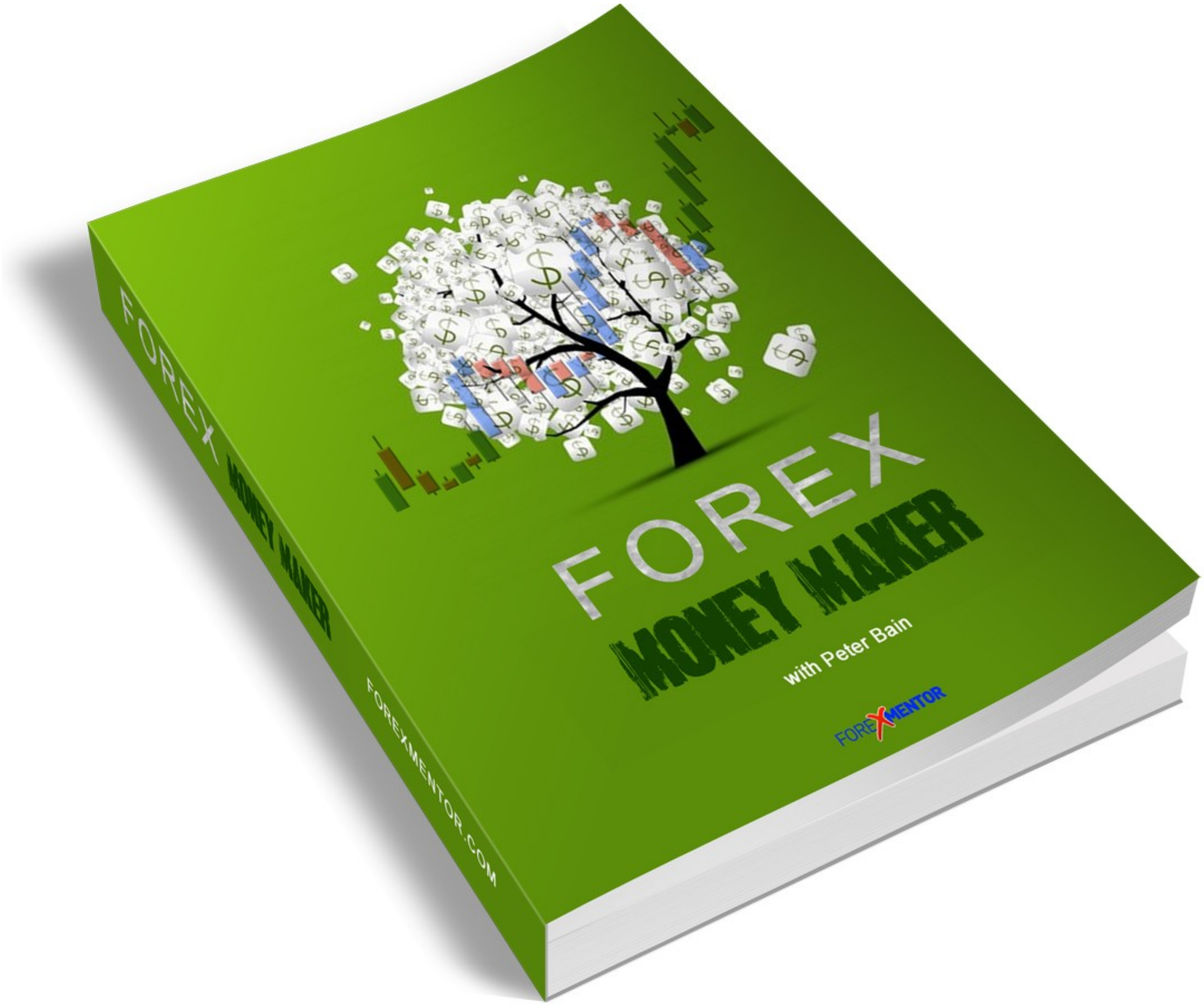
FOREX

MONEY MAKERS

PETER BAIN

FOREXMENTOR


FOREX
MONEY MAKER
with Peter Bain
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WELCOME

Hello and welcome to “Forex Money Makers, Exposing where the money is in the Forex.”

The purpose of this course is to give you as many tips and strategies as possible so that you can be a successful Forex Trader. Although there are many strategies that one can use in the Forex market this course is only going to discuss those that have been tried and proven by Peter Bain himself.

The DVD that accompanies this Book is approximately three hours long and takes you through many examples of the strategies discussed. The chapters of this book and the sections of the DVD share the same paragraph titles to ensure that you can follow along without any problems.

Throughout the course we Endeavour to show you where the money is in the Forex market and how you too can extract your share from this very large market.

One of the challenges we give to you and all Forexmentor students is to use the information you are presented with to secure your 20 pips per day from the Forex.

You may say to yourself that 20 pips per day does not sound like much however consider this:

On a full contract the value of a pip is $10.00 USD

20 Pips per day is $10.00 x 20 = $200.00 USD daily.

Trading 5 days per week gives you $200 x 5 = $1000.00 per week.

Assuming an average of 4 weeks per month we have $1000.00 x 4 = $4000.00 USD per month!

$4000.00 USD per month is more than some people make in their day job so don't underestimate the power of those 20 pips per day.

For those of you struggling with consistency even 20 pips may seem like an insurmountable task or perhaps something that only a lucky few can achieve.

Do not be discouraged or disheartened. You have taken the first and most important step towards achieving consistency by purchasing this course and making the effort to improve your knowledge level.

For those of you who are relatively new we welcome you and hope that you find success and remind you that even hobbies require study and dedication if you are to be any good at it.

Whoever you are and whatever your reason for purchasing this course, remember that financial freedom can be yours if you take the time to study and practice regularly.

At the end of this course you should be well on your way to attaining your initial goal – To consistently secure 20 pips per day.

Again though this is a modest goal keep in mind that it will allow you to eventually quit your day job!

Let us move on to the next section now where we start taking a closer look at the Forex market.

FOREX BASICS

In this section we will take you through a high level over view of the Forex. It is geared to those of you with limited knowledge of the Forex Market. However that being said, there are experienced Forex traders who are not aware of some of the details covered here.

The Foreign Exchange market is not a single building or institution. It is comprised of electronically connected markets with the main trading centers being London, New York, Tokyo Singapore and Hong Kong.

In the Forex there are just a few currencies to go through in comparison to stocks and options. Although you will see many different currency pairings, the major pairs are:

USD / JPY
EUR/ USD
USD / CHF
GBP / USD

The Foreign exchange market is open from Sunday afternoon right up until Friday afternoon. During this time one can trade 24 hours a day because as one Geographical location is closing another one is opening. The most active times are when we have session overlaps and we will go into these more a little later on.

The largest session is the London Session starting around 3: 00 AM EST and closing around noon the following day.

Below is a list of pertinent trading times.

Times To Trade The Forex Market

7:00	PM	Sunday	Trading Begins; Markets open in Tokyo, Japan
9:00	PM	Sunday	Singapore and Hong Kong Open
2:00	AM	Monday	European markets open in Frankfurt
3:00	AM	Monday	London Opens (closes around 12:00 Noon)
4:00	AM	Monday	European markets in full swing; Asia Finished
8:00	AM	Monday	U.S. Markets open in New York; Europe winds down
8:30	AM	Monday	U.S. News embargo Lifts
4:00	PM	Monday	NY Closes; Australia takes over (closes at 1:00AM)
7:00	PM	Monday	Tokyo ready to re-open

Although the market is open 24 hours there are a few times that are recommended for the best trading opportunities.

They are:

- London session Open around 3 am EST and Closes at around noon however the best time could be anywhere from 2:00 AM – 4:00 AM EST.
- This is another active time to trade Close of New York session at around 4 PM EST
- The beginning of the Tokyo session at 7:00 PM EST
- The open of the Singapore session at 9:00 PM EST

- At these times you will often get a shift in trader sentiment which means you get a shift in price movement.

Another good time to trade is around 8:30 AM when the News embargo is lifted. This will be discussed further in the Forex Moneymakers course which follows this section.

What Do You Need In Order To Trade Forex?

- A good broker
- A funded account at that broker
- A trading account of minimum $1000.
- You also need Charts and a dealing platform which you will get from your broker
- Proper training and practice which you will get from the Forex Money Makers Course.

On the topic of practice, if you don't already have a demo account, please take the time to open one and keep this open as long as you are trading Forex.

Depending on your broker you may have to renew this on a monthly basis but it is an invaluable tool when it comes to perfecting your trading. You will also need it throughout this course to test out the many strategies we will be showing you. A demo account is to be used to hone our skills through practice and when you have confirmed bankable trades you can take these using your live account.

Often traders believe that once they get past the learning phase there is no longer a need for practicing in demo account. Some even consider it a step backwards. This could not be further from the truth. The need to practice cannot be stressed enough and this should be done in a demo account. This will keep your skills sharp and your live account from being wiped out.

Order Types

MARKET ORDER – These are orders placed at the current market price when price reaches your desired entry point. You will have to be at your computer to execute these trades.

Stop– Stops are used to protect you in the event that price moves in the opposite direction against your trade. Once you have completed your analysis you should take time to determine where you will walk away from the trade if it goes against you. Once you determine this value you set a Stop Loss for this amount so that if price goes against your order, the system will close you out at a pre-determined loss.

This is a very important practice. There are some traders who refuse to use protective stops as they say that they "are watching it" and will close it out quickly if price moves to far against them.

The problem with this is that sometimes price will spike in the opposite direction before you can react and take you farther into a loss than you had planned to be. What most likely will happen next is that you refuse to close the position as you do not want to lose that much of your account so you sit and pray that price will move back in the direction YOU want it to. When it doesn't, you ultimately wish you had a stop in place or had come out with a smaller loss. Here is some good advice: **USE A STOP LOSS**!

Limit orders - A limit order is an order placed in advance to secure your profit. This is done in anticipation of price moving to a certain level and allows you to secure that profit target even if you are not at your computer. Limit orders are great in that even if price just spikes into that level your position will be filled. Unless you have lightening reflexes you can sometimes miss these targets. Limit orders automate profit taking.

Let us look at a quick example to ensure that you grasp this concept.

You buy the Cable at 1.4400 and your analysis shows that price will move about 50 pips however you only want 20 pips.

You can either sit at the computer or wait for price to move up 20 pips or you can set your profit target using a limit order to sell at 1.4400 plus 20 pips plus the pip spread. You decide on the latter and set you limit. You walk away for a bit to grab a coffee and you come back to your computer and during your absence there was a spike in price. Your account is now 20 Pips bigger. Had you not set the limit you would have missed that move.

Entry Orders

Entry Orders are used to open positions when a pre-determined price is reached. Who exactly determines the price level? You do.

Through your top down analysis you will determine where you want to enter the market.

You will then program the level and lot size into your trading platform and the order will be executed if the price has reaches that level.

There are four types of Entry orders:

We will first look at **Buy/Sell Entry Limit orders**. Entry limit orders allow you to enter the market at more favorable pre-determined price. This method of trading allows you to decide where you want to enter the market. If you analysis is done correctly it keeps you from chasing after the market and lets the market to come to you.

Buy Entry Limit – Price is in an uptrend so you want to buy the dips in the uptrend. You see price reversing on the 15 or 5 minute chart and calculate where you would like to buy the dip. You can either sit at your computer biting your nails or set a Buy Entry Limit so that the application will take you into the trade whilst you are sipping on a nice cup of tea.

Sell Entry Limit – Price is in a downtrend so you want to sell the rallies. You see price reversing on the15 or 5 minute chart and you calculate where you would like to sell the rally. You can again sit at your computer watching the screen waiting for it to come and get you but let's just hope you don't need to go to the bathroom when it starts to make its move ! The better way to approach this and save your bladder is to set a Sell entry Limit at your pre-determined price.

Now let us look at **Buy / Sell Entry Stop** orders.

Buy / Sell Entry Stop orders are almost the opposite of Entry Limit orders. Entry Limit orders are used to try to get a more favorable price however Entry Stop orders wait for the move to be under way and then takes you into the trade. The rationale here is that if price breaks a certain level the expectation is that it will continue moving in that direction.

Buy Entry Stop - These orders will open a position in the future when the price has moved up and beyond a certain predetermined level.

Sell Entry Stop - These orders will open a position in the future when the when the market price has moved down beyond pre-determined level. Recall you do this when you believe that if price breaks a certain level it will continue moving in that direction.

The most important thing to remember with **Entry Stops** is that these are employed when your analysis shows that if price moves beyond a certain level it will continue moving in that direction.

The Mechanics Behind Trading Pairs

In order to trade Forex it is important that you have an understanding of how to read the pairs.

All currencies in Forex are traded against another currency. This means that you will always see the currencies paired up with another currency pair.

The BASE CURRENCY is the first currency listed in the pair.

The four Major currency pairs are:

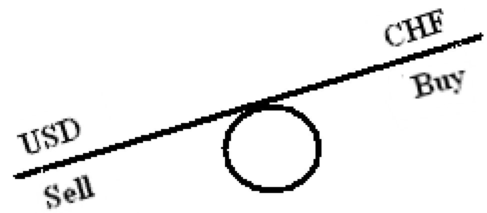
EUR / USD - The base currency is the EUR. If you buy the EUR then you are selling the USD and vice versa.

USD / JPY - The base currency is the USD. If you buy the USD in this pair you are selling the JPY.

GBP / USD - The Base currency is the GBP. If you sell this pair you are selling the GBP and buying the USD.

USD /CHF - The base currency in this pair is the USD. If you sell this pair you are selling the USD and Buying the CHF.

Think of the currency pairs as being on a see saw: They move in opposite directions.



Lot Sizes

A **Standard Lot** in Forex controls $100,000.

With a standard lot you will earn $10 per pip move or lose the same amount per pip if it moves against you

A **Mini Lot** in Forex controls $10,000.

With a Mini Lot in Forex you will earn $1.00 per pip move or lose the same amount per pip if the trade moves against you.

A **Micro Lot** in Forex controls $1,000

With a Micro Lot in Forex you will earn $0.10 per pip move or lose the same amount per pip if it moves against you.

PIP Spread

The spread is the **difference** between the price to *buy* and the price to *sell* a currency. Let us assume that the EUR is trading at 1.3203 to buy. However if you want to sell it the broker will pay you 1.3200 for it. The difference between how much they sell it at and buy it back at is how they make their money. It is called the **Spread**.

Let us go through an example now to show you how you calculate your profit.

In the example below we will use the EUR/USD.

We will assume that the top down analysis reveals that the price should go up. With this knowledge you buy one standard lot of the EUR at 1.3203. This means that you are now long the EUR and Short the USD. (Remember the See Saw)

If you bought the EUR that means that you sold the USD so you are now short the USD as well. They go hand in hand, whatever you do with the base currency you inadvertently do the opposite to its partner.

Note:

> **BUY** = To go **Long**
> **SELL** = To go **Short**

The EUR moves up to 1.3337 and you sell it back making a profit of 134 pips. **

Let us do the math:

1.3337 - 1.3203 = 134

Since this is a standard lot which gives you $10.00 per pip then your profit on this trade is $10.00 x 134 = $1,340.00 USD!

What Sized Lots Should I Use?

Before we go into what sized lot you should trade let me first start off by saying that regardless of the account type you choose you should NEVER risk more than 2-8 % of your total account size. It is recommended that you try to stay on the lower side of that range of risk.

The amount of trading capital at your disposal will be the first determining factor as to what size account you can open however if funding is not an issue what sized lots would be most beneficial to trade with?

The first step is to determine how much money we are going to use per trade.

Let us assume an account size of $35,000

Risk per trade is 2% (2% x $35,000) = $700 per trade**

Stop Loss = 30 Pips (for day trading)

Profit per Lot = 20 Pips

Broker – Offered Leverage = 100:1

Although the broker offers you a set leverage on your overall account true leverage per executed trade is Trade size / Account Size.

(ie the leverage per trade is not 100:1)

**This $700 is the risk per trade. What you are saying is that if this trade goes against me I am prepared to lose $700.

We have calculated that we have $700 at our disposal to trade with so now we will move on to determining which is the best lot size to use and how many lots we can place per order. In order to determine this we will now step through a few calculations with the only variable being the lot size.

Standard Lots

As mentioned before one standard lot **controls** US $100,000 Dollars and gives $10 per pip.

This is the largest lot size.

We determined above that we are going to risk $700 per trade as that is 2% of our total account.

We are using a **stop loss** of 30 pips which is $300. Remember each pip on a standard lot is $10.

So if we have a total of $700 per trade and we need to take $300 out of that for our stop loss then the number of lots we can trade will be $700 divided by $300.

700/300 = 2.33 which rounded off is 2 lots.

Our trade size is 2 Lots times $100,000 per lot = $200,000

Great! Now we know that we can trade 2 lots with a stop loss of 30 pips and that will keep us in our 2 % risk per trade.

Recall that we are targeting only 20 Pips so our profit will be 2 lots x 20 pips x $10.00

This gives us a total of $400 for that trade!

True Leverage

On a side note although the broker dictates the Leverage we use keep in mind that the true leverage we are using is determined by the Trade size divided by Account size

2 LOTS is $200,000.00 so our true leverage per trade is

200,000/35,000= 5.7 rounded off is 6

So our true leverage per trade is 6:1

Mini Lot

Let us now look at our profit on a mini lot.

One mini lot controls US $10,000.00 Dollars and gives $1.00 per pip.

This is the second largest lot size.

We determined above that we are going to risk $700.00 per trade which represents 2% of our total account.

We are using a Stop loss of 30 pips which is $30.00. Remember each pip on a standard lot is $1.00.

So if we have $700.00 and each trade has a stop of $30.00 then the number of lots we can trade will be $700.00 divided by $30.00.

700/30 = 23.33 which rounded off is 23 mini lots.

Trade size is 23 mini lots times $10,000.00 = $230,000.00

23 mini Lots $230,000.00 so our true leverage per trade is

230,000 / 35,000 = 6.6 rounded off is 7

So our true Leverage per trade is 7:1

Now since we are targeting only 20 Pips then our profit will be 23 lots x 20 pips x $1.00

This gives us a total of $460.00 for that trade.

Micro Lot

Let us now look at our profit on a micro lot.

One micro lot controls US $1,000.00 Dollars and gives $0.10 per pip.

This is the smallest tradable lot size.

We determined above that we are going to risk $700.00 per trade which represents 2% of our total account.

We are using a Stop loss of 30 pips which is $3.00. Remember each pip on a standard lot is $0.10.

So if we have $700.00 and each trade has a stop of $3.00 then the number of lots we can trade will be $700.00 divided by $3.00.

700/3 = 233.33 which rounded off is 233 micro lots.

Trade size is 233 micro lots times $1,000.00 = $233,000.00

233 LOTS is $233,000.00 so our true leverage per trade is

233,000 / 35,000 = 6.7 rounded off is 7

So our true Leverage per trade is 7:1

Now since we are targeting only 20 Pips then our profit will be 233 lots x 20 pips x $1.00

This gives us a total of $466.00 for that trade.

Let's recap.

Let us review the different levels of profit achieved. Recall that in each+ case the risk was the same and the only variable was the size of the lots we employed.

Standard Account – Profit $400.00

Mini Account – Profit $460.00

Micro Account – Profit $466.00

It goes without saying that the Micro account yields the most profit.

So to answer the question that opened this discussion:

The Micro account is the best account to trade.

Get "Fast Track To Forex"

A 6-Hour, Step-by-Step Comprehensive Homestudy Video Course That Takes You Through The Essential Elements of Forex Trading...

Most newcomers to Forex marvel at the **potential** of being able to participate in the world's largest business – presently valued at over $4 trillion in transaction *per day*! Yet the learning process required to become a Forex trader for many can be a daunting task. The lack of a structured approach to learning the **foundational** elements of Forex trading often leaves many traders feeling confused and lacking the confidence needed achieve trading success.

To help address this, the Forexmentor team has developed a brand new video course that is designed to cut through the clutter of trading jargon and to equip you with a solid foundation for trading the Forex.

The ***Fast Track to Forex*** course is hosted by one of our leading mentors - **Frank Paul**. A full-time trader himself, Frank is instrumental in helping hundreds of Forexmentor members understand difficult trading concepts. He was responsible for the hugely popular *Forex Profits with MACD course* and more recently *SystemsLab*,*FXM TrendTrader* and *COT MarketWatch*. Frank's known for presenting bewildering topics in a **plain-spoken** way that does not intimidate even those brand-new to the game. A logically sequenced progression through all the core concepts, **clearly explained and richly illustrated**, will make this not only a great way to immerse yourself in the field but also a practical reference going forward.

FOR MORE INFORMATION: http://www.forexmentor.com/fasttrack

PART 1: INTRODUCTION

Now that you have completed the brief introduction to Forex, let us move onto the Money Maker section where we will start looking at strategies and other relevant information that we feel are important to your success as a Forex Trader.

As you go through this section you will find an overlap of some of the topics covered in the previous Basics section. We felt that it was necessary to reiterate this information as some individuals may choose to forego that section.

The fact that it appears again in this section is because we believe that this information is integral to your success. If you understand the underpinnings of the Forex market you can better determine how you want to trade it and also determine your trading style based on how you as an individual fit into this market.

When you choose a lifelong partner you have to ensure that you are compatible with this other person otherwise you can have a very short and miserable relationship. It is the same with Forex and any other profession for that matter; you need to collect enough information to ensure that you can be successful.

The Forex market is truly where the money is. It is the largest market today and is approximately 30 times larger than all the other markets combined. If you are serious about trading and making money then this is the market for you. Your commitment to Forex is one relationship that you want to put the effort into and work hard at being successful.

As discussed in the previous section on Forex Basics, there are many reasons why the large financial institutions trade the Forex and why you would want to trade it as well:

- No Engineering
- The market is open 24 hours per day 6 days per week

- Best Trending Market
- No Dealer Intervention
- Higher Leverage Than Other Markets
- Instantaneous Order/ Stop Execution
- Prime Candidate for Technical trading
- Thirty Times All stock Markets Combined
- Very efficient Market - Reduced Slippage
- Most Liquid Market. US$ 3.2 Trillion per day , this
- No Clearing or Transaction Fees or Commissions

In this course, however, we are only going to concentrate on the following two:

Higher Leverage than Other Markets
Most Liquid Market at US $3.2 Trillion per day

Higher Leverage Than Other Markets

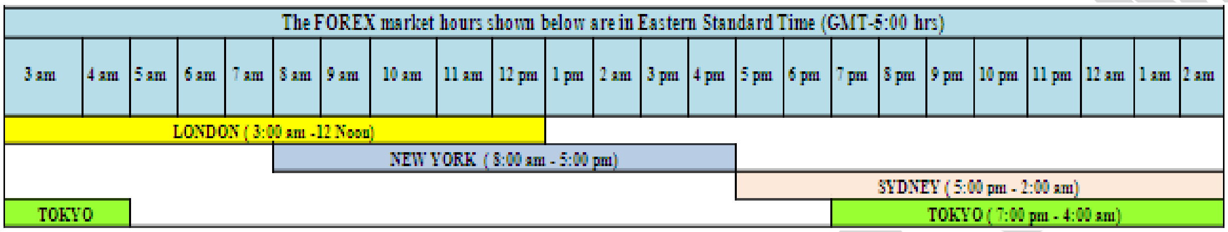
The Forex has very high leverages and most recently we are seeing leverages at 1:500. Leverage allows you to get into the game with a smaller account size whilst allowing you to attain larger profits.

