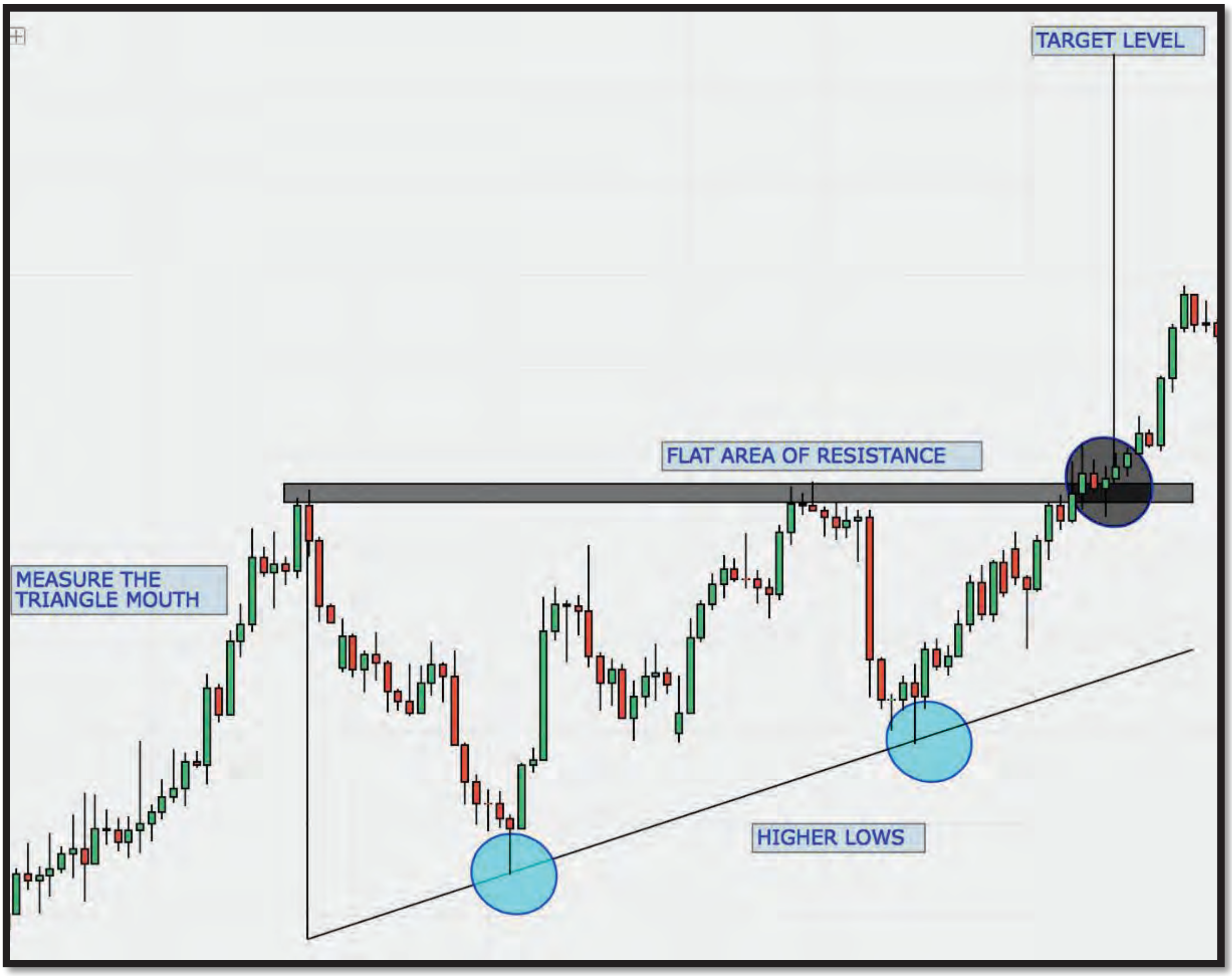
The slope of lower highs is the resistance level; it should be drawn with the connection of a minimum of two wicks. Taking the height of the triangle mouth and duplicating it at the breakout point will calculate your target projection point.


closed
MEASURE THE TRIANGLE MOUTH
LOWER HIGHS INDICATE POTENTIAL BEARISH BREAK
FLAT AREA OF SUPPORT
FOREXWINNERS.Net
TARGET LEVEL



The ascending triangle is the opposite of the descending triangle. As always, the majority of chart patterns and formations can be taken advantage of in both bullish and bearish market conditions.