Most Liquid Market

At US $3.2 Trillion per day this is the most liquid market in the world today. This is more than twice what the Canadian economy puts through in one year! This is an extremely active market and if you combine this information with the fact that the currency pairs offer up extremely average daily ranges then you will see why traders like the Forex. It is a very active market with a significant amount of movement which is what traders need if they are to make money. If a market is not moving there is very little opportunity to make profit. Let us now move on to look at some of the metrics surrounding the Forex Market.

The chart below shows the opening and closing times of the different markets.

Note: At points where two markets overlap you will get very good trading opportunities.

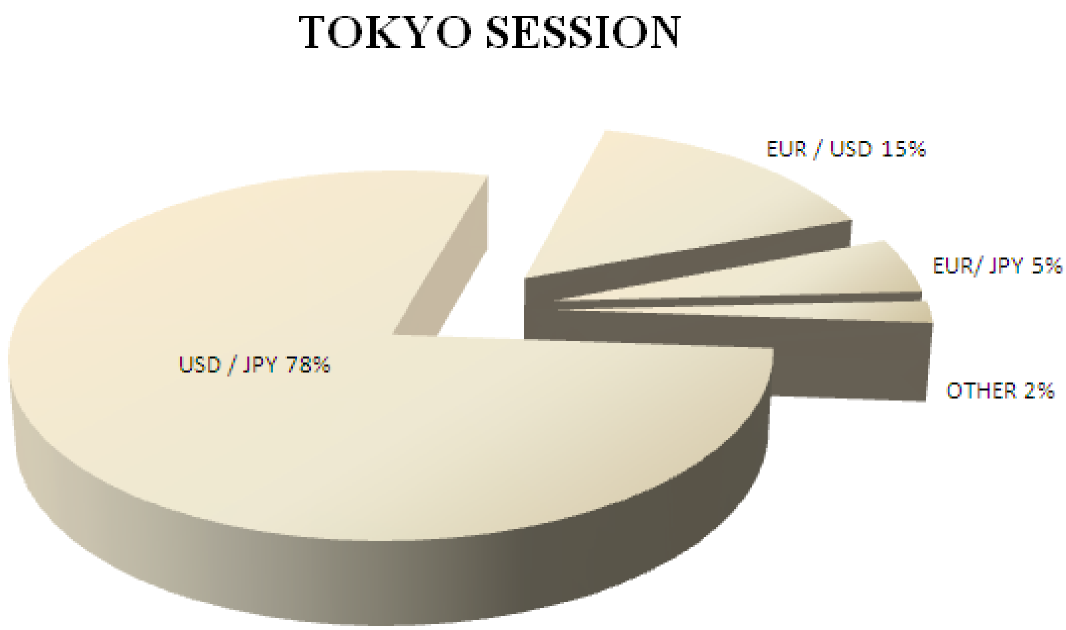


The two predominant sessions in the Forex Market are the London Session and the Tokyo session.

The Tokyo Session

Look at the pie chart below and you will see that during the Tokyo session the two heaviest traded currencies are the USD/JPY and the EUR / USD. This doesn't mean that you cannot trade other currency pairs but it is always better to trade when there is more volume in the market.

Referencing the chart below you will see that the GBP/USD has very little activity during the Tokyo session. However, if you compare the two pie charts below you will see that when the London market opens this currency pair comes to life. The activity increases tremendously being second only to the EUR USD.



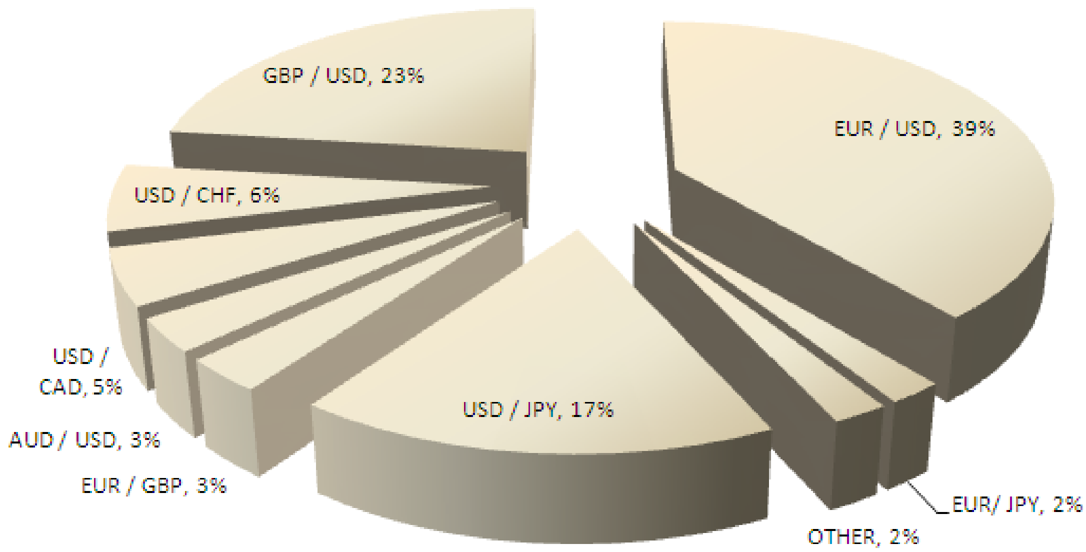
Source : Bank of International Settlements

The London Session

During the London session there is more activity across more pairs. The following are the most heavily traded currency pairs during this session:

GBP/USD
EUR / USD
USD / JPY

LONDON SESSION



Source : Bank of International Settlements

As mentioned before, this does not mean to say that you cannot trade the other pairs. There is still a lot of money to be made on these pairs. As stated in the videos, Peter has made a lot of money trading the USD / CAD over the last 10 years even though it is not one of the more predominant pairs in the Forex market.

Although the percentages may seem small, remember that this is a $3.2 trillion dollar Pie. If you do the math you will see that there is more than enough to go around.

What Is The Most Profitable Pair To Trade?

One of the things you are probably thinking is which pair is the most profitable pair to trade. Any pair can be profitable but from the perspective of Pip value the EUR GBP gives you the highest return per pip.

At the time of producing this document the value of the EUR / GBP is approximately 15.00 per pip in a standard account this makes it $5.00 higher than other pairs which average $10.00 per pip.

If you were looking at pip value alone this is the most profitable pair to trade.

Recall that the initial goal of 20 pips per day would yield $200 per day and $4000.00 USD per month on a standard account.

If you had traded the EUR/GBP those 20 pips would be worth:

$15.00 x 20 = $ 300.00

Weekly it would be

5 x $300.00 which is $ 1,500.00 per week

Now for the drum roll:

Assuming 4 weeks on average per month: $1,500.00 x 4 = $6000.00

That is a whopping $2000.00 more than the average pair would give you per month!

We are not saying that you should trade this pair; rather the aim is to point out the significance of the price difference just based on pip value.

Please keep in mind that whatever currency pair you decide to trade, you should take the time to practice with your demo first as each currency pair has a own finger print if you will. They react differently to the news and often even to the technical indicators as well.

Take time to understand the pair you decide to trade and you will be rewarded for it.

KISS

For those of you who are not familiar with it, The Kiss principle says:

Keep **I**t **S**imple **S**tupid or

Keep **I**t **S**imple **S**weetheart

If there is one rule that you should follow this would be it.

In this course we are going to show you many proven techniques and strategies. Do not try to do everything. Take time to practice each strategy and try to create a simple trading plan that fits with your personality, availability and technical indicators of choice.

Do not keep jumping from strategy to strategy and become an “indicator chaser”.

Being able to find areas of support and resistance is all you need to know to be successful and this course will help open your eyes various methods of identifying these.

Keep your trading simple!

Risk Management

This is a very important topic and one that needs to be taken very seriously. If you are day trading you will need to use between 20 – 30 pips as a stop loss.

Stops are set on the opposite side of the event that caused you to go long or short and are a way of protecting your trading account should the trade move against you. It is a predetermined amount of money that you are willing to lose to enter the trade in an effort to secure a winning trade.

Example: If you entered a trade at 1.5000 for example and you went long, you want to have a stop about 20 to 30 pips below your entry which will be at 1.4970. This means if price decides to fall like a brick instead of going up and you are not there to close your position, the system will close you out at that level and yes you will lose 30 pips but it is better than losing the majority of your trading account to a margin call.

For Position trading you want to use stops of about 75 – 150 Pips.

It is surprising how often it is said that once you are in front of your computer you don't need to put a stop, However please be cautioned against this practice. In the event of a spike or whipsaw you can easily incur a greater loss than you were anticipating. Also in the event that you have a technical failure, power failure etc. your protective stop will minimize your loss should the trade move against you.

Here is a final word on **stop losses** before we move on. A stop loss does not mean that you HAVE to lose that money should price move against you. Once you have an open position your job is management of that trade. In cases where you can see that the trend has changed then you would be wise to exit the trade prior to your stop being hit. As you practice you will become better able to determine when a trade has gone bad.

Cut your losses and let your winners run!

No 'Hail Mary' Passes

For those of you who have not heard the expression before, a hail Mary pass is a football term used to describe play made out of desperation with little hope of success.

Trading Forex is not a guessing game or for those who are looking for amusement. There is a lot of money to be made in Forex and if you play close attention to the tips and strategies discussed in this course you will have no need for Hail Mary Passes.

This Is Not A Race!

It is very common to see inexperienced and experienced traders alike try to get as many trades in as they can in an effort to improve their trading.

Often they will sit glued to their computer for long hours with the misconception that the more trades they put in the faster they will become a better trader or the more money they will make. We urge you to study but your time an effort needs to be properly directed.

This is not a race. At the end of the day it is not about how many trades you made but how much money you have in your account. Rate yourself based on your success ratio and your resulting account balance.

One of our most financially successful students trades on average about 4 times a month. He trades only one currency pair and ONLY when he sees a setup. This approach has given him the confidence to increase his lot sizes yielding far more money in a fraction of the time of the average trader.

Take whatever time is necessary to improve yourself and gain consistency and confidence. The market will always be here. The one with patience will win this game.

If there is no trade then don't trade. You cannot trade what you don't see. The simple rule is that if you cannot see the trades for yourself then don't trade! Keep in mind that sometimes no trade is also a good trade. It is better to sit back, observe and learn from it rather than to guess and jump in.

If you are one of those individuals with an "itchy" trigger finger and you really want to trade despite being uncertain, then you should do so using your demo account. If you don't already have a demo account please take time to create one and keep it as long as you plan to be a trader.

You will use this account when you are uncertain about a set up or testing a new strategy. This will enhance your learning experience as you can document these trades and learn from them while preserving your capital. When you see bankable trades you can execute these in your live account.

A professional chef never throws out his file or sharpening stone but sharpens his knives constantly. Your demo account is your sharpening stone. Use it!

You have to be disciplined enough to know when and when not to enter a trade. As you practice trading and start obtaining consistency you should document your strategy along with other rules that you may want to establish for yourself. This is called a trading plan. Your trading plan will help keep you on track and minimize the risky trades you take. As your trading improves you should take the time to modify your trading plan accordingly. This is not a race. Being disciplined and having a consistent approach will get you there faster than you think.

Become An Independent Thinker

Once you have finished going through this entire presentation our hope is that through practice you will be able to start defining your own trading style. You must decide for yourself what you want out of trading and more importantly how you are going to trade.

The most important thing to learn in trading the Forex is how to become an independent thinker.

You have to learn how to think on your own and forget about what everybody else has to say because at 3:00 AM or whatever time you are trading you cannot rely on others to tell you if you should pull the trigger or not. Too much input from other individuals can actually have an opposite effect. You can begin to doubt your own abilities and your confidence can erode very quickly.

Study, Practice and create a sound trading plan. Being an independent thinker means that you can weed out good information from bad and be strong enough to resist following blindly what others are doing. The stronger you become the easier will be to trust your own judgment.

Top-Down Trading

Top down trading is the use of multiple time frames to get a complete picture of what is going on in the market **before** you get into a trade.

Many traders get into trouble by seeing something that they think is a valid setup and then enter the trade without really getting the appropriate confirmation.

By looking at multiple time frames you will see other aspects that can confirm a trade as being a bonafide trade setup.

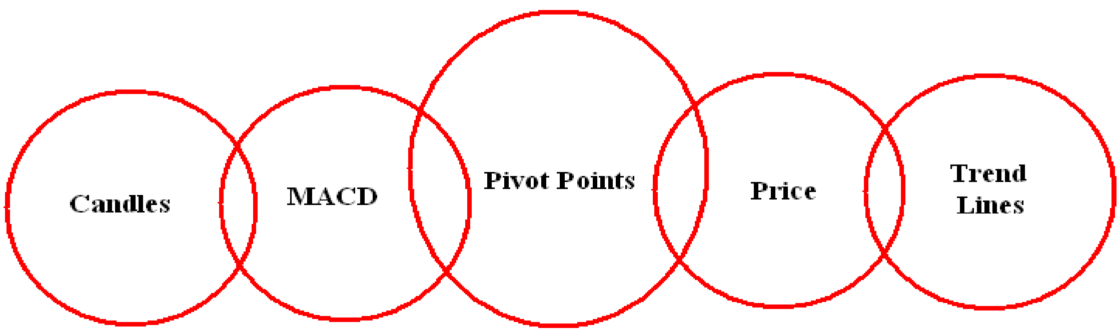
Do not zero in on a trade based on looking at one time frame. You want to get into the habit of looking at different time frames in order to have a confluence of events before you pull the trigger. This will be discussed in more detail as you go through the course.

Putting It All Together

There are many indicators in trading that are available to you but this great variety in choice can be confusing at times. As we mentioned at the beginning, the main objective of this course is to show you some of the tried and proven strategies used by Peter Bain.

Peter relies mainly on five indicators which make up his Dashboard system.

Peter's Dash Board System



Peter's dashboard system is very simple. It only uses a few indicators to make trading decisions:

- Candles
- MACD

- Pivot Points
- Price
- Trend lines

He also uses 50 and 200 EMA which will be discussed in detail further into the course.

Candles

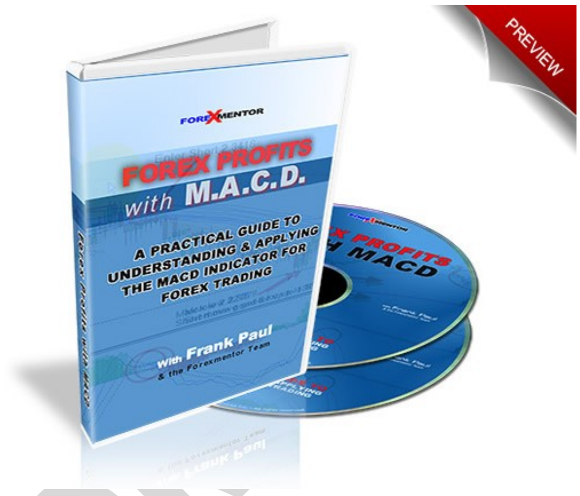
We will show you some of the more significant candles and patterns that are used to make day to day trading decisions in Chapter nine.

MACD

MACD is an acronym for Moving Average Convergence / Divergence.

It was created by Gerald Appel in the 1960s and is an indicator used in Technical analysis.

The MACD graph is a representation of the difference between the fast and slow moving averages of a session's closing prices.



Forex Profits with MACD by Frank Paul
www.forexmentor.com/macd

Although there are many uses for MACD we are going to discuss its two main uses as per Peter Bain's trading system.

- MACD Divergence
- To confirm a trend line break.

If however you want to explore this indicator in more detail please feel free to visit the following link where one of our Mentors, Frank Paul has produced an entire course discussing the MACD and its many uses.

MACD Divergence

As price moves up or down, the MACD indicator usually follows closely creating similar waves i.e. the highs and lows on the Price chart will correspond to the highs and lows on the MACD chart.

However, at times price and MACD will appear to go in different directions. When this happens Price and MACD are said to be diverging.

If you look up the meaning of the word “Divergence” in most dictionaries, you will find “Different, disagreement or separating.

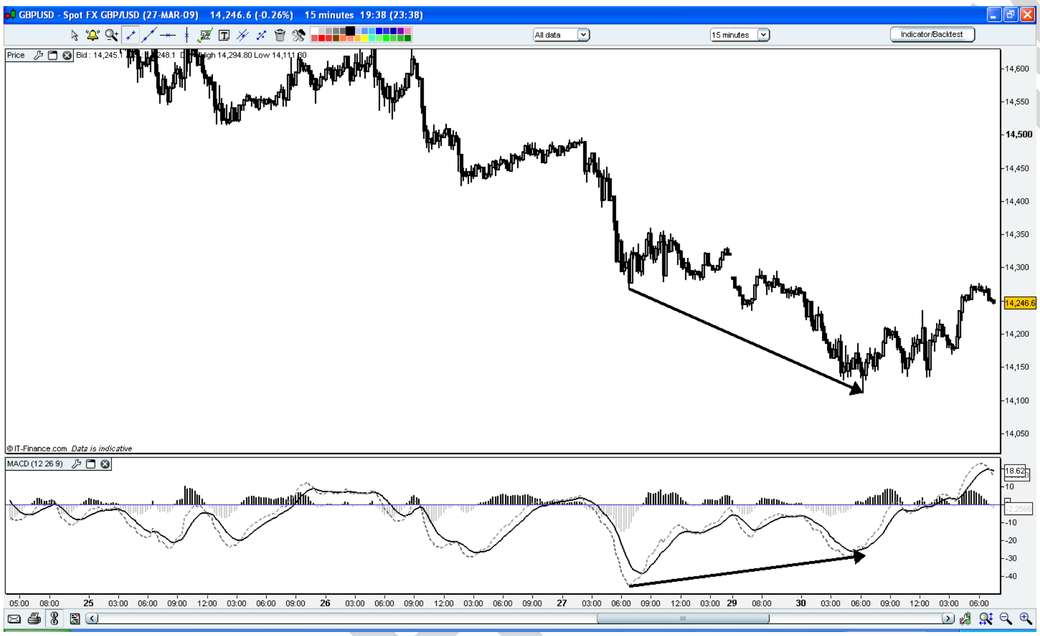
These are just a few of many of the synonyms for this word but the underlying sentiment is the same

Not following each other!

MACD Divergence is simply Price and MACD going in different directions i.e. not following each other.

On the following chart notice that the arrow at the bottom of price is sloping downwards however an arrow drawn on the MACD for the same time period is sloping upwards.

This is a Divergence in MACD as normally the MACD would be also be sloping down to follow the movement of price. You will see many examples of this across all the currency pairs and on many different time frames. The higher the time frame the more powerful the move but you may have to wait longer for a trade opportunity to set itself up.



Being able to identify a Divergence is very important but you probably want to know what exactly you should do with this information. You use it to your advantage that's what you do.

Look at the chart again, price moved down, MACD started moving up and then look at what happened to price. Price eventually moved up as predicted by the early divergence on the MACD.

When you see the MACD going in a different direction from price it is an early indication that price is about to make a change in its current course. For example, If you see price forming higher highs but the MACD is forming lower highs then this means that the current move up is about to change directions.

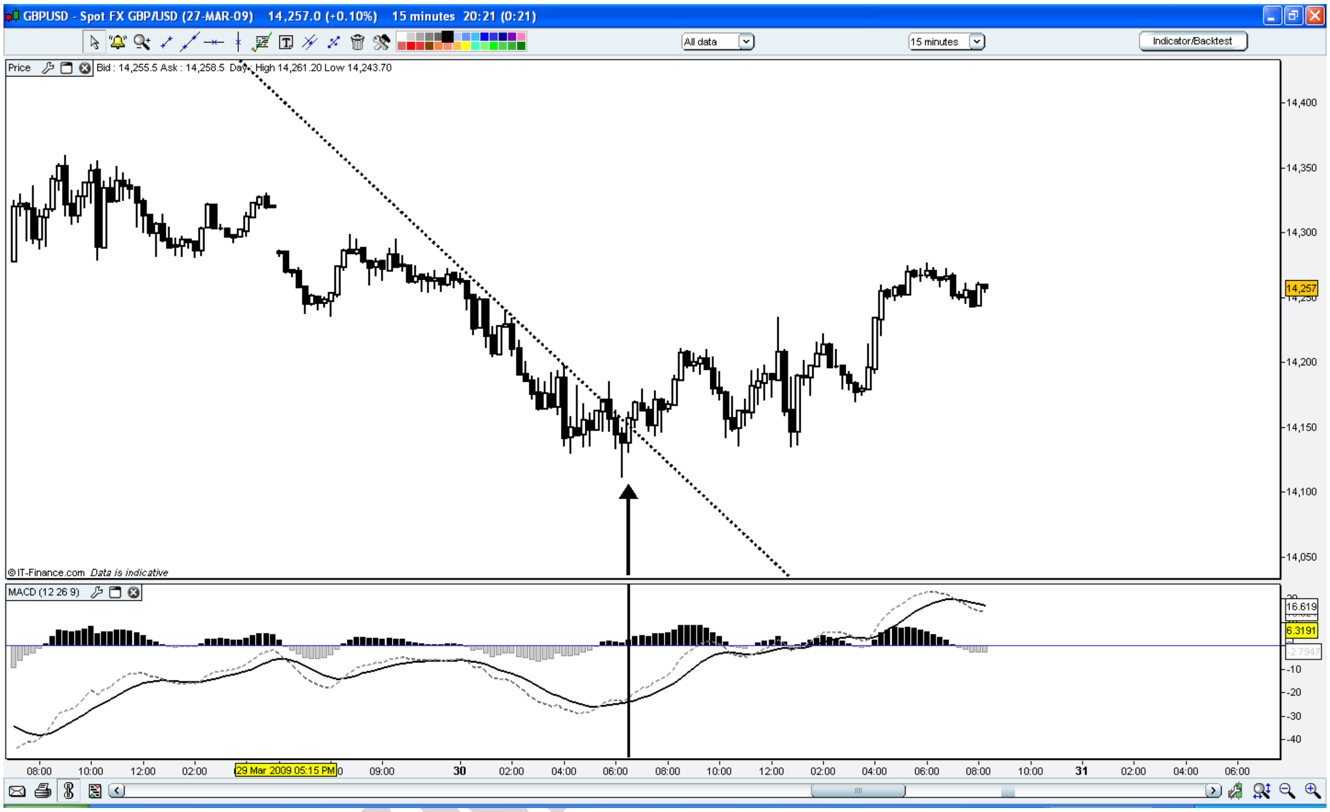
Note however that it does not mean that price is going to go down. It is just an indication that the current move is about to change and this could mean that it is a pending reversal or a move sideways.

Once you observe a divergence on MACD you can adjust your trading accordingly by either zooming in to the lower time frames to confirm an entry or if you are already in a trade you may want to start looking at your profit targets in relation to current chart analysis.

Trend line break using MACD for confirmation

Peter's other use for the MACD is to confirm a trend line break. This can be a common sense trend line or a Tom DeMark trend line break. (We discuss Tom DeMark trend lines later in this course)

On the chart below notice that as price punched through the trend line the MACD crossed up through its trigger line. If you were waiting to trade this trend line break then the MACD would have been your signal to start looking for an entry.



Pivot Points

Pivot points are historically derived areas of support and resistance. Pivots are used to help us determine where we should get into a trade and where we should be taking full or partial profit.

They are widely used and respected technical indicators in the trading community. Peter Bain has added 4 very significant levels into the standard pivots and these levels are very key components to his trading strategy. These will be discussed in much more detail in Part 6.

Price

Yes, price is an indicator!

Price leaves clues when it moves. If you pay attention to the charts you can see very distinct patterns which tell us where price will most likely be heading.

We will be discussing these later in this course.

Trend lines

Trend lines are lines drawn connecting tops or bottoms of Price which help us determine the direction of price.

As mentioned earlier, one of the uses of MACD is to confirm that a trend line has been broken.

There are two types of Trend lines.

Tom DeMark

Tom DeMark trend lines are a very accurate and repeatable standard method of drawing trend lines. These are done using the Wicks of the candles.

Common sense

This involves just eyeballing the chart and drawing a line of best fit across tops and / or bottoms of price. This can be done on wicks or real bodies of the candles.

What Type Of Trader Are You?

There are two types of traders:

- **Position** Traders who stay in the trade for several days
- **Intraday** Traders who stay in the trade for several hours but not overnight.

As you go through the course and practice trading you may find that you prefer one over the other but there is no reason why you cannot do both. Keep this in mind as you study and depending on your lifestyle you may be more successful at one type of trading over the other.

PART 2: POSITION TRADING

In this section we will discuss position Trading. Recall that Day trading or intraday as you may have heard it called, is when you enter a trade and hold it for a few hours but never more than a day hence the term: *Intra-day*.

Position trading on the other hand, is when you enter a trade and hold if for several days.

For position trading and day trading you will still use technical analysis to determine what the market is doing but you do so using different time frames and the size of your stop loss will be different.

When deciding on the size of the stop loss for both Intraday and Position trading you look for the next area of support or resistance in the opposite direction of your desired move. On a higher time frame this could be many pips away so it stands to reason if you are using higher time frames there will be a larger number of pips between your entry and your stop loss.

For Position trading the charts we use are typically the Weekly, daily and the 4 hour and 1 hour charts and for entry you want to go to the 15 minute chart and sometimes the 5 minutes if you are doing a market order.

The candles on these charts represent larger pip moves and it is not uncommon to see one candle on the daily chart represent 100 or more pips!

Because of these large moves our stops have to be significantly larger so you typically want to use stops around 100 – 150 pips however our profit targets are amplified as well. You can expect to target several hundred pips profit!

For intraday trading we use the Daily, 4 hourly and the 1 hour chart to determine the trend and the 15 minute or 5 minute for fine tuning our entry.

On a 15 minute or 5 minute chart the pip moves represented by the candles are significantly smaller than on the higher time frames. Remember the lower time frames are really a "zoomed in" look at the price action. We typically want to place our stops around 30 to 40 pips in the opposite direction of our desired move.

Our profit targets are often under a hundred pips however, depending on the day, the currency pair and the trade setup you can get more than that.

Position trading requires discipline and as with intraday trading you have to ensure that you do a thorough top down analysis to get your trend right. Don't assume that since you are going to hold the position for a few days that your analysis does not have to be as thorough. On these higher time frames failure to do this right could see your stop hit before price turns around and goes in your direction of course you would no longer be in the game, you would be licking your wounds on the sideline.

The Futures Market

As we all know there is no holy grail in this business. There is no magic pill and there is no amount of fortune telling that will help us with our Forex trading. However, there are ways of getting an **edge** and one of best ways to do this is to follow the '**Big Dogs'**. Big dogs are the commercial traders who operate in the futures world and trade thousands of lots worth millions of dollars at a time.

For those of you who are not familiar with the futures market the big difference between Forex and the futures market is the way it is regulated. The currency market is **decentralized** so there is no one location or exchange that tracks all trading activities. However in the futures market, the Commodities Futures Trading Commission (CFTC) monitors these markets and their participants. This is an independent agency which regulates commodity options and futures trading in the USA.

The CFTC collects data from these traders and produces a report that is available weekly to the public which shows all positions held by these large players.

These reports are called the COT data reports. COT stands for Commitment of traders i.e. what have the big dogs committed their money to?

How Can This Help You?

Imagine for a minute that you are a Poker player who could not only see what your opponent's cards were but you were also able to predict their next move. This information could make you quite rich couldn't it?

This is what the COT data gives you. You are able to see what the Big Dogs are doing and although they may be sometimes early in their entry they are never late. This being because they move the market.

Now that we understand how one can benefit from the publicizing of the BIG DOG'S moves via the weekly COT data reports let us look at how it relates to the FOREX market.

Recall that the COT reports are based on the Futures market not the Forex market; however the futures market is a good proxy for what is going to happen in the Forex Market.

In the Futures market the Commercial traders buy or sell currencies not as pairs as in the Forex market but as single currency. For example if they believe that the value of the YEN will go up they will invest in the Yen.

In the Forex Market because we trade the currencies as pairs this means that if we were trading the USD/JPY and we saw that the commercial traders were buying the YEN we would want to do the same. How would we do this? Let us look at a couple examples below.

Example 1: In the Forex market if we wanted to buy the YEN, since it is the second one in the pair with the USD we have to sell the USD/JPY pair.

Remember if you are long the USD you are automatically short the JPY so we have to sell the pair to be long the JPY. The currencies in a pair move in opposite directions as does a see saw.

Long USD/JPY = Long USD / Short JPY

Short USD/JPY = Short USD/ Long JPY

So to recap: The Commercial traders are Long the YEN which means that we have to go **short** the USD/JPY pair in the Forex market.

Example 2: If the commercial traders were buying the Pound Sterling (Cable)

Then to follow in their footsteps we would go Long the GBP/USD.

The Cable is the first one in this pair so we have to go long.

Long GBP/USD = Long GBP/ Short USD

Short GBP / USD = Short GBP / Long USD

You can access the raw data from the Commodity Futures Trading Commission (CFTC).

This information is published weekly and is available to the public. However, the COT data itself is very difficult to decipher. It is a series of rows and columns of data as shown below and can literally bore the socks off of you!

That being said, our members have access to more user friendly charts. These charts not only show the Data in a simplified format, but they produce very distinct patterns that allow us utilize this information in the Forex Market.

COT MARKETWATCH

COT MarketWatch *Commitments of Traders* extreme divergence readings show you where the Commercial Traders are going Net Long or Net Short in any given market. more info »

Frank Paul

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01-05-2009

COMMITMENTS OF TRADERS DATA ANALYSIS

<----D TE--->		<------- COMMERCL CONTRACT -------- ------>					<------- SPECULAT CONTRACT -------- ----->					<--SMALL TRADER-- -------- ------ ---->							
WEEKS FR LAS JAN 01	DAY MOS YEAR	NET QTY LNG-SHT	NET CHG FR PREV	NET COMM INDEX	QTY LONG	QTY SHORT	NET QTY LNG-SHT	NET CHG FR PREV	NET SPECUL INDEX	QTY LONG	QTY SHORT	NET QTY LNG-SHT	NET CHG FR PREV	NET SMALL INDEX	QTY LONG	QTY SHORT	OPEN INTER-EST	OPEN INT CHG FR PREV	FUTUR PRICE
0.00	30Dec08	4866	-442	79	16147	11281	-10355	-325	16	8473	18828	5489	767	41	21831	16342	47479	3778	8159
-1.00	22Dec08	5308	4086	80	13793	8485	-10030	-3282	16	9345	19375	4722	-804	38	19784	15062	43701	-41712	8241
-2.00	16Dec08	1222	-3713	77	47649	46427	-6748	2081	19	10729	17477	5526	1632	41	23984	18458	85413	-1382	8243
-3.00	9Dec08	4935	-702	79	48345	43410	-8829	878	17	12579	21408	3894	-176	34	24217	20323	86795	-1786	7930
-4.00	2Dec08	5637	5306	80	51053	45416	-9707	-3438	17	13076	22783	4070	-1868	35	21413	17343	88581	4815	7974
-5.00	25Nov08	331	-898	76	44510	44179	-6269	908	20	12521	18790	5938	-10	43	23384	17446	83766	-8788	8139
-6.00	18Nov08	1229	3233	77	48759	47530	-7177	-3932	19	15426	22603	5948	699	43	25393	19445	92554	-5592	8077
-7.00	11Nov08	-2004	-3837	74	54695	56699	-3245	4249	22	16067	19312	5249	-412	40	23825	18576	98146	-9641	8289
-8.00	4Nov08	1833	-1644	77	57222	55389	-7494	2353	19	17145	24639	5661	-709	42	29600	23939	107787	-79	8672
-9.00	28Oct08	3477	-6694	78	59656	56179	-9847	2548	16	18065	27912	6370	4146	45	26091	19721	107866	-3572	7747
-10.00	21Oct08	10171	-3852	83	64022	53851	-12395	5489	14	20698	33093	2224	-1637	26	23556	21332	111438	13143	8250
-11.00	14Oct08	14023	-3517	86	56665	42642	-17884	-732	9	16220	34104	3861	4249	34	22210	18349	98295	3794	8630
-12.00	7Oct08	17540	149	89	51447	33907	-17152	869	10	18431	35583	-388	-1018	13	20682	21070	94501	875	9068
-13.00	30Sep08	17391	474	89	47684	30293	-18021	632	9	19691	37712	630	-1106	18	20330	19700	93626	1296	9427
-14.00	23Sep08	16917	6437	89	47346	30429	-18653	-8431	8	17090	35743	1736	1994	23	23168	21432	92330	-52706	9670
-15.00	16Sep08	10480	-946	84	80684	70204	-10222	-238	16	33090	43312	-258	1184	14	25982	26240	145036	2692	9353
-16.00	9Sep08	11426	-8915	84	74147	62721	-9984	7590	16	36134	46118	-1442	1325	8	24118	25560	142344	20067	9358
-17.00	2Sep08	20341	4955	91	54447	34106	-17574	-1810	9	37205	54779	-2767	-3145	2	24812	27579	122277	6024	9358
-18.00	26Aug08	15386	-15940	87	50528	35142	-15764	12321	11	33329	49093	378	3619	17	28030	27652	116253	-10612	9533
-19.00	19Aug08	31326	5167	100	58423	27097	-28085	-2756	0	38641	66726	-3241	-2411	0	25263	28504	126865	5711	9405

Page No. 2 CANADIAN DOLLAR
01-05-2009

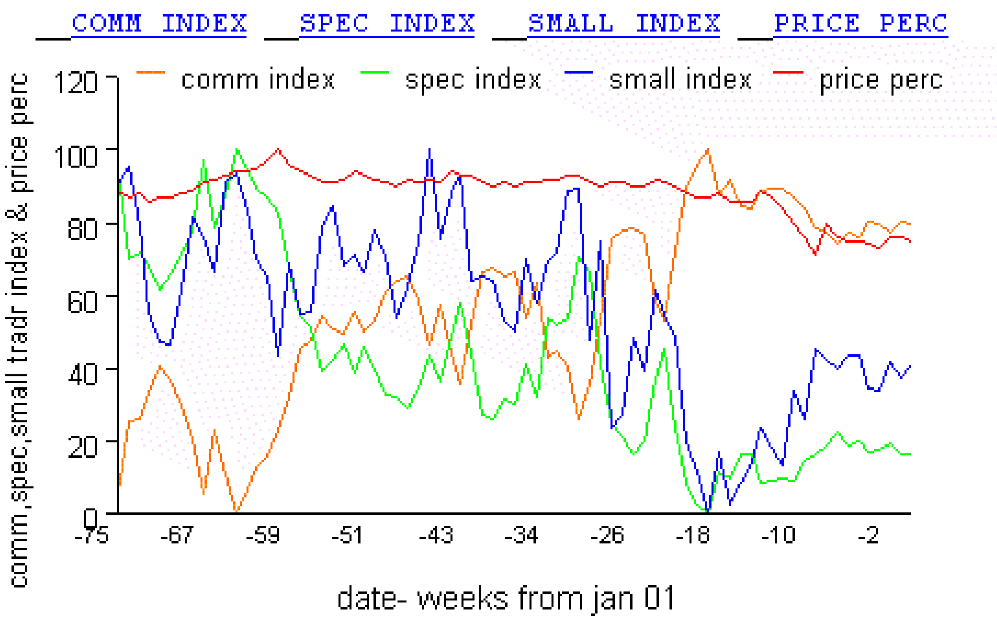
COMMITMENTS OF TRADERS DATA ANALYSIS

<----D TE--->		<------- COMMERCL CONTRACT -------- ------>					<------- SPECULAT CONTRACT -------- ----->					<--SMALL TRADER-- -------- ------ ---->							
WEEKS FR LAS JAN 01	DAY MOS YEAR	NET QTY LNG-SHT	NET CHG FR PREV	NET COMM INDEX	QTY LONG	QTY SHORT	NET QTY LNG-SHT	NET CHG FR PREV	NET SPECUL INDEX	QTY LONG	QTY SHORT	NET QTY LNG-SHT	NET CHG FR PREV	NET SMALL INDEX	QTY LONG	QTY SHORT	OPEN INTER-EST	OPEN INT CHG FR PREV	FUTUR PRICE

Like the raw data produced by the CFTC these user friendly charts are produced weekly so that traders have the opportunity to capture the moves of the BIG DOGS in a timely manner.

This chart shown below is a representation of the same data that was shown above and demonstrates the difference in the presentation of data.

This document is printed in black and white so it will be difficult to discern the differences however if you go to the video presentation for this section you will be able to see them in color.



If you are a position trader this is invaluable information and is just another tool that you can use in your analysis. What you look for is extreme divergence. Divergence on the COT charts is where the Big Dogs are going in one direction and the Hedge funds and the Street Funds are going in another direction.

The example below shows the COT chart of the Canadian dollar inset and The Forex chart for the USD CAD.

Let us not look at how the COT data relates to the Forex Market. On the following chart we are looking at the USD / CAD currency pair.

Looking at the COT chart inset, the commercial traders were short and the hedge funds and the street funds (A and B) were long.

This difference is the divergence that we look for.

As price was going down on the Forex chart the commercial traders were extremely short which translates to being extremely long the USD CAD pair in the Forex world.

Remember the COT charts are derived from the futures Market and represent what is happening on a single currency while the FOREX charts look at the same currency but as it relates to the other currency it is paired with.

You would trade this by paying close attention to your indicators to see when price would change direction. In this case we had tweezer tops or railway tracks which signaled the change in direction as predicted by the COT charts. We could have looked for a trend line break as well which is usually confirmed by MACD crossing up over its signal line which is the case here.

Let us look at another more recent example to help you understand how to use the COT data to help you with your position trading.

Have a look at the AUD/USD daily chart below. As price was heading lower have a look at what the big dogs were doing. If you look at Point A on the COT chart inset they were going long. When you see this, your job now is to analyze the currency to determine when the change in direction is most likely to occur.

We can use several indicators to help us predict the price swing or change in direction.

Recall that one of the uses for MACD is to help determine when a trend line is broken. There isn't a trend line drawn in on the Chart above but if you use a ruler you will see that the

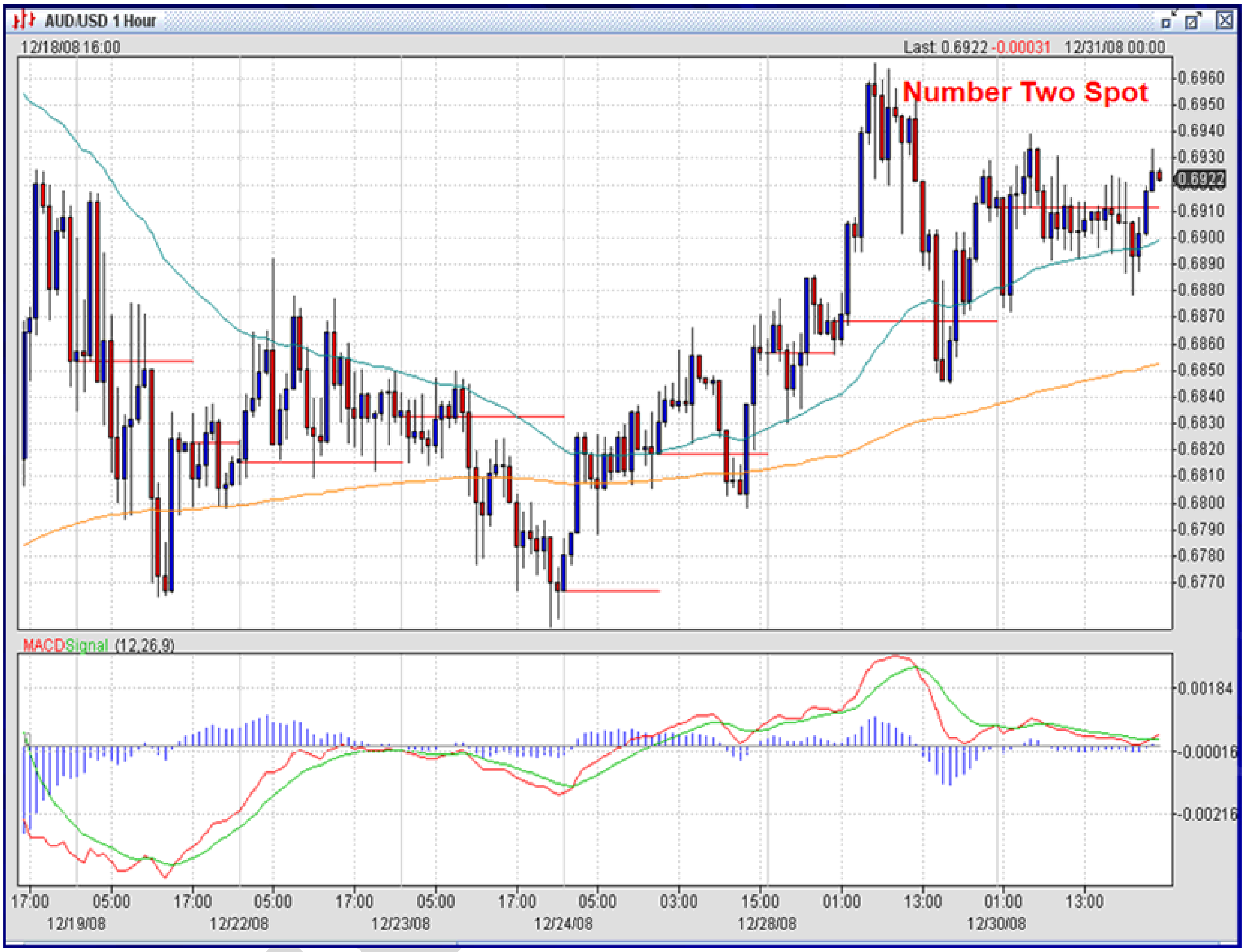
MACD is crossed up at the point of trend line break signaling that a trend change was about to happen.

If you look closely you will observe that at point A we also have MACD histogram divergence.

On this chart we also have a 123 bottom. The way to trade a 123 bottom or top is to go 5 pips above point 2 at a level not ending in Zero. So for this trade you would start zooming in to the lower time frames to get a closer entry all the while keeping your eye on the level that we have marked at our # 2 point of our 123 bottom.

The 1 Hour chart below shows that the 50 EMA was still above the 200 EMA with good angle and separation.

The # 2 spot is just at the top right of the chart.