The example above & below displays the dynamics of a triangle in a bullish market.

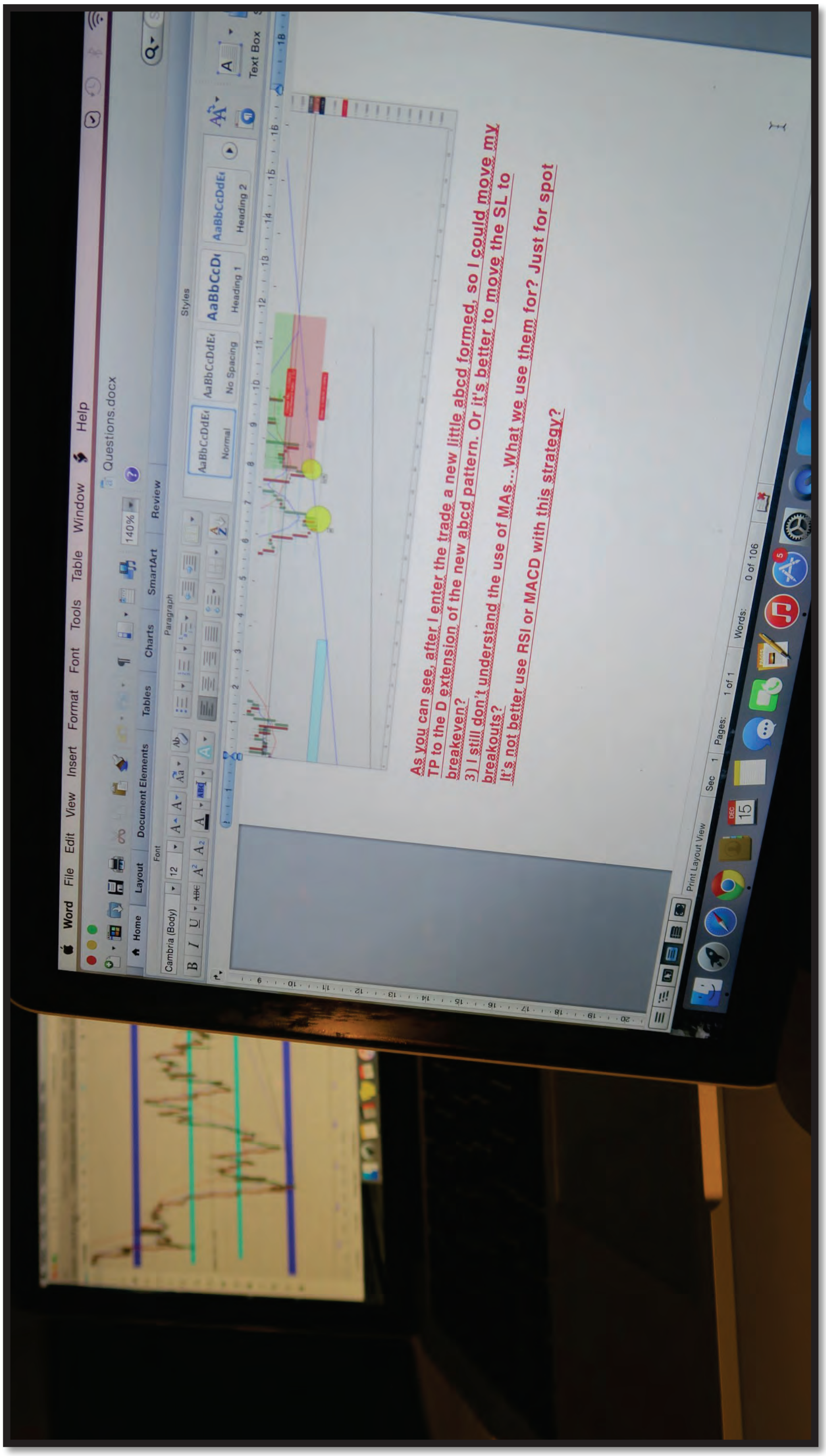


PROGRESS NOTES

PROGRESS NOTES

Technical Charting Checklist & The Importance Of Journaling

Assistance With Organising Your Technical Phases Alongside Journaling



1: Monthly main range (no more than 1000 PIPS) Measure the range with arrow tool… clone and duplicate both sides in order to be prepared for downside/ upside momentum. 3 Ranges in total)