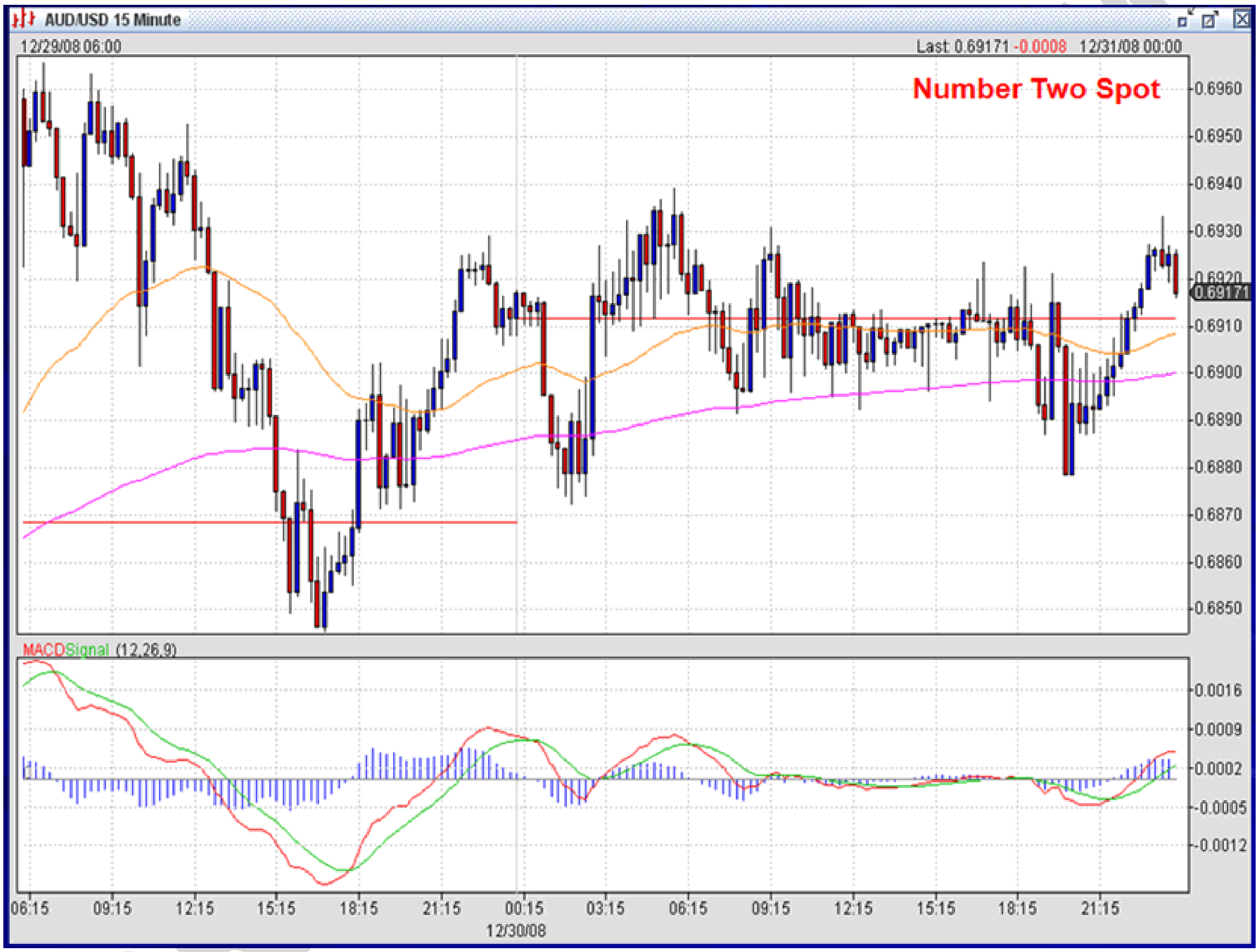


Now we move down to the 15 minute chart to get a closer look and confirm that the trend is turning around. Again the 50 and 200 EMAs were trending up with good angle and separation.

We are still well below the # 2 spot which we determined would be our targeted entry from the Daily Chart.

Remember the purpose of waiting for the # 2 spot to be hit is to ensure that price is indeed going in your direction.

This is where the patience comes in. At this point we have nothing else to do but wait for price to come to our entry level. You can set alerts on your charts to notify you when price gets close to your entry if you have this option or you can set a “ Buy Stop “ order and let the system take you into the trade.



The benefit of the latter is that you don’t have to keep monitoring your charts to ensure that you do not miss your entry. If your charting package does not have the ability to set alerts then a **Buy Stop** may be the best way for you to enter these trades.

If you are uneasy about letting your computer trade for you and you do have alert capability then by all means set the alerts to warn you at some point close to the desired entry so that you don't have to spend all day staring at the screen. If you are going to place the order at Market then it is recommended that you take your entry off of the 5 minute chart so that you can get a better look at the price action and tighten up your entry.

Let us have a look at what actually happened on the chart a few days later.

The chart below shows the move which finally played out a couple days later. Notice price broke the #2 level and quickly ran up to approximately about 160 pips.

On a full contract that is $ 1,600!

Recap of Steps

Before we move on let us briefly recap the steps we used in the AUD USD trade so that you have a clear picture of what you need to do.

Look for divergence on the COT chart

- Go to the Forex Daily chart for the currency in question and start analyzing for a price turnaround.

    - ✓ MACD Divergence
    - ✓ MACD Histogram Divergence
    - ✓ 123 Tops and Bottoms – Mark your #2 spot on the chart and transfer it to the lower time frames.
    - ✓ Candle formations and Patterns e.g. shooting Star, Hammer, Railway tracks etc.

- Zoom into the 1 hour chart and determine the trend. Is the 50 and 200 EMA crossed in the direction of the anticipated move?

Charts used for Position Trading:

- Weekly
- Daily
- 4- Hourly
- Hourly
- 15 – Minute

What Else Do We Need For Position Trading?

Patience!

As a position trader you really need to be patient. Lack of patience can bring an early end to your trading account and possibly your trading career!

You will have to have a steady stomach as this is not like day trading where you get to go to bed each night not having to worry about open positions. With position trading you will be going to bed several nights in a row with your trades open. You will experience the fluctuations in the market and when you first start out these can take their toll on your nerves.

The key to successful position trading is proper chart analysis, good risk management, a well thought out trading plan and lots of patience.

Choosing A Currency Pair

If you have decided that you want to enter the profitable world of Position trading then you need to be aware of interest rates. Each country has an interest rate associated with their respective currency.

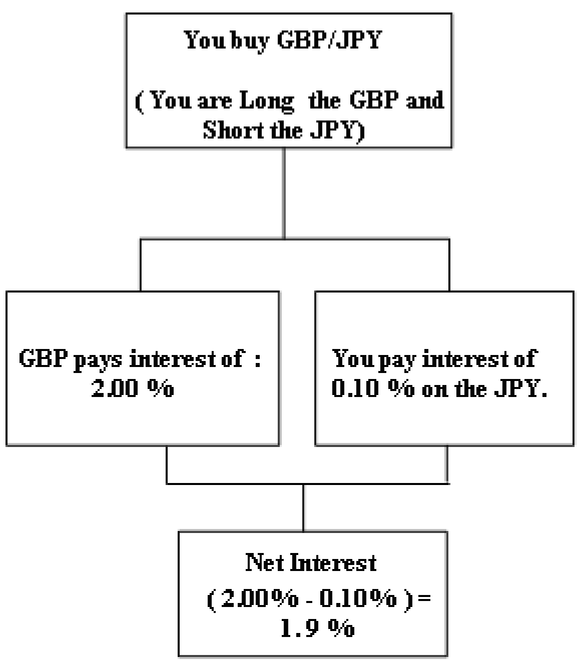
When you go long remember you are buying the first currency in the pair and selling the second currency.

This means that you will gain interest on the first currency and pay interest on the second one in the pair if you hold your position over night. This amount can quickly add up if you are position trading.

The chart below lists some of the interest rates as of January 05, 2009.

NZD	5.00%	AUD	4.25%
GBP	2.00%	USD	0.25%
CAD	1.50%	EUR	2.50%
CHF	0.50%	JPY	0.10%

Let's look at the GBP/ JPY currency pair to get a better understanding of how to apply this information to choosing a currency pair for position trading. From the chart above we see that the GBP has an interest rate of 2.00% as of January 5, 2009 and the JPY has an interest rate of 0.10%.



From the diagram above we see that the net interest is 1.9% which means that whether or not your position is making profit the broker will pay you this interest on your position.

Keep in mind though, that choosing a pair with a negative net interest will result in you paying your broker the interest charge. I will go into this in more detail in the next section which discusses another form of position trading. It is called **The Carry Trade**.

PART 3: THE FOREX CARRY TRADE

What exactly is a Carry Trade? The Carry Trade is a trade that is held for a longer term sometimes several months, during which time the trader/investor hopes to profit from the differences in the interest rates of the currency pair.

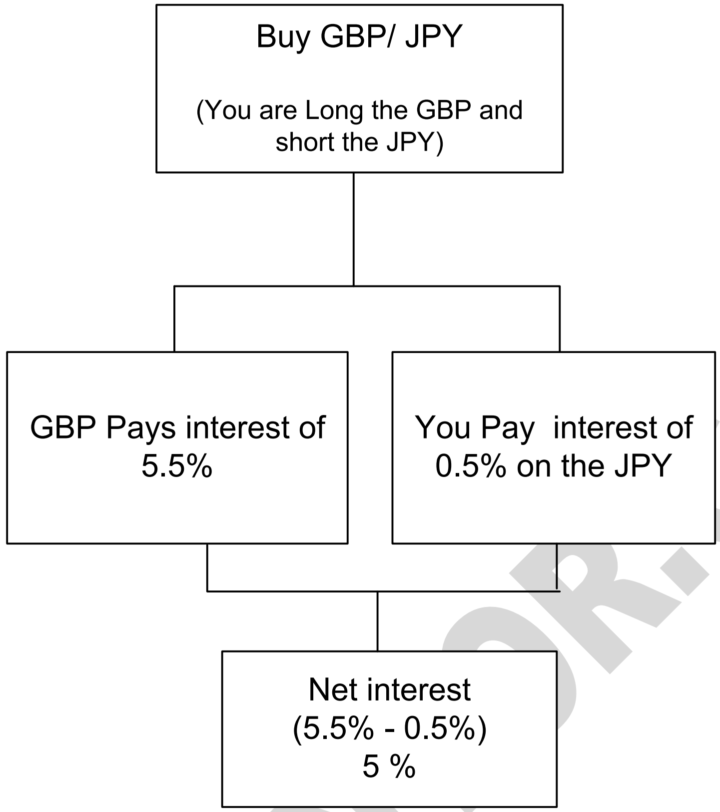
Simply put it is the buying and selling of a currency pair whose **net** interest is **positive**.

The carry trade is a strategy used where a trader will buy a currency pair that has a high interest rate return on the first currency in the pair and a low interest rate on the second currency in the pair.

Referencing the video for this section, one of the currency pairs used as an example was GBP/JPY.

The GBP was earning 5.5% interest whilst the JPY was costing 0.50% interest so the net interest being earned by holding this pair was 5%

So if you bought this pair you would be earning 5 % interest.



Recall that if you are buying the first currency in the pair then you are selling the second currency in the pair. This means that you are receiving interest on the first pair and paying interest on the second pair.

If what you have to pay is more than what you are being paid then you will end up having to pay interest on the pair .

In a carry trade scenario you want to do your home work to ensure that the net interest is of significant value to warrant you entering the position in the first place. Many traders try to get anywhere above 3 % return.

One of the dangers of the Carry Trade is the country's economy. In the case of Japan they have kept their interest rates low to attract investments. If this interest rate suddenly went higher than the counter currency then you could end up in a negative interest situation.

Since the Bank of Japan has historically advertised its intentions well in advance this is not usually seen as an issue however bear in mind that depending on the currency pair you choose you will need to monitor the interest rate changes.

Understanding the Carry Trade Unwind

Recently the Carry Trade has been a hot topic of discussion in the news, more specifically the unwinding of the Carry trade.

This was a very interesting situation and you may want to read more on if you think that this is a form of trading that you wish to pursue. As I mentioned above the only perceived cause for concern when entering into a carry Trade was interest rate fluctuation to the point that you now had to pay out interest rather than receiving it.

The carry trade unwind took many investors by surprise and was worse than anyone anticipated. We mentioned that in the Carry trade the Yen is borrowed at a low interest rate and invested at higher yielding interest rates.

Much of the borrowed Yen was invested in the US Residential Real estate market either directly or indirectly. When the subprime mortgage crisis hit and home owners were no longer able to pay back their mortgages many of those investments went sour and many banks and investment funds started losing money. This resulted in Margin calls on the currency. Loans had to be repaid and many had to be done in YEN which sent the value of the Yen up. This created a higher value for the Yen. This increase in the cost of the Yen and resulted in more Margin calls (Remember in the carry trade they were short the YEN so they were losing money when the price went up)

This forced many of the Carry trades to be closed either by margin call or by traders fearing that the Yen would go higher and this is what brought about the unwind of the carry trade.

In fact the Carry Trade is alive and well and the interest rates are still conducive to getting a positive return however due to the current economic global crisis there is a real fear of re-entering the carry trade.

The Carry Trade is a very good source of revenue but you have to do your homework and exercise caution when entering this type of trade.

PART 4: FOREX DAY TRADE

In this section we are going to discuss Day Trading.

Below is a list of the opening hours of the Forex Market. It is open from Sunday to Friday and 24 hours per day during this period ending on Friday at around 4:30 pm EST.

It reopens on Sunday at around 5:00 pm EST. The Forex market literally follows the sun around the globe. During the time that the Forex market is open we have several markets opening and closing at different time as discussed in the first two sections in this course.

Below is a chart representation of the opening hours of the major markets.

FOREX MARKET HOURS - Eastern Standard Time		
CITY	OPEN	CLOSE
NEW YORK	8:00 AM	5:00 PM
TOKYO	7:00 PM	4:00 AM
SYDNEY	5:00 PM	2:00 AM
LONDON	3:00 AM	12 NOON

Day trading is very different from Position trading in that you will be analyzing lower time frames and making your trading decisions faster than with position trading.

There are specific times when you will want to be in front your computer as a day trader and times when you are better off taking a walk and enjoying the sunshine or whatever else you choose to do with your spare time.

In the first two sections we discussed the opening and closing of the markets and touched on the times that the respective markets open and close. Remember that Forex is not a building but an electronic medium between buyers and sellers.

In the list below are the six times when you want to be at your computer:

3 AM ET	Start of the London Session
8 AM ET	New York Session Opens up
Noon ET	Close of the London Session
5 PM ET	New York Session Closes
7 PM ET	Tokyo opens
9 PM ET	Singapore opens

The largest market is the London Market which opens around 3 AM EST and closes around noon the following day.

The reason you want to pay close attention to these times is that there is usually a shift in trader sentiment at market opens and closes that could present very good trading opportunities for you.

Note also that the window of opportunity for the London session is anywhere between 2:00 – 4:00 am

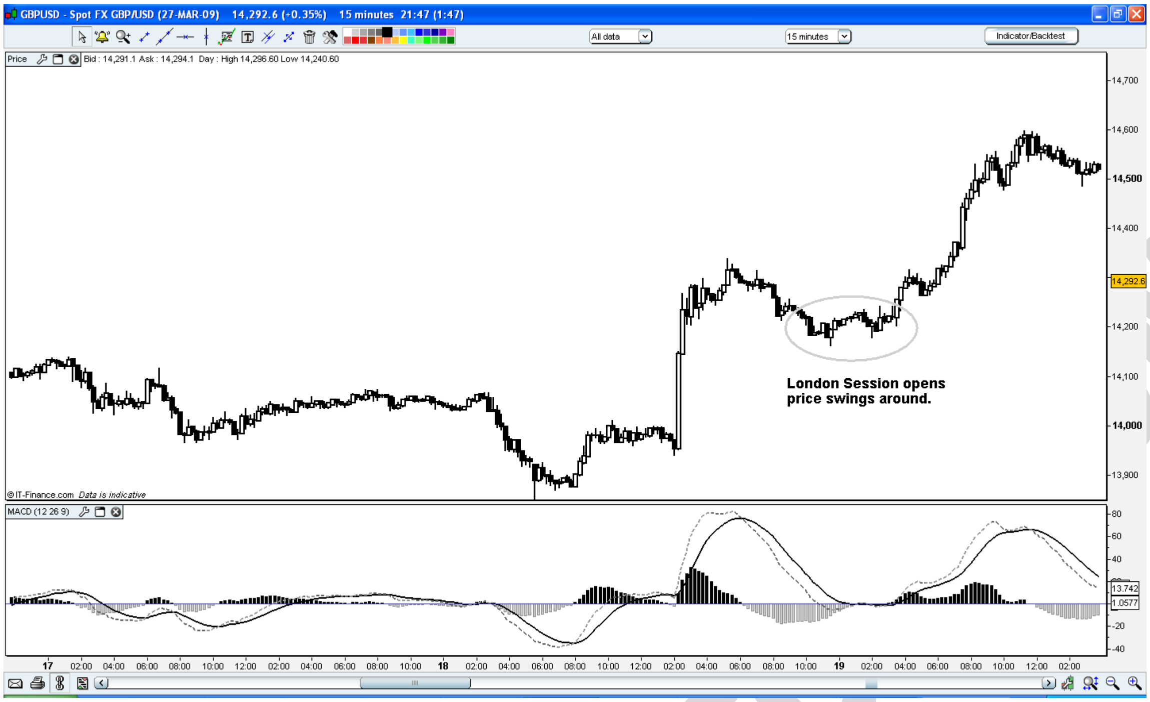
Trading Market Opens and Closes

Let us now examine what is meant by “trader sentiment changes at Opens and closes.”

When one market closes and another one opens, you will often get a directional change on the price charts as the traders tend to view the market differently.

There is often a shift in trader sentiment around these times as new Geographical locations come online. The most volatile times are when you have an overlap between opens and closes.

Let us look at the chart of the GBP/USD below right around the time that the London session opened at 3:00 AM est.



These shifts at the opens and closes of the respective markets happen time and time again so you may want to factor this into your trading plan.

After lunch EST you will find that the market goes dead for a while as the London Session has closed leaving only the New York session open. It is best to go for a walk or do something else rather than sit at your computer and try to find a trade that more than likely does not exist.

You can then return to your desk in time for the New York session close at 5 pm EST.

Remember this change in trader sentiment happens at both Market opens and closes.

The next example shows the swing at the New York open for the EUR/USD.

Notice that almost to the minute price turned around and went in the opposite direction as soon as the market opened.

You can try this exercise yourself. Take time to go through the currency pairs and analyze price behavior in and around the times outlined at the beginning of this section.

The chart below depicts a swing at the New York open on the EUR USD.

Top Down Analysis

In the section on Position Trading we discussed the time frames you need to look at to get a perspective on where price is possibly going. For day traders you will also engage in Top down analysis however you will want to do your top down looking at the following charts:

- Daily
- 4 Hourly
- Hourly

- 15 minute and 5 minute for entry.

When day trading you should always determine your trend from the 1 hour chart.

You want to execute on the 15 minute or 5 minute charts but always refer back to the 1 hour for trend determination.

The 15 minute chart is where you make your final trading decisions and 5 minute chart is where you tighten up your entry to minimize risk. Think of your five minute chart as your Forex microscope.

PART 5: THE #1 FOREX INDICATOR

The number one Forex indicator is the 200 EMA.

One of the reasons this EMA is so popular is because it works very well and the reason it works very well is that the Big Dogs use this as a gauge as to where price is going.

The 200 EMA is used in conjunction with the 50 EMA in order to determine the currency trend.

In the next few examples you will learn how to use these EMAS to help determine the trend for day trading.

For day trading the trend is determined on the 1 hour chart. It is important that you remember this, as you may be tempted to look at the lower time frames to determine the trend.

We determine trend by looking at a number of things mainly the direction in which the EMAS are crossed.

Uptrend

You want to see the 50 EMA crossed above the 200 EMA on the daily, hourly and 15 minutes for an uptrend.

Downtrend

You want to see the 50 EMA crossed below the 200 EMAs on the daily hourly and 15 minute charts on a downtrend.

You also want to see a nice angle and separation between the two EMAs i.e. you want to see a good distance between them to give you the confidence that the trend will stay in that direction long enough for you to be able to trade in that direction.

If you look at your charts and you see the EMAs tangled up together and you cannot determine a trend. WALK AWAY! Do not try to manufacture a trade or try to unravel such “spaghetti code.”

If you cannot see it then you cannot trade it. You have to be able to clearly define a trend in order to trade it.

There will be times when you cannot determine a trend or when the charts contradict each other. This is normal and you should just move on to look for another currency that is cooperating. If you only trade one currency pair then this is your break time. Take a walk or read a book, brush your cat but whatever you do, DON’T trade a pair that does not have a clear trend.

Let us now look at some chart examples to help you understand what all this means.

The first chart below is the GBP / USD daily chart. Notice that the 50 EMA has crossed below the 200 EMA. Once that happened look at the behavior of price. It stayed below the 50 EMA and moved down.

You can clearly see that this pair is in a down trend and not only staying well below the 200 EMA but also below the 50 EMA as well. Note also that the EMAs crossed down and they have a large distance between them.

For the trend to change we need to see price move above the 200 EMA and for the 50 EMA to cross over the 200 EMA. Price can move all the way back up to the 200 EMA but unless the EMAs cross back over the trend is still considered to be down.

Let us move on to the hourly chart where you will see this more clearly.

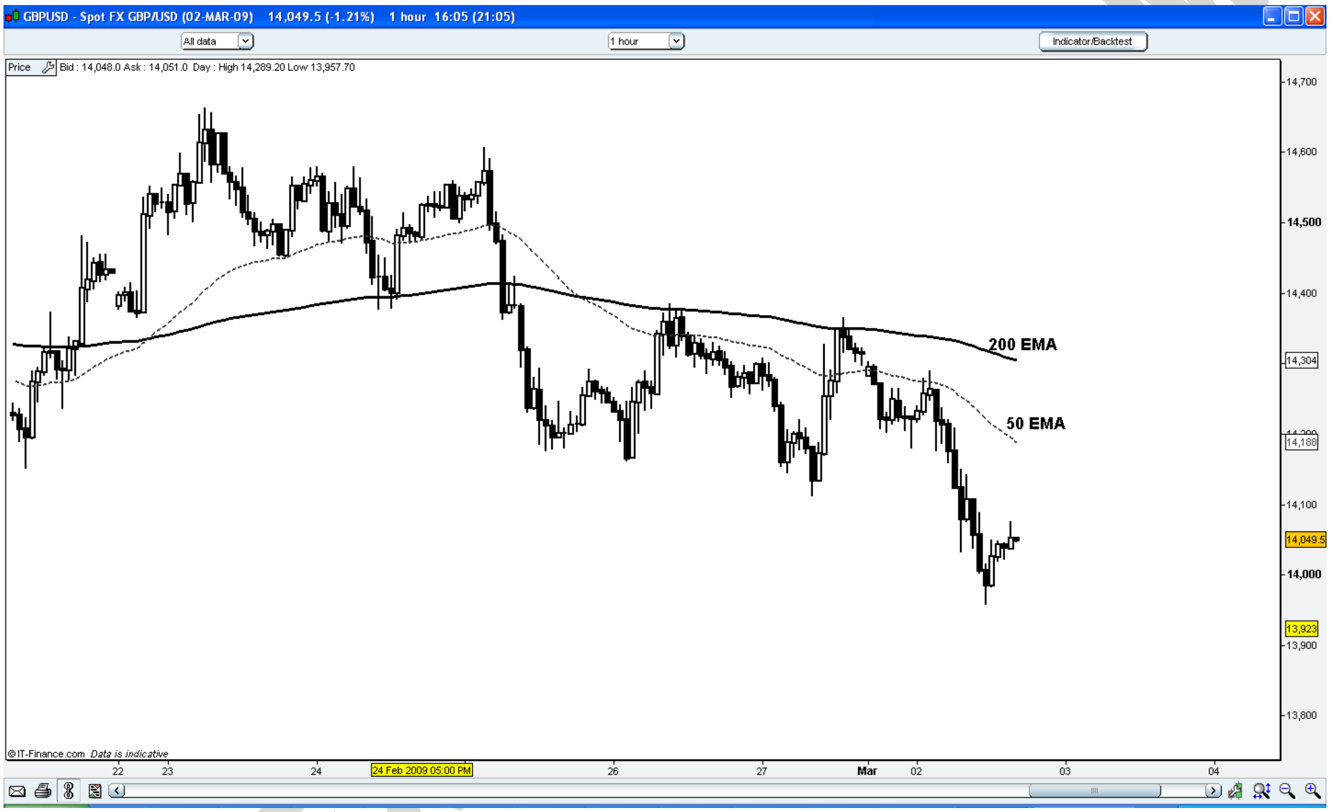
GBP / USD Daily Chart

As a day trader the hourly chart is your most important chart. You determine your trend for the day on this chart.