-Add horizontal line onto arrows

-Now add the thin rectangle strip (clone and apply to other key levels)

-Add labels E.G: "Monthly key Support 1 0.79**"

2: Step down to weekly timeframe to plot on the 'weekly mid-range levels'

-Use Fibonacci tool: Click from resistance (top) to support (bottom)

-Draw a horizontal line at the 50% (0.5) level. (Remove Fib afterwards

-Do this for all three monthly ranges whilst leaving these weekly key levels as they are (no horizontal strip)

-Label the weekly mid range levels E.G: "Weekly mid-range resistance 0.96**"

-Check the moving average situation (crossed up, crossed down/ Bullish, bearish) label

3: Step down to the daily timeframe to plot on any key levels with the rectangle strip only (As per the video). Remember to use the H4 chart in alignment with the daily for doing so.

-Use horizontal thin strip for any daily/H4 key levels – change the colour if it helps.

-If no key level can be seen, don't force it, then stick with the weekly and monthly until Price action presents one.

- Check the moving average situation (crossed up, crossed down/ Bullish, bearish) label (weekly and daily in alignment)

4: Mark on the higher highs/higher lows (if in uptrend) OR lower highs/ lower lows (if in downtrend) – daily/h4 timeframe

-Always think ahead if a new higher high/ lower low may be expected.

5: Apply Trend-lines onto the chart for assistance and a clearer picture in terms of how the market is trending.

-Daily and weekly major lines assist in overall direction. Be aware of the 3rd trend line touch/bounce + the trend-line break rules (weekly and daily)

-H4 + H2 chart is for the application of counter trend lines. Apply these if possible once you have an idea of the overall trend direction. Trade the breakouts in the direction of the trend (moving average crossover and breakout work together)

6: Apply Fibonacci to the chart. Weekly + Daily Fibonacci act as a guide to direction. Don't worry if the C- Retracement has been missed; use the D extension targets as a potential directional bias.

-H4 + H2 Fibonacci is great for entries – Extra confidence is given when the D extension levels overlap any key weekly/monthly key levels serving as an additional confluence.

-Trade the Fibonacci with inside bars/counter trend line breaks + moving average crossovers.

-Remember that 78.6% fib acts as a stop loss level (not on daily/weekly) IMPROVISE – a close above/below the 78.6% may invalidate the A,B,C,D move.

7: A key entry strategy is the inside bar setup.

IMPORTANT: monitor your currency pairs, read the candlesticks and use all of the above to get the overall market direction/bias.

-Look for inside bars to assist in an entry once a solid trend direction has been established – possibly break down the best 2 setups across your currency pairs.

- Daily/H4 inside bars hold the most reliability.

-Follow the rules, highlight the inside bar, step down to the next timeframe, await M.A crossover then execute on the closing bar.

Tips:

-Remember to use daily/H4 H.H-L.L-H.L-L.H AS STOP LOSS PLACEMENTS (safe places)

-No more than 2 trade running at any time

-Always fill out the trading spread sheet/log book and be honest with yourself

-Think in terms of Percentage growth PIPS

-Always save work as neat as possible, annotate and keep organised.

The quote “You are as good as your last trade” is correct to a certain degree, however as a professional trader who strives to prosper and develop you must review your previous months of trading.

If you have traded a demo account in the past, you will be aware that once you have incurred a great loss you can make it vanish with a touch of a button; this is not how trading works in the real world. Although it is not in our nature to want to face our errors, this is something that you must grow accustomed in doing, as it is the only way in which you can work on your flaws.

Reviewing your performance will tell you a great deal about your trading style and what is best suited to you. Ask yourself the following questions:

What currency pairs am I performing best with?

What currency pairs do I keep losing with?

During what time of the day am I most profitable?

During what periods of time has my losing streak started and finished?

Which days am I most profitable?

Am I most successful when I hold my trades for a long period of time or am I a scalper?

It is possible for any individual to open a chart on any market and draw all sorts of technical concoctions. However, the question is whether what you have drawn is correct and whether it is successful. In actual fact 70% of traders are drawing their technical analysis incorrectly.

In this business if your trend lines or your key levels are positioned inaccurately, you my friend are setting yourself up for failure before you have even entered the trade!

But fear not because thanks to modern day technology we are able to iron out our rough edges. By taking a screenshot of our chart before and after a trade we can examine whether we are applying our tools of technical analysis correctly.