On the hourly chart below we see that price has broken through the 50 EMA but never made it past the 200 EMA. Remember what we said earlier, Price can make it all the way back up to the 200 EMA but until the EMAs actually cross over the trend remains down.

Well take a close look at the 1 hour chart below, Although price crossed above the 50 EMA the trend is still down and there is good angle and separation between the two EMAs.

It broke above the 50 EMA only to be restricted by the 200 EMA. The trend is down on this chart and will not be up until the 50 EMA crosses above the 200 EMA.



Once we have determined the trend on the hourly chart we go to the 15 minute chart to look at for an entry.

GBP / USD 1 HOUR CHART

Take a look at the 15 minute chart below. What do you see? Price is well below the 200 EMA. It made one attempt to get past the 50 EMA and again the 200 managed to keep it contained.

In this situation we would be looking for an opportunity to sell the rallies in the downtrend. Note that the MACD and pivots were left off of this chart as the focus here is the behavior of the EMAs. To determine if we have a valid entry on this pair we would use the other indicators such as the MACD and Pivots to further analyze the pair.

GBP / USD 15 MIN CHART

A special note on Crossovers:

A Golden cross – When the 50 EMA crosses above the 200 EMA

A Death Cross – When the 50 EMA crosses below the 200 EMA

PART 6: PIVOT POWER FOR FOREX

Pivot points are mathematically derived points of support and resistance based on historical price action.

They were very important back in the early days of trading when all pit traders had to rely on were the previous day's highs lows and closing price. When any of these levels were hit or breached they would trade accordingly.

Today we are fortunate to have access to many technical devices to assist us with our trading decisions but Pivots still remain a very key ingredient in identifying support and resistance levels. They are also used by the larger traders so there is another good reason to keep these in your arsenal.

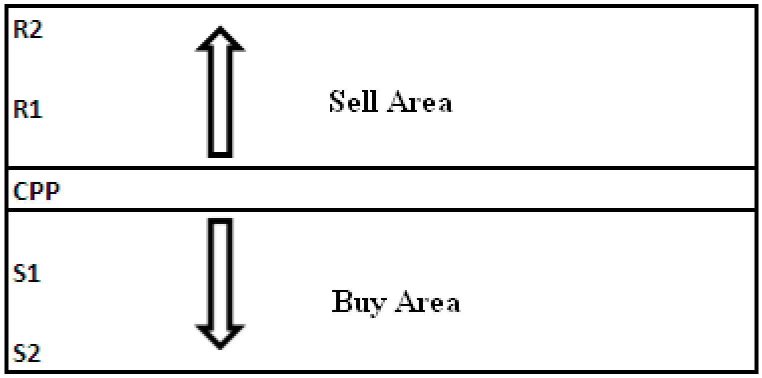
The main pivots we look at are the daily, weekly, monthly and yearly pivots and as mentioned above, we use historical information to calculate pivots. Following are the variables used in the calculations:

- OPEN
- HIGH
- LOW
- CLOSE

The standard pivot levels are

- The Central Pivot
- The two resistance levels.. R1, R2
- The two Support Levels S1, S2

The diagram below depicts each level's place in respect to the Central Pivot Point (CPP)



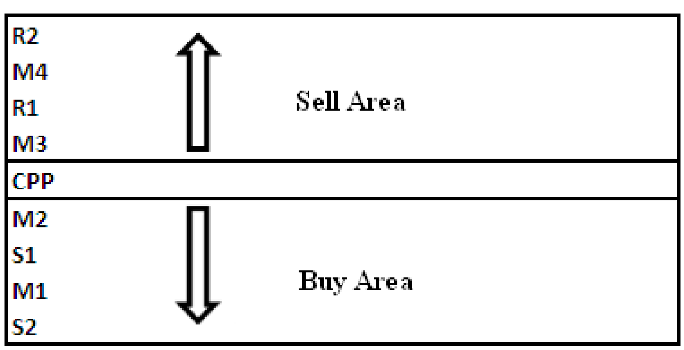
If you have already listened to the video presentation for this section you will notice that there are 4 extra pivot levels being employed.

These are Forexmentor's own special levels that were developed by Peter Bain and are a key component of his trading system.

If you pay attention to how price behaves around the five core pivot levels you will notice that they seem to stop mid way between these levels for no apparent reason.

These "invisible" support or resistance areas are the mid-points or M Levels.

The chart below shows you how they fit into the standard levels. Notice that they are between the standard pivots.



The addition of the 4 M Level pivots brings the total number of pivots used to 9.

The M- Levels are also used to determine the expected highs and lows for the day. This will be discussed in the next section.

As stated on the diagram above, when price moves above the Central Pivot point it is in a area where you have the bias towards selling and when it is below the Central Pivot point it is an area where you are more likely to get a buying opportunity.

If you take a minute to think about it, above the CPP is where we have resistances as determined by the pivots. When price hits a resistance there is a likelihood it will bounce and move down.

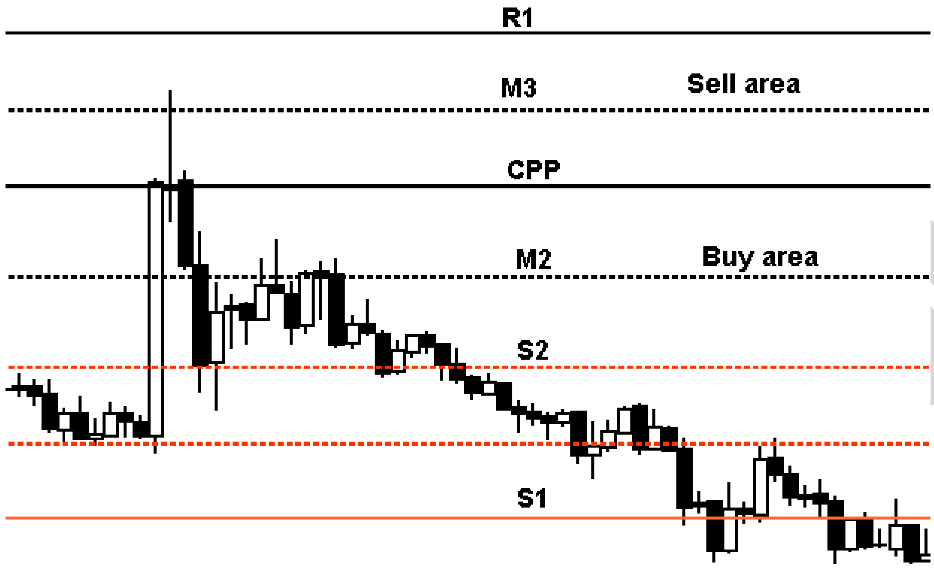
Below the CPP we have all our Pivot support levels and again when price hits a support level there is a likelihood that it will bounce and move up.

Selling opportunities in a Buy Area

Although the area below the CPP is designated as a Buy area you may often be presented with opportunities to sell in this area. If price is below the Central pivot and moving down you can sell on a retracement, i.e. sell a rally. Often you will find that the retracement will bounce and give you an entry at a pivot point in the sell area. If you have enough confluence there is no reason why you cannot take these trades.

The example below was taken from the GBP/USD. Price had moved below the Central Pivot point into the buy area. It found support at S2 bounced and retraced only to find resistance at M2. This retracement gave an entry for a short. As you can see price collapsed after that retracement and moved all the way past S1!

If you had enough reasons to enter this trade you would essentially have been selling in the buy zone and be several pips richer for doing so.



Buying Opportunities in Sell area

Again there is nothing wrong with taking a long trade in this area as long as you have confluences that confirm that the trade is a high probability one. As with the example above often you will find that you entry will coincide with a pivot point.

Plotting Pivots

Pivots are calculated on a Daily basis as well as Weekly, Monthly and yearly utilizing the previous session's data.

We plot the pivots on the charts as follows:

Daily Pivots	Weekly Pivots	Monthly Pivots	Yearly Pivots
5 Min Chart	15 Min Chart	4 Hourly Chart	Weekly Chart
15 Min Chart	1 Hour Chart	Daily Chart	Monthly Chart

Calculating Pivots

Forex mentor Pivots have been incorporated into many broker platforms. If you have an account with these brokers then the pivots are already calculated for you in their charting platform.

All pivots are calculated at Eastern Standard Time.

As a Forexmentor member you have access to our pivot calculator and you will need the following values to obtain the respective values.

Daily Pivots

We use midnight to Midnight EST for our calculations. If for example you were trying to calculate Tuesday's Pivots:

High – The highest price reached during the period Sunday Midnight to Monday Midnight EST

Low – The lowest price reached during the period Sunday Midnight to Monday Midnight EST.

Open – The opening price for Monday which is the Opening value on the Sunday Midnight candle.

Close - The closing value for the Monday which is the closing value for the Monday midnight candle.

Daily Pivot Points for Monday

Monday's pivots are tricky as there isn't a clear 24 hour period preceding, from which we can obtain our data.

That being said we can calculate pivots for Monday's session by taking data from 12 am Friday morning or Thursday night midnight candle to Sunday midnight close.

Open - Thursday midnight (or 12 AM Friday Morning)
High - The highest price reached between the opening and closing of the session between Friday morning and Sunday night.
Low – The lowest price reached between Thursday midnight or Friday morning and the close on Sunday night.
Close – The closing value for Sunday night.

Yearly pivot points

As stated above, pivots are calculated using the previous session's date. In this case we will have to use the Open High Low Close from the previous year.

Example: If you were trying to calculate this year's pivots i.e. 2009 you would use the following data:

Open – The open price for January 01 2008.
High – This is the highest point that the price reached throughout the entire year.
Low – This is the lowest value reached for the year.

Close – You can use the close value for December 31st 2008 or the open value for January 1 2009.

You can obtain this information off of the daily chart as you can see the highs and lows much easier.

You would proceed with your calculation the same way for the monthly and weekly Pivots.

Monthly Pivots – Previous month's data

Weekly – Previous Week's data.

Note: If your trading application allows you to obtain this information in another manner feel free to collect your data that way.

Keep in mind that depending on your trading platform the Pivot calculations could be few pips off this is because the trading applications calculate pivots on the data they receive. Each Broker's data feed is different which accounts for this calculating disparity. This is perfectly normal. Look for confluence to enter or exit a trade and the variation in pivots will have little to no impact.

Forex mentor members have the added benefit of having the daily pivots calculated for them from Tuesday to Friday and posted on the Member's website.

Reminder: Below is a quick list of questions you want to ask yourself when looking to enter into a trade in an Uptrend or a downtrend.

- Where is price in relation to the Central Pivot Pont? Is it in a Sell area or a buy area?
- Have we reached the expected high or low for the day (to be discussed in the next section)
- Do we have a trend line break?

- Is there a 123 Top or Bottom formed?
- Do we have divergence?
- Do we have a double top or double bottom?
- Do we have a Head and shoulders pattern?
- Is the 50 EMA rounding off?
- Was there a price projection and has it been full filled.

Reminder: Trend is determined on the 1 hour chart. The 15 minute chart is where we make our final trading decisions as to where price is going and the 5 minute chart is where we do our actual entry.

PART 7: DAY'S HIGHS & LOWS

In Part 6, we discussed the use of pivots and particularly the inclusion of the 4 extra M levels.

In this section we will take a look at the role of the M Levels in forecasting the day's high and low.

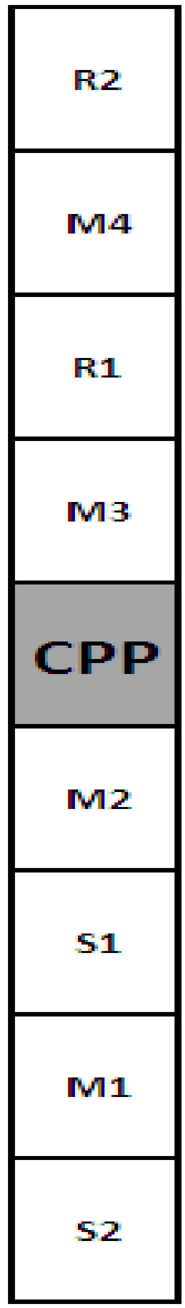
We are using the term "predict" very loosely as there is nothing predictable in Forex trading. You can use technical indicators and fundamental analysis to help determine high probability outcomes at best.

To forecast the day's high and low we use the following rule using the previous day's data:

- If price closes higher than the opening price for that day, the following day will be an **M2/M4** day
- If price closes lower than the opening price for that day, the following day will be an **M1 / M2** Day

At this point you are probably scratching your head trying to figure out what all this means. The intent is not to confuse or impress you so we will do this in small steps.

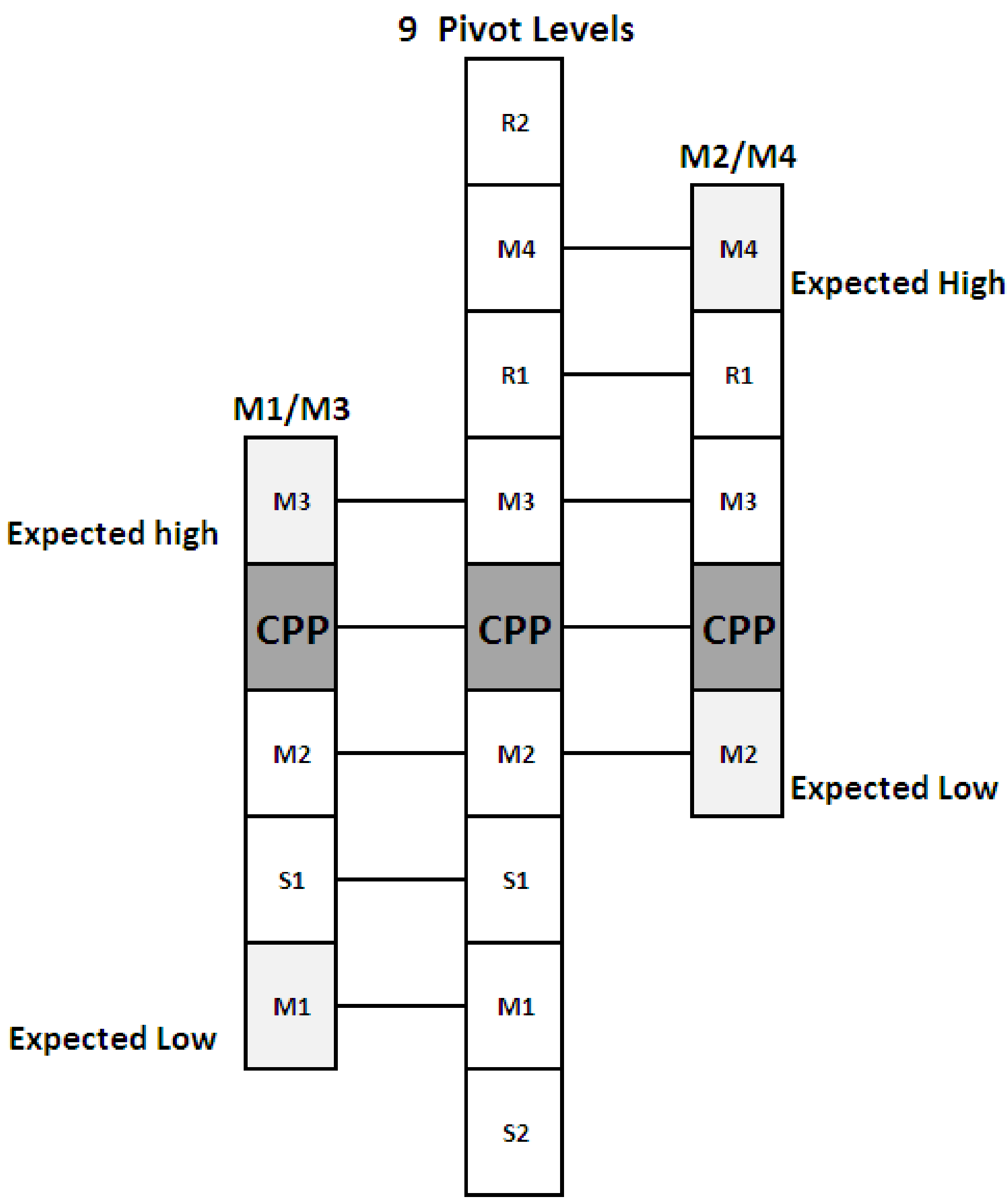
Have a look at the 9 pivot levels below. Pay close attention to the position of the M-Levels. Notice that M1 is the lowest and M4 is the highest in the scale.



Now take a look at their relation to the Main pivot levels in the chart below. Is it starting to make sense?

Study it for a few minutes before proceeding and keep the following in mind:

- Price close higher than day's open = M2/M4
- Price close lower than day's open = M1/M2



On the diagram above you will see that indeed if price moved higher than the open on the previous day's session. It makes sense to expect it to move higher following day. It also makes sense that if it closed lower than the previous day's open then it will try to move lower the following day.

Pivot levels act as support and resistance and are calculated based on the previous day's Open, High, Low & Close.

Observe your daily pivots. If the previous day moved significantly lower the new pivots will open lower and vice versa. It then makes sense that the expected highs and lows would reflect the behavior of the previous session's price action.

All this being said, remember that this is only a forecast and is not cast in stone. Trading is a probability game. We use multiple tools to confirm that the odds are in our favor. When this forecast does work and is combined with other confluences it could lead to very high probability trades.

Another thing to note is that very often only one of the forecasted levels will be hit. It is rare to have both levels hit in one session.

How would you use this information?

Suppose a day is declared an M1/M3 day which means that price moved down the previous day, there is then a certain level of probability that it will not get past the M3 level in the current day's session.

You are at your trading platform and notice that price just hit a resistance level that happens to coincide with the M3 pivot. You also see a shooting star formation coinciding with a Fibonacci level all happening around the M3 pivot level.

With all these confluences and knowing that the M3 level was the forecast high would you look for a buying opportunity or a selling?

If you guessed Selling then you have grasped this concept. If however you are confused or did not answer the question correctly, then take your time to go over this section and look at the video examples.

This is not a race so take your time. We have put a lot of time into trying to ensure that key concepts are captured so all you have to do is ensure that you take the time to read and listen to the videos.

PART 8: BEFORE YOU PRESS ENTER

In this segment we are going to discuss what you need to do before you enter into a trade. If you follow the simple rules set out here you will find it very easy to secure your 20 pips per day.

You may not think that 20 Pips is much but remember that on standard lot this is $4000.00 per month!

How to approach your trading day

Once you sit at your trading station the first thing you should do is look to see what news events are coming out to ensure you are not entering a trade right at an important announcement.

Secondly you want to do a top down analysis of your charts to determine the trend.

Once you have determined the trend and have your trading bias you want to start looking for a place where you can enter a trade with as little risk as possible. In other words we are looking for high probability trades.

You need to spend most of your time on the one hour chart to confirm the trend and the direction of price.

The 15 minute chart is where you will make your final trading decisions and the 5 minute chart is where you fine tune your entry.

Whether you are determining trend or fine tuning your entry it is important that you look for a confluence of events.

Confluence

What exactly is a confluence of events?

Confluence is a term that is often used when discussing rivers and it means a place where things merge or flow together.

It also means merging or blending together.

In trading we use this term to mean pretty much the same thing, i.e. it is when you have enough indicators coming together to confirm an entry point or trade direction.

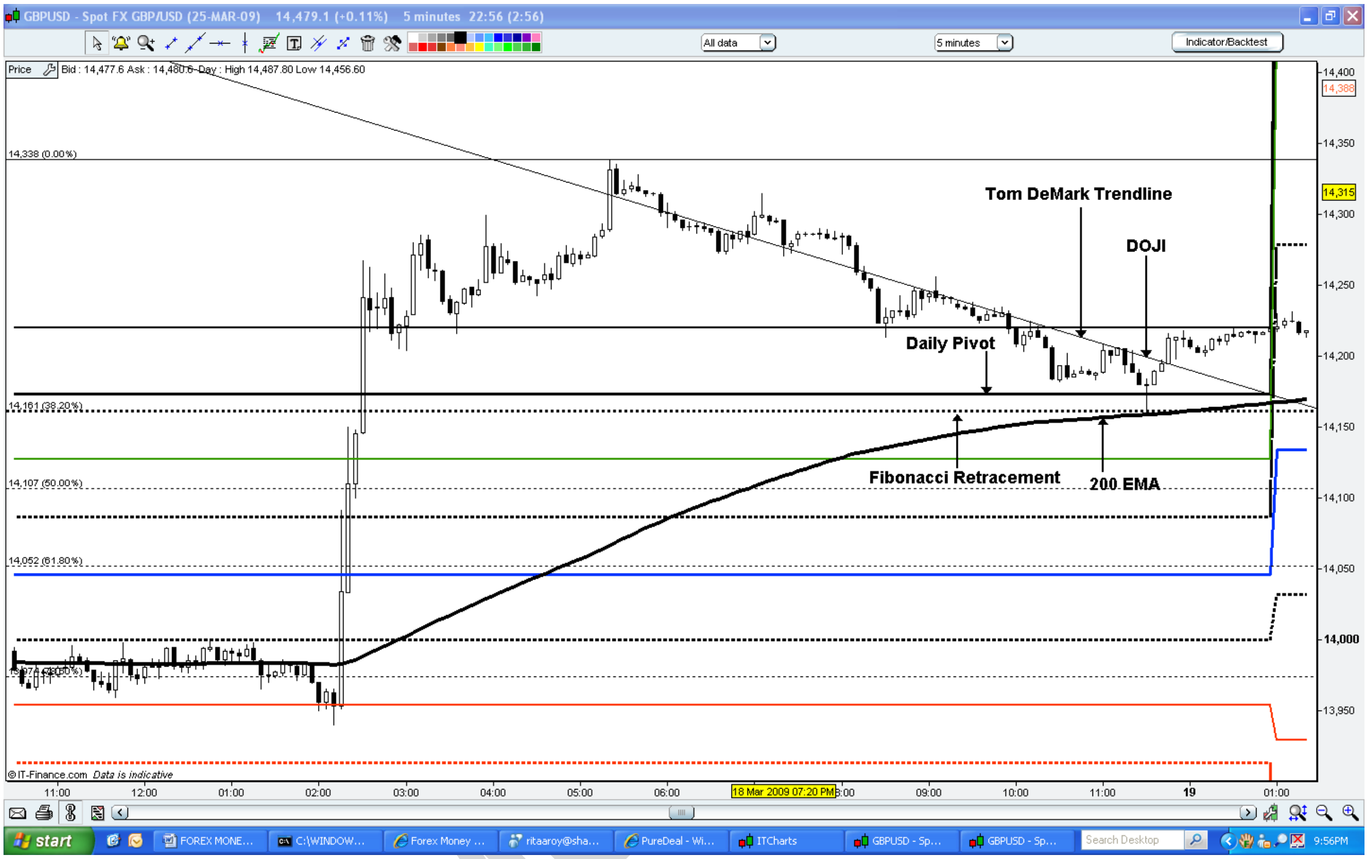
For example: A Hammer after a large move down in price usually signals an end to that move and pending reversal in price. However a hammer alone is not tradable. In this situation it is necessary to check with your other indicators to see if you can find at least two more reasons to confirm that price is truly at a reversal point. You want to have a confluence of indicators.

The indicators used can be anything that works for you. Some of the more common ones are:

- MACD cross over.
- A Tom De Mark trend line or common sense trend line break.
- Fibonacci or Pivot level hit.
- A previous area of support and resistance.

The key here is that you want to make sure that you have a high probability trade.

Let us look at an example to further discuss what Confluence is



In the chart above, looking from the left of the chart we can see that price took off with some long and very bullish looking candles.

We then see that price slowly started moving lower. The all important question is "What is Price going to do?"

Well no one knows for sure but by using confluence we could determine a very a high probability price point at which Price is most likely to bounce.

We had confluence around a single price point. Look closely at the chart around the wick of the Doji.

Looking to the right side of the chart, here is what we have indentified so far:

- A Doji
- A Tom DeMark trend line break
- A daily Pivot level,
- A Fibonacci retracement
- The 200 EMA

These are five reasons and we only need three!

With five reasons we can feel confident to enter this trade on the break of the Tom DeMark trend line.

So how strong were those five reasons?

The following chart shows what happened after the Tom DeMark Trend line was broken.

Do you think that those were five good reasons? Let us calculate the Pip move for the answer to that question.

Price moved from 14161 all the way up to 14 600 – 439 pips!

Those five reasons seemed to be very good reasons indeed to enter this trade.

The more reasons you have to declare a price point a good area of support or resistance the more likely it is to hold and create an opportunity for a trade.

One would have entered this trade on a break of the Trend line.

Recall we use MACD punching through the trigger line to confirm that a Trend line has been broken.

You only need three green lights to enter a trade, however, if you have more than three green lights there is a higher probability that the trade will go as you predicted.

Confluence of indicators is a good way to minimize your risk and maximize the probability of a trade.

PART 9: THE 'OOPS' TRADES

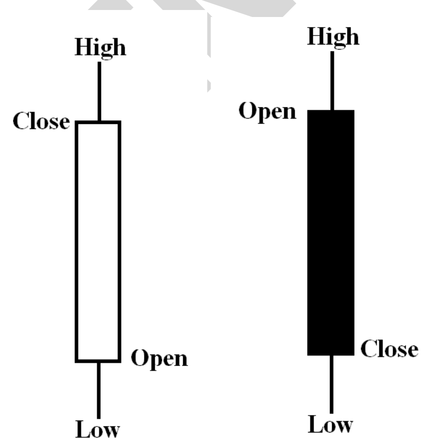
What is an Oops Trade…It is a trade that is going the wrong way.

In this section we will share with you some simple tips to help you identify when price is moving in the wrong direction. The key is being able to identify that there is a directional change occurring.

One of the tools we use to help us determine if the trend is about to change is Candle sticks.

For those of you new to candlesticks we will briefly go through how to read a candle stick and that includes understanding how they are constructed.

Below is an example of a two candlesticks (sometimes called candles?)



The white candle represents a move up on the chart and the Black candle represents a move down.

You can change these colors to those that you are easier on your eyes. Some other common colors are Up = Blue or Green and Down = Red.

Candles relay valuable information about price action on the charts and there are literally hundreds of patterns that you can use. Steve Nison is responsible for introducing the Western world to Candle sticks. He has written many books and articles on this topic which you can reference should you wish to obtain more information than presented in this course.

This course will only focus on a few Candle patterns that often signal a high probability of a turn around.

Please keep in mind that the more obvious a candle formation is, the more likely it is to tell an accurate story.

The Hammer

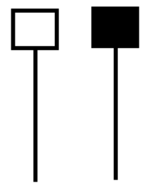
The Hammer is very effective at the end of a run down. This candle can be identified by the long lower wick and smaller real body.

Never pull the trigger on a trade just on a candle. Remember we always look for three green lights.

This candle pattern is very accurate at market opens and closes after a run down in price.

On the Forex mentor Member's website we publish the expected highs and lows for the day so this information can also be used to help confirm a trend reversal being signaled by the hammer at the end of a run.

Hammers are called "Price Rejection" candles. The long wick tells us the true story of price action. In the case of the Hammer the Bears pushed price down to a low point and the Bulls pushed it back up again. In this fight the bulls won so when you see this candle pattern at the end of a long run down in price you there is a very high likelihood that the bulls are going to take control as the low that the bears created was rejected.

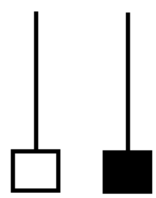


Hammer

Shooting Star

This candle is the opposite of a Hammer and is very effective after a run up in price.

Again use confluence to help determine your entry. This could include market open or close, estimated high for the day.

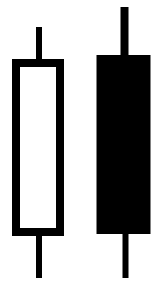


Shooting Star

Shooting stars are also called price rejection candles and work the same way as Hammers except that these are bearish rejection candles when found at the top of a long run up in price. The long wick tells us that the Bulls tried to push price to new highs however the Bears pushed it down again and the bulls were not able to counter that move.

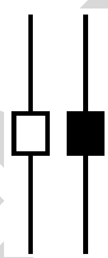
Railway Tracks or Tweezers

Again these are considered to be price rejection candles as the first move is completely reversed by the second candle. The appearance of this candle formation after a long move up or down in price can signify a pending reversal in price.



Spinning Tops

Spinning tops are similar to a Dojis in that they represent indecision in price. They are very effective at the end of a long run in price. When used in conjunction with other confluences these can be great signals for reversal points.

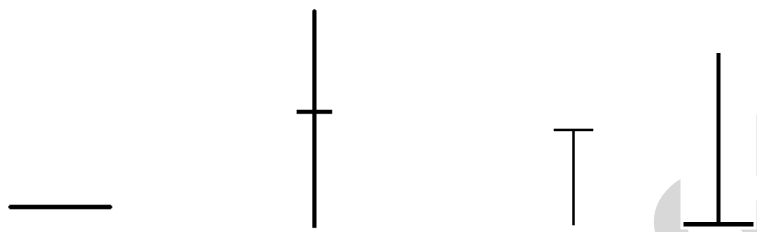


Dojis

Dojis have opens and closings that are at the same level whether or not the price moved higher or lower.

This signifies indecision and at the end of a long run in price a few of these can suggest that price is going to turn around.

Dojis take on different shapes as shown below but again the core factor in discerning a Doji is that the open and close is the same thus appearing as a horizontal line with no real body.



Bearish Engulfing Candles

Bullish Engulfing Candles

Engulfing Candles

Engulfing candles are two candles that represent moves in opposite directions.

The second candle in the pair not only reverses the entire move of the preceding candle but also surpasses it altogether, hence the term “engulfing.”

The resulting move of the second candle completely engulfs the preceding candle going in the opposite direction.

With all the candle patterns we have discussed remember that you do not trade candles by themselves. You want to have a confluence of events before pulling the trigger.

Analyze your charts top down and you take your entry on the 5 minute chart so that you can see your entry better.

We discussed market swings earlier and you will often see many of these reversal candles showing up at these times.

PART 10: BEATING THE NEWS

In this chapter we will discuss capitalizing on moves produced by the news. The strategies discussed in this section are based on the lifting of the news embargo at 8:30 am EST just after the New York session opens at 8:00 am.

Those of you new to Forexmentor are probably wondering what a “news embargo” is?

Rest assured that it is not a government conspiracy. A news embargo is just a recommendation to stay away from important news announcements until the market has settled down.

We will be looking at some of the opportunities that avail themselves to us after this period.

One of the opportunities that you should be aware of is the behavior of price after the news.

Price creates distinct patterns around news time and once you have learned to recognize them you can start to profit from these predictable moves.

There are 4 patterns that you need to be aware of:

- Uptrend Continuation
- Uptrend Reversal
- Down trend Continuation
- Downtrend Reversal

We will address each of these individually in this section.

FX News Breakout Trade is a course and service that shows you how to identify, filter potentially market-moving news events. Learn how to manage trades through to a high reward/risk conclusion. more »

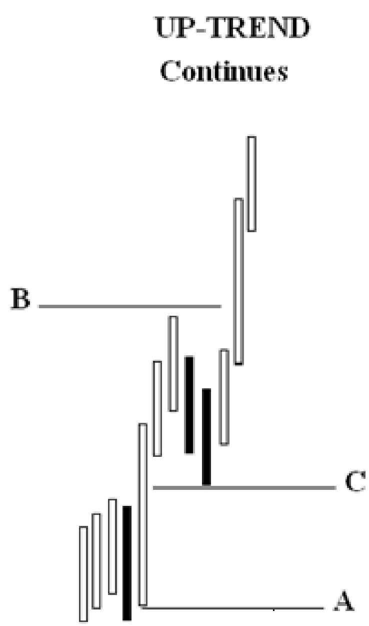
Uptrend Continuation Pattern

In the following diagram the white lines or candles, represent a move up and the black ones represent a move down.

The point marked **A** represents the point when news comes out, then we see the white candles taking off representing a move up after the news.

Price starts to settle down at **B** and we see price retracing a bit as depicted by the two black lines. Price then moves down to **C** and then takes off again to continue the move upwards.

This is an **up- trend continuation pattern**. In order to trade this you want buy at around 5 pips above the point marked **B** at a level not ending in zero.



This is where people often wonder what is meant by the phrase "at a level not ending in zero"

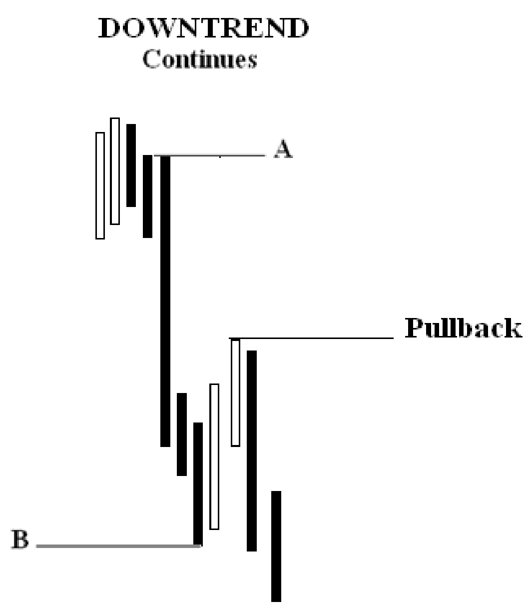
Levels ending in Zero are areas that act as psychological levels of support and resistance.

You will often see price falter at these areas so why risk an entry that may fail. Please don't just take this information blindly. Go to your charts and examine the behavior of price at the zero levels. You need to convince yourself that these areas are indeed significant.

Downtrend Continuation Patterns

A down trend continuation pattern is the complete opposite of uptrend continuation patterns. News comes out at **A** and price drops then settles down at around **B** before retracing for a bit then continues its move downward.

Again as with the uptrend continuation pattern you want to enter into a short position 5 pips below the point marked "**B**" at a level not ending in zero.

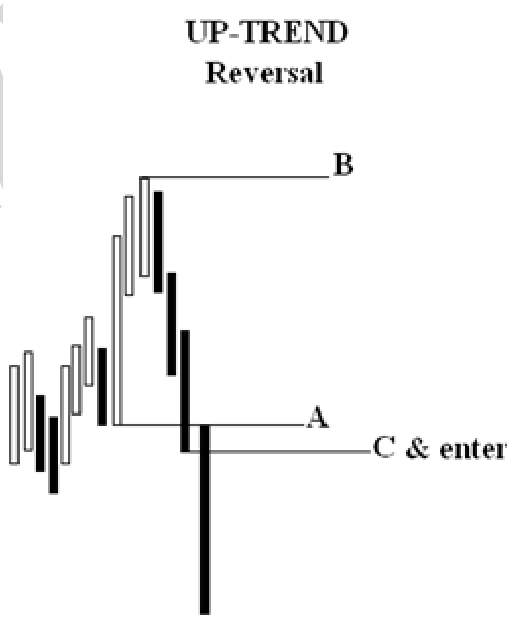


Uptrend Reversal Patterns

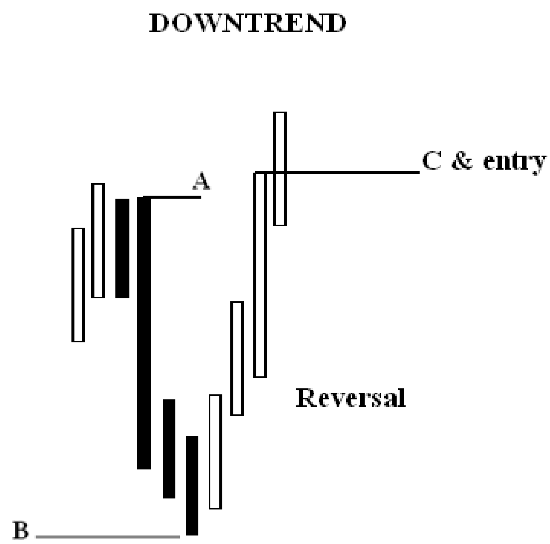
There are times when the news comes out and turns the market around... literally!

Such reactions to news are depicted below as reversal patterns.

In the example below we see that price was moving up and at the point **A** when the news came out it shot up and suddenly reversed at **B**. You would want to take advantage of this opportunity by going short at about 5 pips above point **C** again not at a level ending in zero.



DOWNTREND CONTINUTION PATTERNS



In a downtrend continuation pattern we see that prior to news price was headed up however at news time, depicted as point A**,** price quickly fell down to Point B.

At point **B** we see that the sellers could not take control of the market so the bulls stepped in and regained control reversing the post news down ward move and taking price back up on its original journey.

To trade this reversal in price you want to enter around 5 pips above point **A** at a level not ending in Zero.

The patterns discussed above appear over and over again across the currency pairs and on different time frames. Take time to practice identifying and trading them after the news comes out.

Once you have a bit of practice and consistency with these they will be great tools to add to your trading toolkit.

Non Farm Payroll

If you are not familiar with the Non Farm payroll by now then make sure that you have this burned in your memory. The Non Farm payroll is one of the most anticipated news reports in the Forex trading community. It comes out the first Friday of each month unless it coincides with a holiday. It is a very profitable time to be trading the news.

What many people don't know is that the ADP report which comes out on the preceding Wednesday, gives us an idea of what to expect from the Non Farm Payroll two days later.

Fri Feb 6	1:00am	JPY	Leading Indicators	79.8%	79.0%	81.8%
	3:15am	CHF	Unemployment Rate	2.9%	2.9%	2.8%
	3:45am	EUR	French Trade Balance	-2.5B	-5.7B	-6.0B
	5:30am	GBP	Manufacturing Production m/m	-2.2%	-1.3%	-3.0%
	5:30am	GBP	PPI Input m/m	1.5%	0.5%	-2.4%
	5:30am	GBP	Industrial Production m/m	-1.7%	-1.2%	-2.5%
	5:30am	GBP	PPI Output m/m	0.1%	-0.1%	-0.1%
	7:00am	EUR	German Industrial Production m/m	-4.6%	-2.4%	-3.7%
	8:00am	CAD	Employment Change	-129.0K	-40.0K	-20.4K
	8:00am	CAD	Unemployment Rate	7.2%	6.8%	6.6%
	9:30am	USD	Non-Farm Employment Change	-598K	-530K	-577K
	9:30am	USD	Unemployment Rate	7.6%	7.5%	7.2%
	9:30am	USD	Average Hourly Earnings m/m	0.3%	0.2%	0.4%

The arrow on the list of news reports below is pointing to the Non Farm payroll.

The ADP report is a good proxy for what will happen on the Non Farm report. If you are not yet in the habit of checking the news reports then it is time to start thinking about it. The screen capture above was taken from **www.forexfactory.com**. Even if you don't want to trade the news you want to ensure that you are not entering a trade at an important announcement as this practice could easily wipe out your account if you are not careful.

Price Patterns during the news can change. So be prepared to react to this and pay close attention to what your charts are showing you.

Do not be too anxious to trade patterns **during** the news. Wait for the news to settle down to get a clear picture after the dust has settled.

Global events can severely impact the direction that price will go so it makes good sense to be aware of what is going on around you.

You don't need to be an expert at understanding fundamentals to be a good Forex trader however If you want learn more about fundamentals then you can follow the link below to learn more about the course offered through Forex Mentor.

http://www.forexmentor.com/inside-the-banks/

Chris Lori is on staff and is a Fund Manager who specializes in fundamental news.

How Do You Make Money Trading The News?

Once you get the feel of price reaction around news announcements you will begin to see the opportunities. For example, if a news event causes price to reverse, have a look at the higher time frame to confirm the trend.

Once you have a clear idea of what the trend is, go to the 1 hour chart to look for an entry. If you notice on the higher time frame that price is trending up you want to buy a dip in the uptrend.

So basically you want to trade a news event that temporarily caused price to go down on the hourly chart when the overall trend is up. This is an opportunity to get into the bigger move.

If however price is trending down on the higher time frames and a news event causes price to move up on the one hour chart then get ready to sell the rally at the top and ride it back down for profit.

Spend some time going over the news patterns we discussed above. These patterns will help you find an entry in these situations.

Again, as with everything that we are exposing in this course the expectation is that you take the time to practice on your demo account before going to your live account.

You do not have to trade using all the strategies that are exposed in this course so please take time to practice and find those that work for you and those that you are comfortable with.

Using The Hourly Chart To Make Money Trading The News

We will now take a look at EUR JPY 60 minute chart shown below to further emphasize these key points.

You will notice on the following chart that the trend is up on this pair as confirmed by the golden cross i.e. the 50 EMA punching up through the 200 EMA. During this move there were significant news releases.

Notice that although news came out, the trend remained intact. If there were negative news you would double check the one hour chart to confirm the trend.

In this case the trend is still up as you can see on the chart. Since the trend is up a negative news report would often present an opportunity to buy a dip in the uptrend. You must check with your higher timeframes to ensure that the news report did not act as a catalyst to precipitate an overall trend change.

Once you confirm that the trend remained intact on the 1 hour chart then go to the lower timeframes to engineer an entry to buy the dip that the news created for you.

If the technicals line up, jump in before the news comes out!

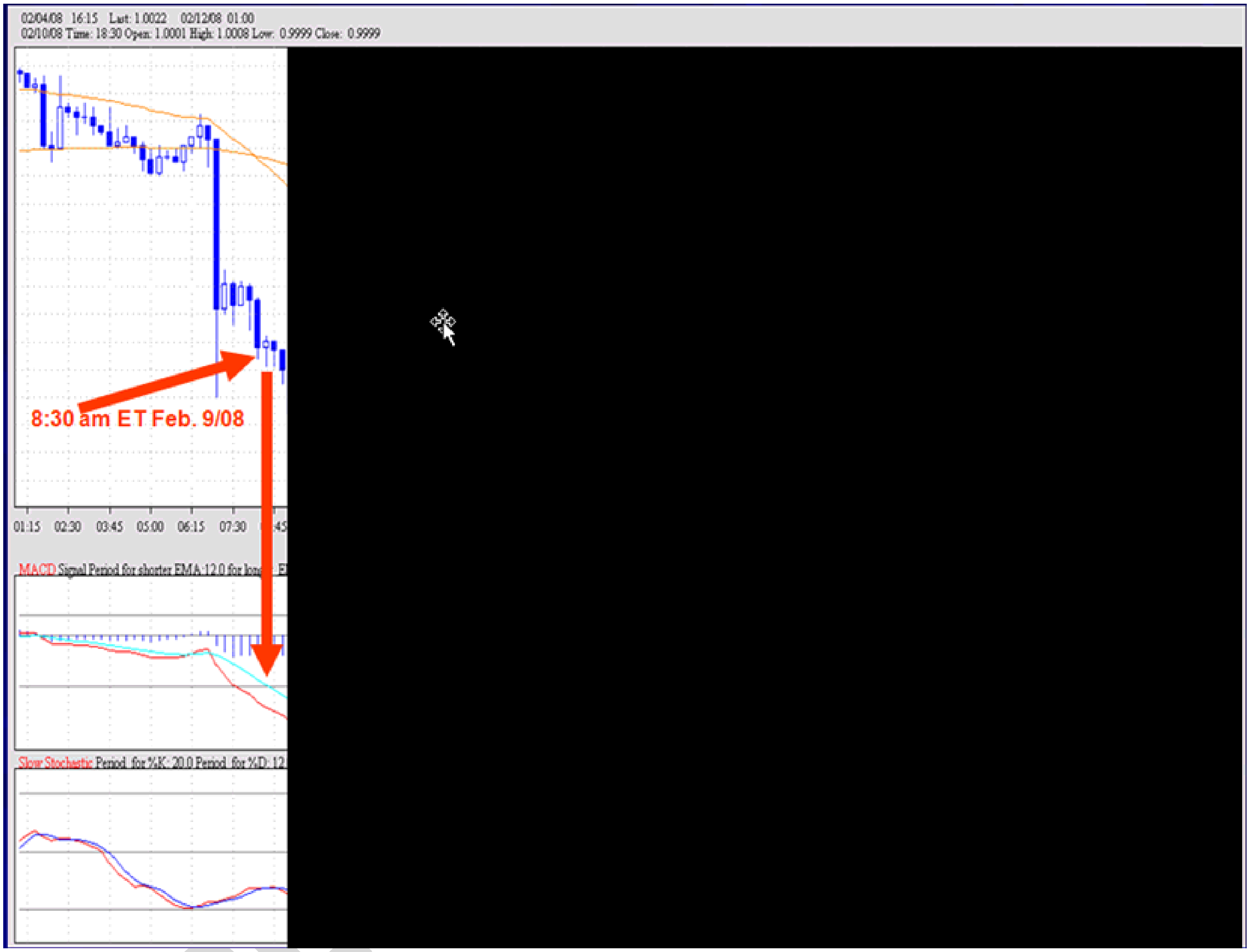
You have probably heard it said more than once that you should steer clear of the news and wait for it to settle down before trying to trade it. However there are times when the technicals will line up perfectly prior to the news and the news just helps to move price in that direction. The key though is for the technicals on the higher time frames to be lined up in your favor.