Before: Once you have drawn on your technical analysis and you are eagerly awaiting your perfect entry point, at this point go ahead and take a screenshot or an image capture. The screenshot must be taken on the timeframe in which you shall be executing your trade, as well as including the price and time, which is found along the bottom. Once you have done this, name your image with the currency pair and date.

After: Whether your trade has played out to your analysis or not, it is vital that you take a second screen shot as this will become a template for any trades you place in the future.

If your trade has played out the way in which you had predicted then great; keep doing what you are doing! However, if you are unsuccessful you now have the material that will help you to understand what exactly went wrong and this will prevent you from making the same mistake in the future.

It is imperative that you stay disciplined and on top of your post-mortem analysis, as over a long period time this will collectively become your history as a trader. Not only will it become a foundation for your present performance but it shall also demonstrate how much you have improved.

All professional traders will view each trade as a transaction and so the importance of keeping a log is paramount. In combining your spreadsheet and post-mortem you will have a full proof trading journal, assisting you to grow into the successful trader you endeavour to be.

You must record each trade you place and ideally you would do this in a spreadsheet format. Completing your spreadsheet should be done whilst you are entering and exiting any trade. Once you close your trades you will use this comprehensive list of transactions to assess your trading. You may want to include the following columns:

- Currency pair

- Position (long/short)

- Date opened

- Time opened

- Time closed

- Date closed

- Stop loss or take profit

- Win or loss

Seeing as though each trader is unique, there is no 'correct' spreadsheet. This crucial aid to your organisation should not feel as though it is a chore, so design it as you wish!

Creating your spreadsheet is not difficult, however keeping it up is where most fail. Completing your spreadsheet should become part of your trading routine. Far too many traders become complacent and tell themselves "I will do it later". Before you know it you fail to recall half of the information, thus leaving you with nothing to evaluate.

PAIR	Position	Date Opened	Time Opened	ENTRY PRICE	CLOSE PRICE	Date Closed	Time Closed	STOP LOSS	Pips	Profit / Loss
1 USD/CHF	LONG	30/11/14	23:21	0.96668	0.96149	01/12/14	15:52	0.96149	-51	Loss
2 EUR/USD	SHORT	30/11/14	00:09	1.24450	1.25022	01/12/14	15:50	1.25022	-57	Loss
3 USD/CHF	LONG	01/12/14	17:02	0.96432	0.97133	01/12/14	17:00	0.96084	70	Profit
4 EUR/USD	SHORT	01/12/14	17:03	1.24763	1.23956	02/12/14	16:59	1.25127	80	Profit
5 EUR/GBP	SHORT	01/12/14	21:49	0.79246	0.78977	03/12/14	09:39	0.79764	26	Profit
6 AUD/USD	SHORT	02/12/14	10:51	0.84751	0.83906	03/12/14	04:29	0.85415	84	Profit
7 GBP/USD	SHORT	03/12/14	17:58	1.56989	1.56513	04/12/14	14:27	1.57345	47	Profit
8 EUR/AUD	LONG	03/12/14	11:35	1.46629	1.46946	04/12/14	12:47	1.45950	31	Profit
9 EUR/JPY	LONG	04/12/14	09:47	147.716	147.648	04/12/14	13:23	147.197	-6	Loss
10 EUR/JPY	LONG	04/12/14	21:50	148.303	149.045	05/12/14	12:56	147.982	74	Profit

As we have said before trading is a business, one that should be archived. A staggering 90% of traders will mistakenly fail to take the time to document their progress and most importantly work on the reasons as to why a particular trade has failed. If you aspire to become a successful trader you should begin your self -assessment from the moment you execute your first trade and continue this throughout your trading life.

Self-Control Assessment:

A self-control assessment is something that you are required to carry out before each analytical decision and trade execution that you make. Your success and longevity within the market will be determined by your ability to keep a centred and clear mind before executing a trade.

More often than not, when a trader does make a mistake, they will be aware of this error and they will also understand that the aftermath of suffering was indeed self-inflicted.

These mistakes include:

High Volume Size

Moving Stop losses

Entering far too many trades at once

You and only you are only in control of your actions within the market. Along your trading journey you will certainly meet your inner demons, despite this it is a great journey of self-development and discipline.