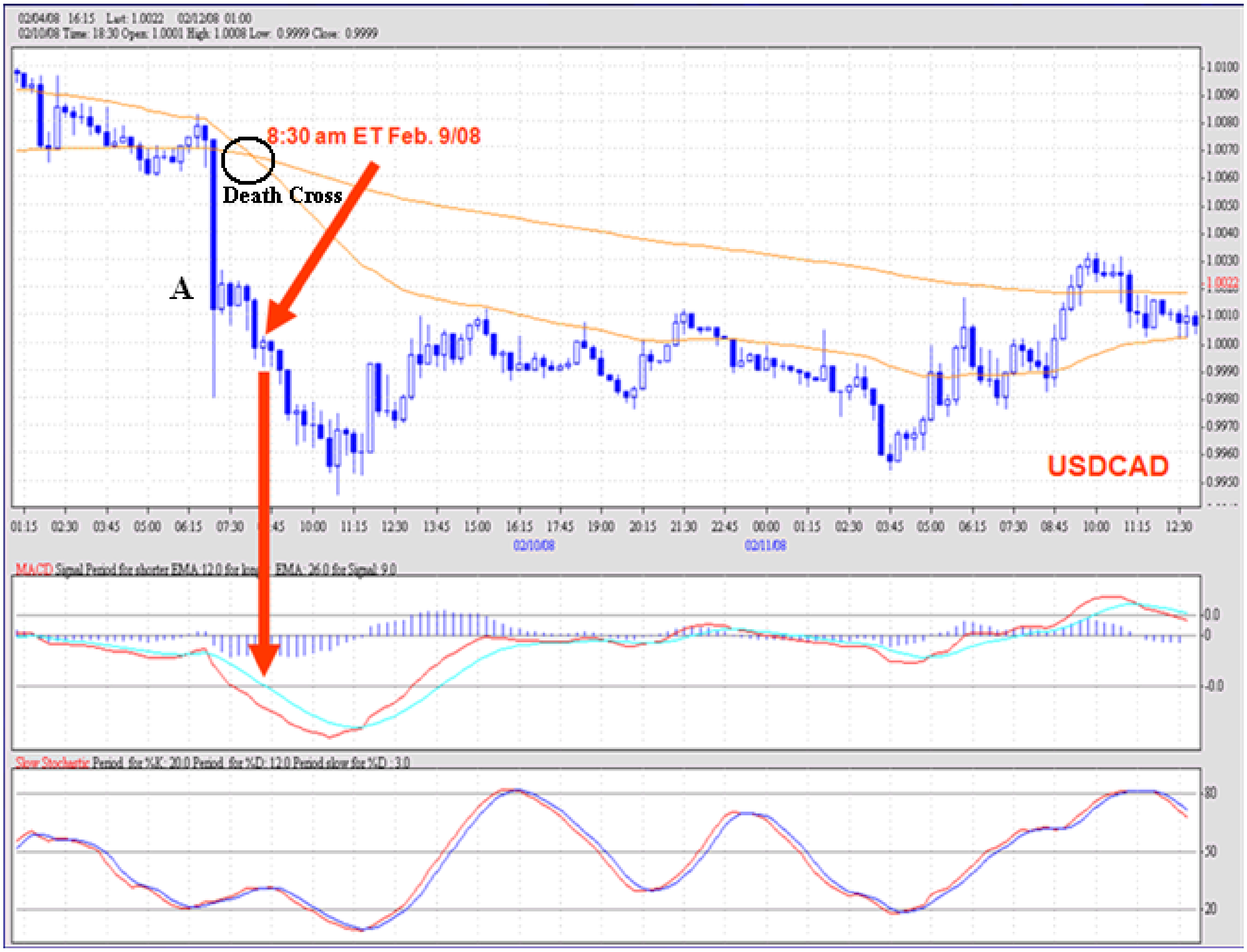
Again let us use and example to demonstrate this.

On the 15 minute chart below as well as the higher time frames (not shown) price was trending down.

Just prior to the news on the 15 minute chart you can see that there was a death cross. Price moved down in response to the news and consolidated. At this point those who were familiar with downtrend continuation patterns would have jumped into this trade to go short. Remember in a downtrend continuation pattern price is expected to go down as far as the first move down.

Essentially if you missed out on the first move this pattern gives you the opportunity to get in for the second run down.





The chart above shows you how it all played out. As you can see if you had indeed gone short at the point **A** where price was consolidating, you would have been able to ride the move down to the bottom and collect a handsome reward for doing so.

Once the technicals line up with the news, jump in. It all comes back to using a confluence of events to prove the technicals even before the news comes out.

PART 11: LET'S DANCE

The question most traders ask is "Where the heck is price going?" If you can answer this question you can make loads of money in this business.

You are probably wondering, what dancing has to do with trading. Well the answer is very simple.

With any dance there is a footwork pattern that you must know if you want to have the slightest hope of success. If you ignore the basic patterns associated with your choice of dance you will most likely look like a fool on the dance floor or worse yet , maim your dance partner !

The same principles can be applied to trading. As you are already aware we use candles to help us understand what buyers are doing i.e. a red candle means that there were more sellers than buyers or vice versa. Although nothing is guaranteed in trading there are ways and means of determining where price is likely to go with a high probability of accuracy. In this session we are going to be looking at the clues that price leaves behind as it moves across your chart. When price moves it often creates patterns on your charts. Yes folks, if you pay close attention you will see these patterns time and time again. These are not candle patterns that we discussed before. These are chart patterns. If you zoom out of your chart and not focus on the candles but on the overall movement that price made you will begin to see similar patterns time and time again.

These patterns are respected across the entire trading community and if for this reason alone, you should pay very close attention to them as they are significant clues as to where price may be going.

Chart patterns will help give you an insight into what is most likely going to happen with the price of the currency pair you are trading.

Let’s play a game: “What happens next.”

You are watering your lawn

A man with a dog passes by.

The dog is not on a leash.

The dog walks onto your lawn and up to your tree.

He sniffs at it and raises his hind leg…. **What happens next?**

As you are recovering from shock the dog puts his leg down

He walks further into your garden

He stops in your tomato bed

He sniffs at your nice rich soil and starts going around in a circle

He lowers his bum and raises his tail… **What happens next?**

If for the first scenario you answered that the dog urinated on your tree then you are correct

If for the second scenario you answered that the dog pooped in your tomato bed then again you are correct.

How is it that just by listing a few sequences you were able to come up with an answer that would most likely be correct?

I say most likely as some individuals may chase the dog away or hopefully his master would feel embarrassed enough to take him away. The point though is that there is a high probability that the dog would have relieved himself on your lawn and tomato bed if allowed to, based on the evidence of his actions.

Now let us move from the tomato bed back to our Forex Charts. Believe it or not there exists in the trading world similar series of events that have a high probability of predicting an outcome. The ones that will be discussed in this chapter are called Price Patterns.

Price Patterns show up on charts over and over again and just the same way you were able to predict what the dog was going to do next based on a set behavior pattern so too would you be able to come up with a high probability scenario based on the behavior of price that could put your trade in a winning position.

In the last chapter we discussed price patterns that are associated with news releases. The price patterns that we are going to discuss in this section are associated with general price action.

Again as with the patterns associated with trading the news there are are four distinct patterns:

- Down trend continuation
- Uptrend continuation
- Down trend Reversal
- Uptrend Reversal

Let us look at these individually.

Down trend continuation Pattern

As the names implies, this particular pattern predicts with high probability that price will continue moving down.

If identified correctly it can also tell you approximately how far price is likely to go thus enabling you to determine not only where to get into the trade but where you should be most likely looking to exit.

Below are two examples of the same move down.

Fig. A

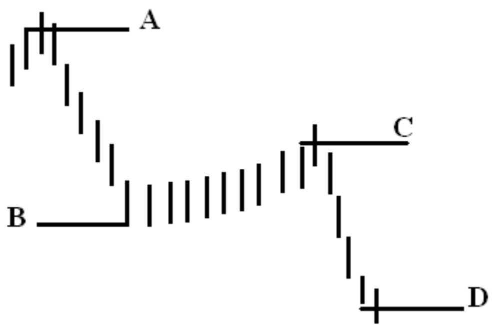
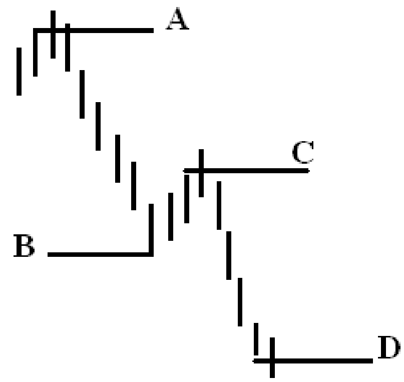


Fig. B



A-B = Leg 1 or first move down

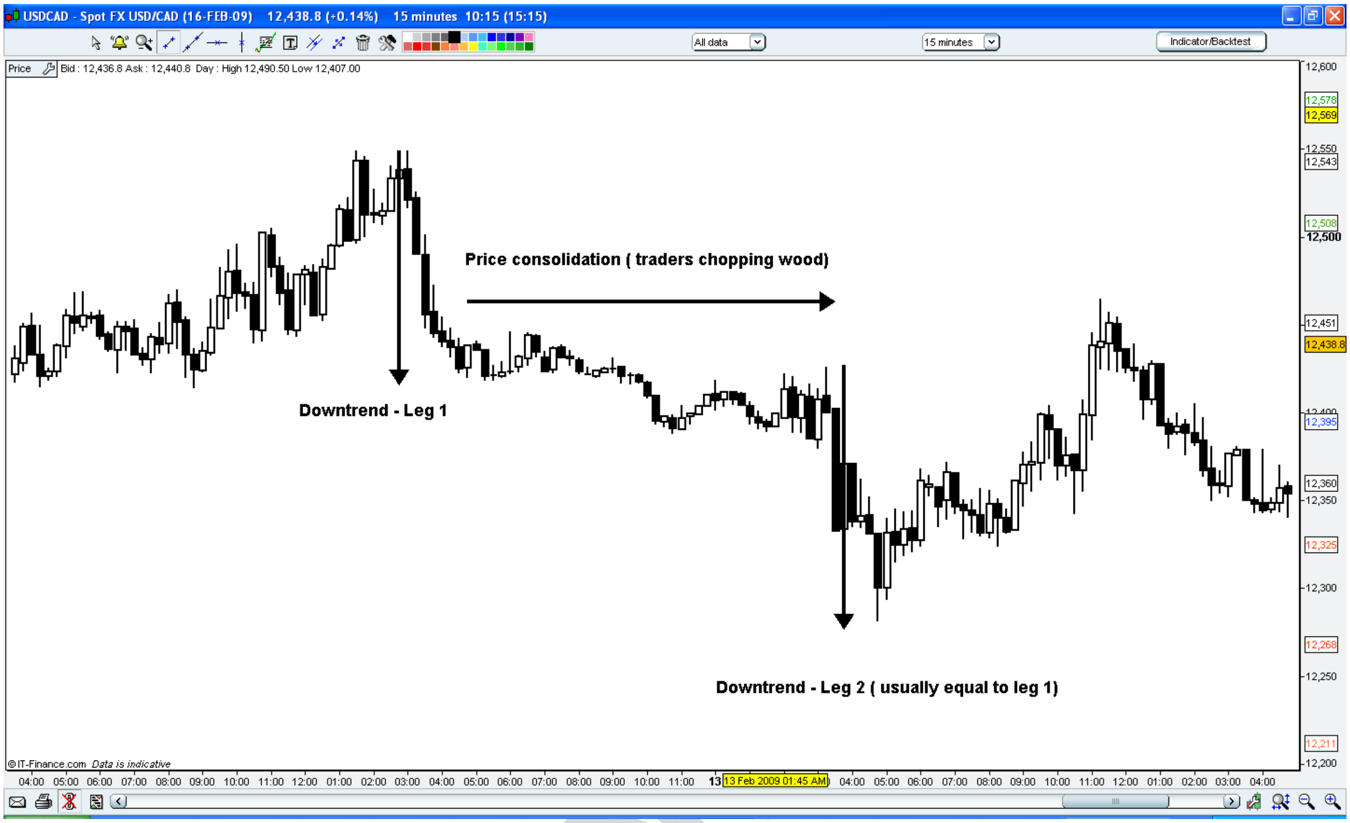
B-C = Price consolidation or slight retracement (Traders chopping wood)

C-B = Leg 2 or second move down

NOTE: The distance from A-B usually predicts approximately how far price will go in Leg two

i.e. Leg 1 = Leg 2

Let us now look at a real chart example.



On the chart above you will see the arrows depicting Leg one which is the first move down,

The horizontal Arrow is where price consolidated and Leg Two is the move down after price "rested"

This price pattern can be found across all the currency pairs so get used to how they look on the charts as they will not always be picture perfect but will follow the same guidelines.

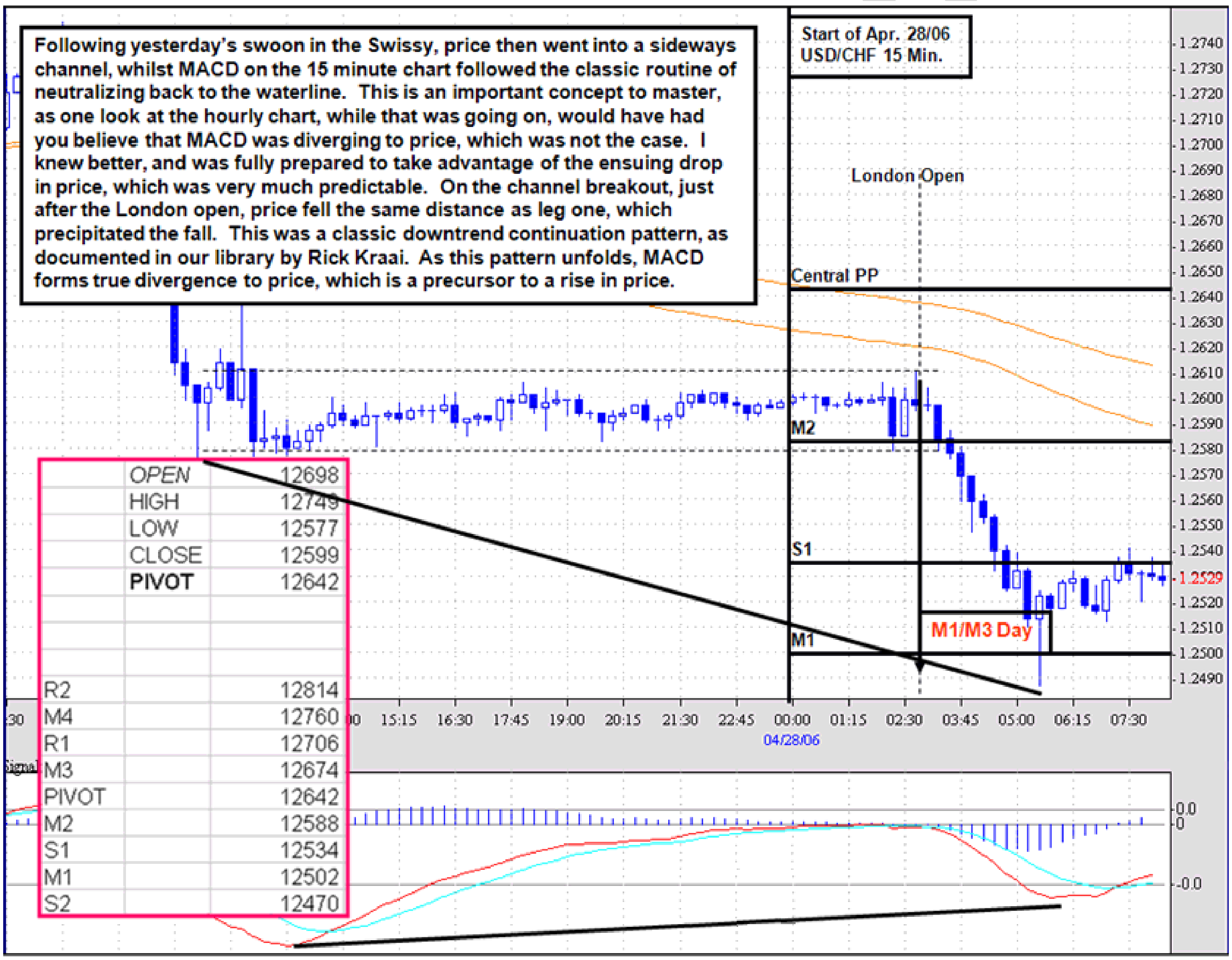
Behavior Of MACD During The Price Consolidation Phase

When price is moving sideways or consolidating the MACD will always try to return to the waterline. This is called MACD neutralization. When you see this occurring there is a very high likelihood that there will be a leg two down.

Think of this as the resting place of MACD. Many books will identify this as divergence and incorrectly deduce that price is getting ready to go back up. Please do not get caught in this.

Have a look at the chart example below and you will see that during the consolidation phase the MACD started moving back to its rest position at the water line. After the consolidation, price moved down and so too did the MACD.

USD/ CHF 15 MIN Chart

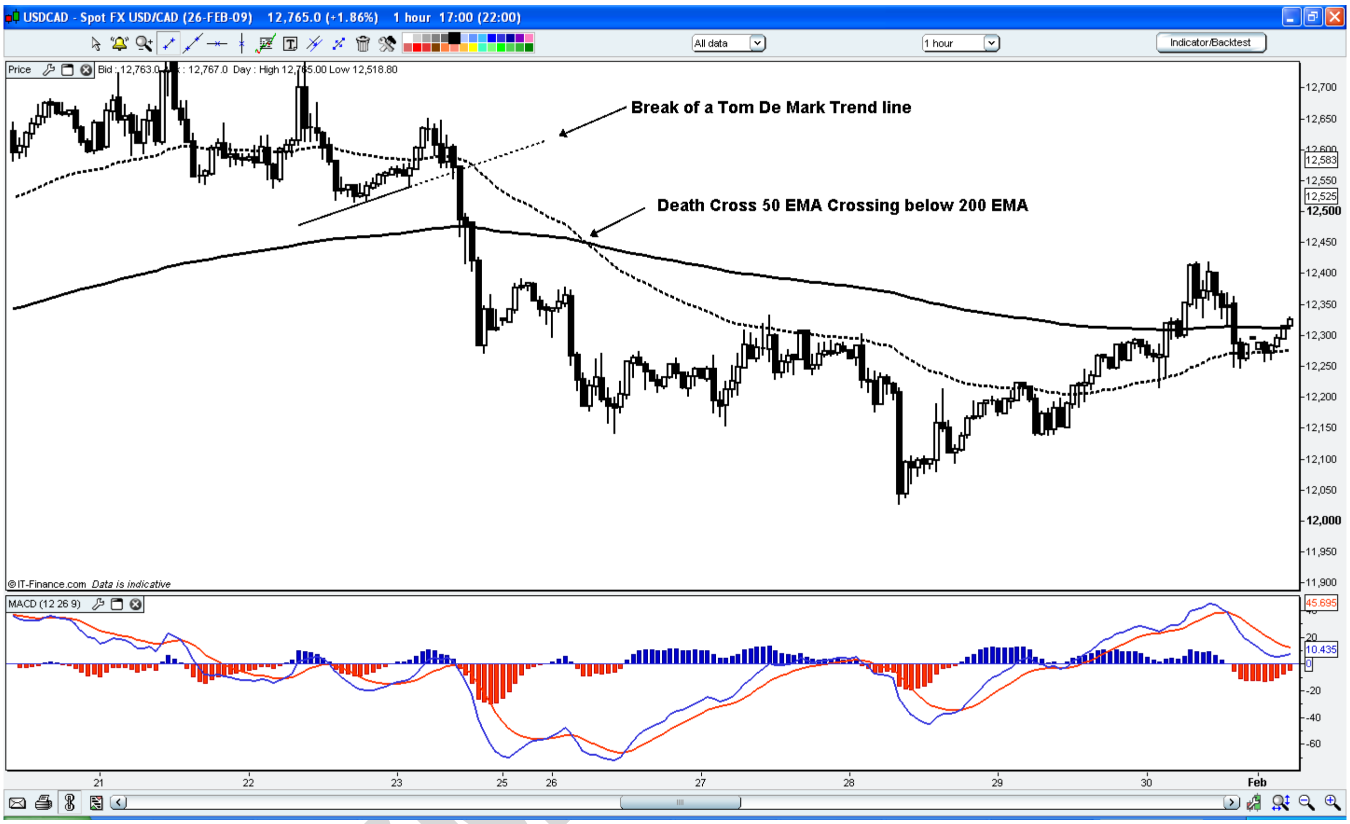


Note the comments in the top left hand corner of the above chart. Price formed a true divergence ONLY after Leg 2 had completed its move down.

REMINDER: Do not use chart patterns alone to confirm a trade entry. Remember the rules; we need at least three green lights to determine our entry. These could be MACD punching through the trigger lines, Break of a Tom DeMark Trend line, Pivots, 50 and 200 cross over etc.

Whatever you chose to use, just make sure you have at least three reasons to enter the trade. This will give you a higher probability that price will move in the direction you are anticipating.