The temptation to execute a trade in order to 'just be' in the market will always be present! From the moment you open your laptop in the morning your mind will be racing to find your next entry fix. The transition from this train of thought to the concept of 'less is more' can be somewhat challenging yet highly rewarding for your psyche and pocket!

This enticement may lead you into entering each setup that displays itself to you, however this must be fought with good discipline. In a business such as forex, only those individuals who exercise self-control shall be rewarded with positive and consistent trading results over a period of time. In order to achieve this it is crucial that you are aware of the various scenarios you may be presented with, as well as recognising when it is appropriate to enter a trade and when you should take a seat on the back bench.

In actual fact around 60% of the time, the market may not even provide you with a solid, high probability trade setup. Professional mentoring, higher timeframe analysis and the art of 'trend trading' is the utmost logical and stress free method in taking advantage of the market momentum. Once you are proficient in reading and analysing price action you will be skilled in recognising the indecisive stages lasting for days, weeks or even months, which are the periods when you should take a break and divert your attention to other currency pairs.

A common vision amongst traders is to someday conquer the market and be featured on the front cover of the wall street journal. A trader's dream of turning their first $5000 into $55,000,000 is one not to be tampered with. Having such a vision is not wrong, however sooner or later it will be time to wake up.

It is essential that you set yourself realistic goals. This does not mean that it impossible to one day become a millionaire, it does however mean you must first understand that a skill of great value takes time to cultivate. After all, Rome was not built over night! Set yourself monthly goals; create an on-going honest relationship with your trading journal from the moment you begin trading, do not be disheartened by the losses that may occur along the way, you should take these as a unique opportunity for self-development.

Forget about the monetary figure you wish to make on a daily basis and the amount you wish to multiply your account by. To become a successful trader the only goal you will embed in your mind is the goal of consistency. Consistent analysis, consistent drawdowns, consistent pip count and a consistent positive attitude!

"Money made by mistake is like a loan with a very high default rate"

What does this mean? It means that even if you were to attempt high-risk trading where you yield outrageous amounts of return, one day your luck will expire and you will see yourself losing all of the profit you have accumulated. The best lesson is dished out by time; there is an exceptionally high probability that the money you have made without the correct knowledge and skill will be returned to the market, along with your deposit. This business is a skill, a profession if you like, not a gamble.

To conclude, your trading plan must be as honest and as organised as possible. Further questions you should factor into your plan are:

How many times a day will I check the market?

What currency pairs will I be trading?

How many trades will I be in at any one time?

What is my maximum risk on my account?

What kind of trader am I?

What is my trading style going to be?

Trading is not a race. There is no finish line:

Experiencing a winning streak for even 4 to 5 days can cause a trader to feel on top of the world, only to eventually have their trading account stripped from within their grasp. This is the result of scrambling for the big bucks and failing to take the small steps to begin a long-term successful trading career.

Consistency: To have a successful day or even a few weeks is not extraordinary within the market. It all boils down to whether you are able to continue this week in week out, month in and month out. You can only begin to trade with larger capital once you are confident. This confidence stems from consistency. Do not make the mistake of entering into numerous trades per week. Instead you should aim to make your current week as profitable as the previous.

Experience: There are no shortcuts to success within the market. Everything shall come in good time and you need to understand that trading is a long-term investment. It is irrelevant whether you are profitable come next month or next year, because you do reach that point your life will truly change for the better. In achieving this, it is important to build strong foundations so that the pillars of trading will stand firm, as you grow stronger and stronger from the inside out.

The market will teach you more life lessons than the educational system ever has. Through your experiences of self-fulfilment you will become fiercer and increasingly accustomed to fighting your inner demons. You will learn that bad experiences are your teachers, with the end of semester tests being how you move on from these experiences and what you have learned for the future

Trading vs. Bank Bond/Interest

The majority of the human population believe placing their money in a bank account or in an ISA is a safe investment, as you will yield a 3% return EACH YEAR. But what if you could learn how to potentially make 3%, if not more, per MONTH? Now that's a game changer! Suddenly a small percentage seems like a great return on your capital.

Trading vs. Property

Another popular investment is buying properties and placing them on rent to tenants. Depending upon the location of the property, the average return is around 7% the whole YEAR. Now imagine making 7% per month MONTH! Although we have discussed making 2 – 3% per month, 7% is very much possible if you are capable of disciplining yourself to treat it as an investment.

PROGRESS NOTES

PROGRESS NOTES

We Thank You
For Investing In Yourself!