Confluence In A Downtrend Continuation Pattern

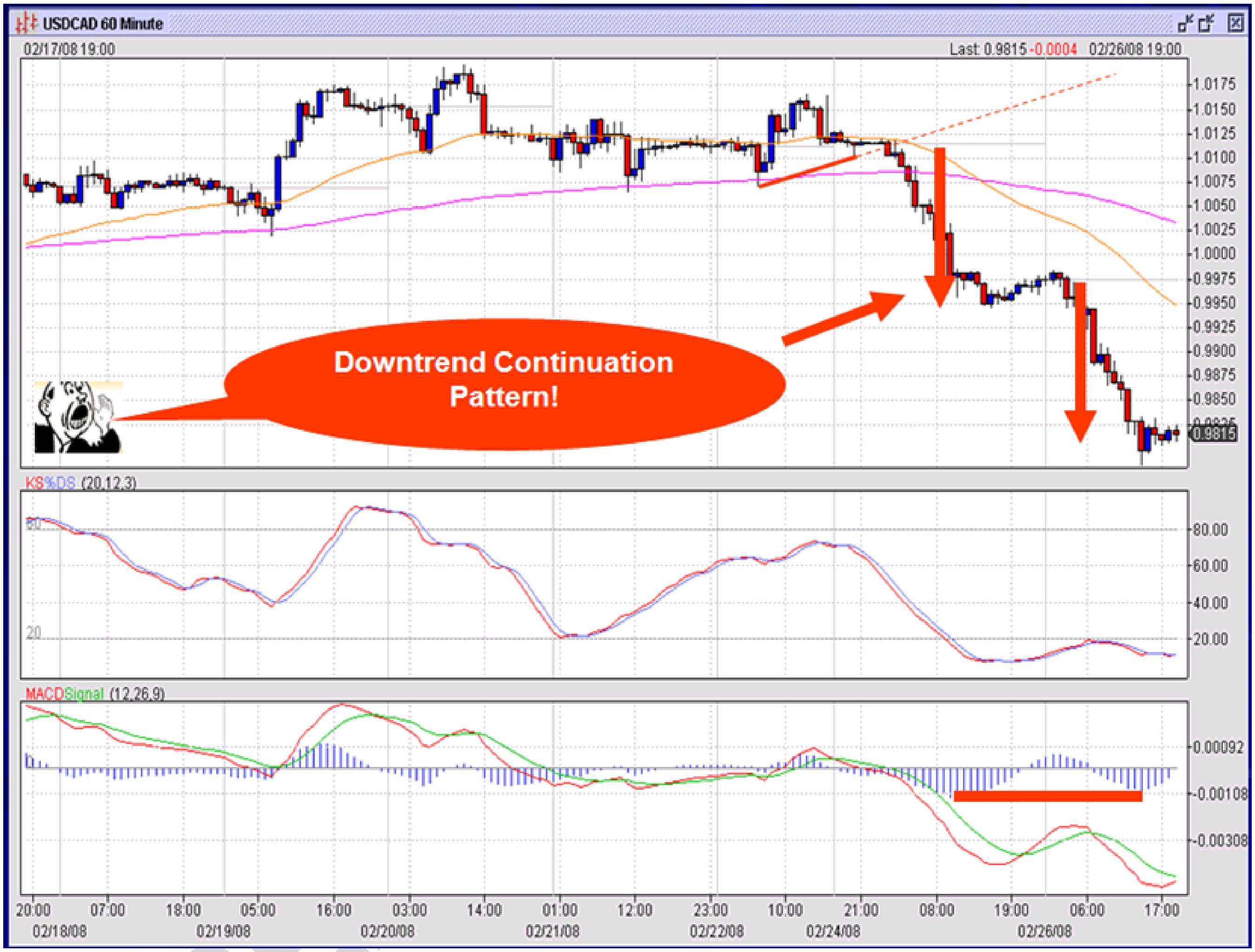


In the above chart notice the death cross following a Tom DeMark trend line break. Price then moved sideways as MACD neutralized back to the waterline. Price then went on to form Leg two.

This move was a bit sloppy but not all patterns will be picture perfect hence the reason you want to ensure that you have a confluence of reasons to enter into a trade.

In the next example we again see a trend line break followed by a death cross and price moved sideways. The horizontal line drawn on the MACD shows MACD histogram divergence.

After the move downward was completed the divergence signaled a move back up. (Not shown)



Downtrend Reversal Pattern

The next chart formation that you need to be aware of is the Downtrend Reversal Pattern.

In a down trend reversal price moves down, hesitates and moves sideways then turns around and goes back up.

This pattern is illustrated in (Fig A) and a variation of it is shown in (Fig. B)

Fig A

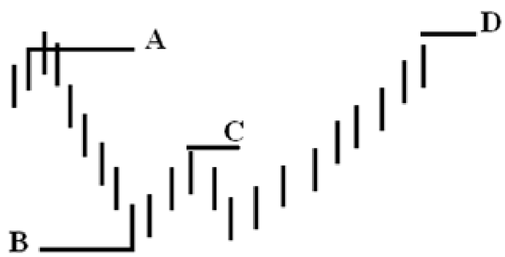
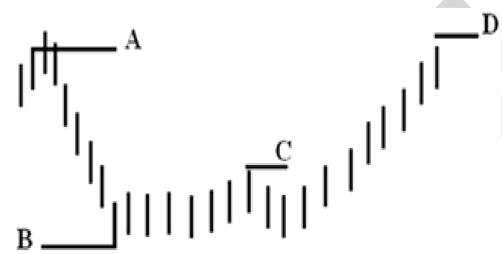


Fig B



Another common pattern in a down trend reversal is the formation of a 123 bottom. This is illustrated in Fig. C below.

It is very similar to a double bottom with the second bottom being slightly higher than the first.

You will notice that point 3 is slightly higher than point 1.

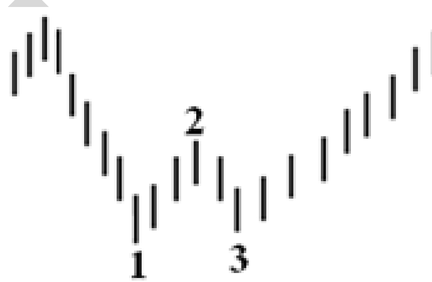


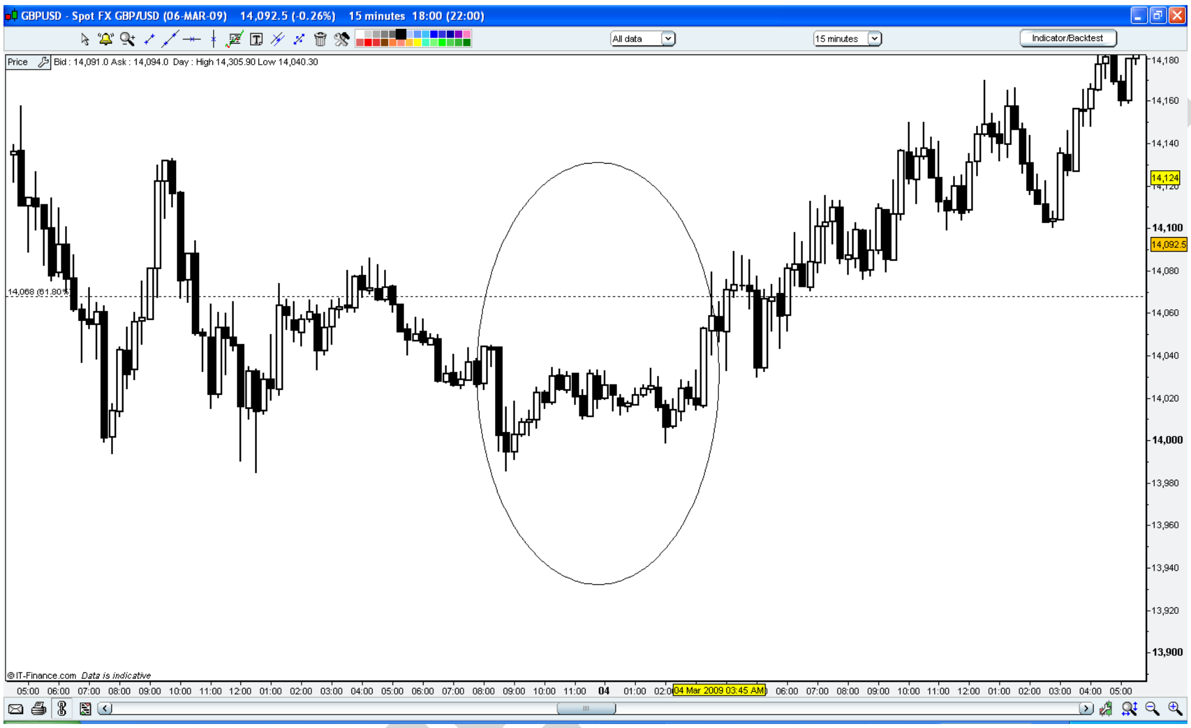
Fig. C

The way you trade this is to look for a break of a trend line drawn from point 2 to point 3 and often this will be confirmed by the MACD punching through the trigger line. You want to confirm your entry with whatever indicators you are using that the move is a valid one.

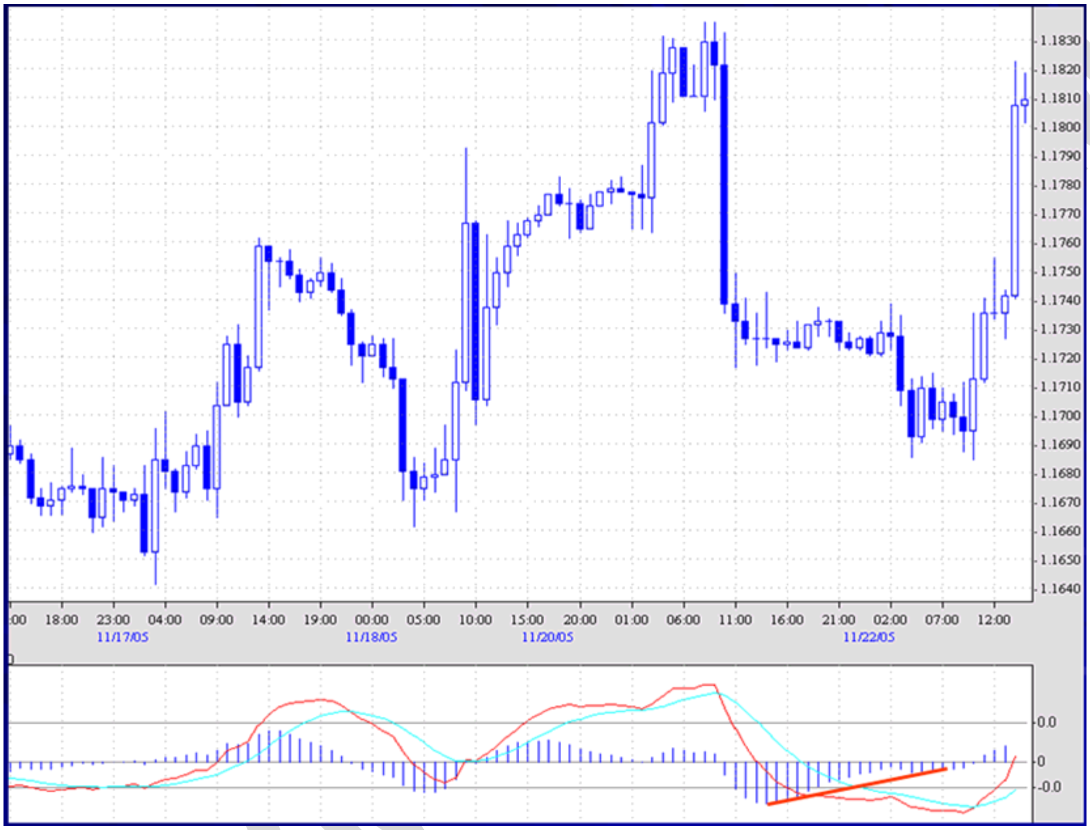
You can also trade this by using a buy stop 5 pips above the number 2 point at a level not ending in zero.

The next example shows a downtrend reversal pattern as it often appears on the chart.

Notice how Price moved down then consolidated before reversing and going long.



In the next example below price moved down then cycled lower, however, have a closer look at the MACD histogram, it had already started diverging. Price then turned around and went the other way.



Uptrend Patterns

As expected uptrend patterns are the opposite of down trend patterns.

In uptrend patterns you will see price move up, consolidate or do a slight retracement before completing its move. In a reversal situation look for a consolidation or a 123 top before it reverses and goes short.

The examples below demonstrate these behaviors.

Uptrend Continuation Patterns

The two patterns depicted below show price moving from point A to Point B. At point B price will either slightly retrace (Fig. A) or consolidate (Fig. B) continuing to move upwards.

Again as with downtrend continuation patterns Leg one (A-B) will be the same or close to the move from C – D.

Fig. A

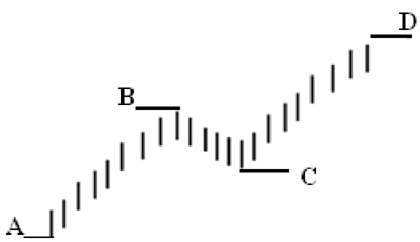
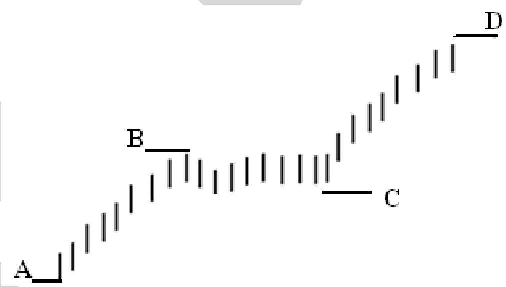
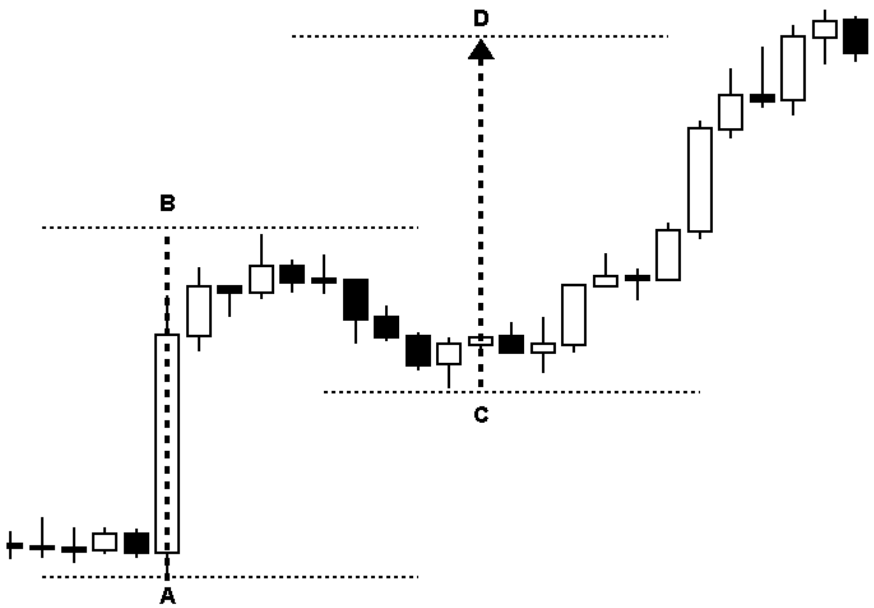


Fig. B



In the example below we take the distance from the swing low point A up to the Swing high point B and project this distance up from swing low point C. Point D is where we expect price to go.



Uptrend Reversal Patterns

In an uptrend reversal pattern price will move up from point A to point B and will either consolidate at point B (Fig. A) or give a small retracement often seen as a 123 top or double top as shown in Fig. B. It will then turn around and move back in the direction from where it came.

Fig. A

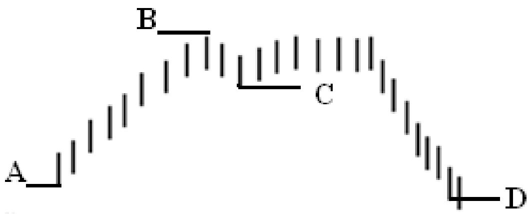
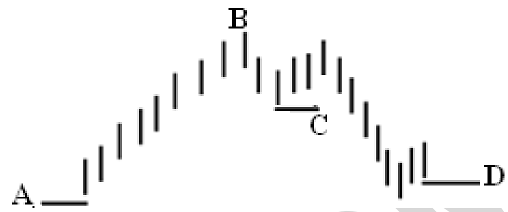


Fig. B



Again these patterns are the opposite of the downtrend reversal patterns and show up across all time frames on all currency pairs.

Where Do You Take Profit?

Now that we have gone through the patterns the next step is to determine where you want to take profit. To do this you have to have an idea of where price will go.

Once you have estimated where price will go then you can set your limit orders to take profit around this area.

So where exactly do you take profit?

In both continuation and reversal patterns you want to try to take profit in and around the Point **D** in your projection.

Remember that this is the point where you calculated that price should move to. It is not recommended that you limit out at the extreme but rather at approximately 75% of that move especially if you are setting limit orders and not going to be at your computer.

NOTE: Before trading any of the patterns mentioned above it is important that you clearly establish the pattern. Learn to recognize these patterns before trading them live. If you don't see the pattern or doubt what you are seeing then DON'T trade it. Stand aside and note the trade so that you can learn from it in the future.

If you don't see it, don't trade it.

Golden vs. Death Cross

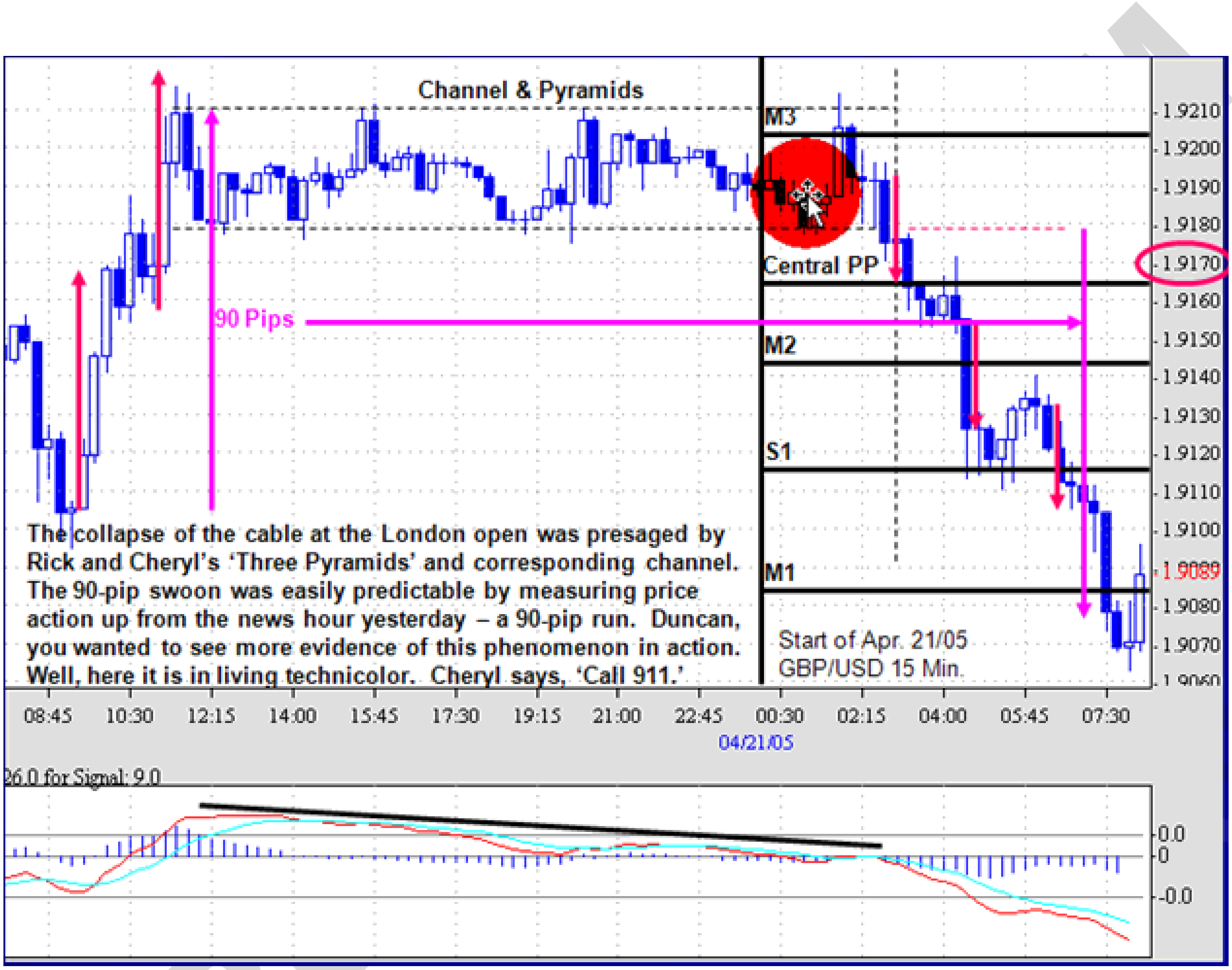
As stated earlier in this course, both the 50 and 200 EMA are used for determining the direction of price otherwise known as the trend.

When the 50 EMA crosses below the 200 EMA this is referred to as a **Death cross** and implies that the pair is going short.

The opposite is true for a **Golden Cross**. When the 50 EMA crosses above the 200 EMA it implies that the pair is going to go long.

Errata: The chart below was shown at 16:03 minutes into video for this section.

It shows Price moving sideways in a channel and stated that MACD appears to be forming a divergence. When price is moving sideways MACD will try to neutralize back to the waterline as is the case here. It was incorrectly stated that this was a divergence. This is MACD neutralization.



PART 12: SCALPING THE FOREX

Scalping is the term used to define a trading strategy where a trader will try to take advantage of smaller price movements sometimes aiming for as little as 5 pips per move. The idea behind scalping is that you try to make as many small profits as possible rather than stay in a trade for a larger pip move.

It is not uncommon for a scalper to make dozens of trades daily as the smaller moves are easier to collect on than the bigger moves. They are taking advantage of the many bounces that occur on a currency pair throughout the day. Price does not move in a straight line so this brings many opportunities for a scalper.

As attractive as this form of trading is, be cautioned that you need lots of practice and good money management to entertain trading this way.

The danger with scalping is that the spread you pay plus your stop vs. the pips you are targeting puts you at a higher risk to reward ratio. For example if you are aiming for 10 pips on pair with a 5 pip spread and you have to place a 15 pip stop loss then you are risking 20 pips to get 10 pips. It is a dangerous game to play if you do not know what you are doing.

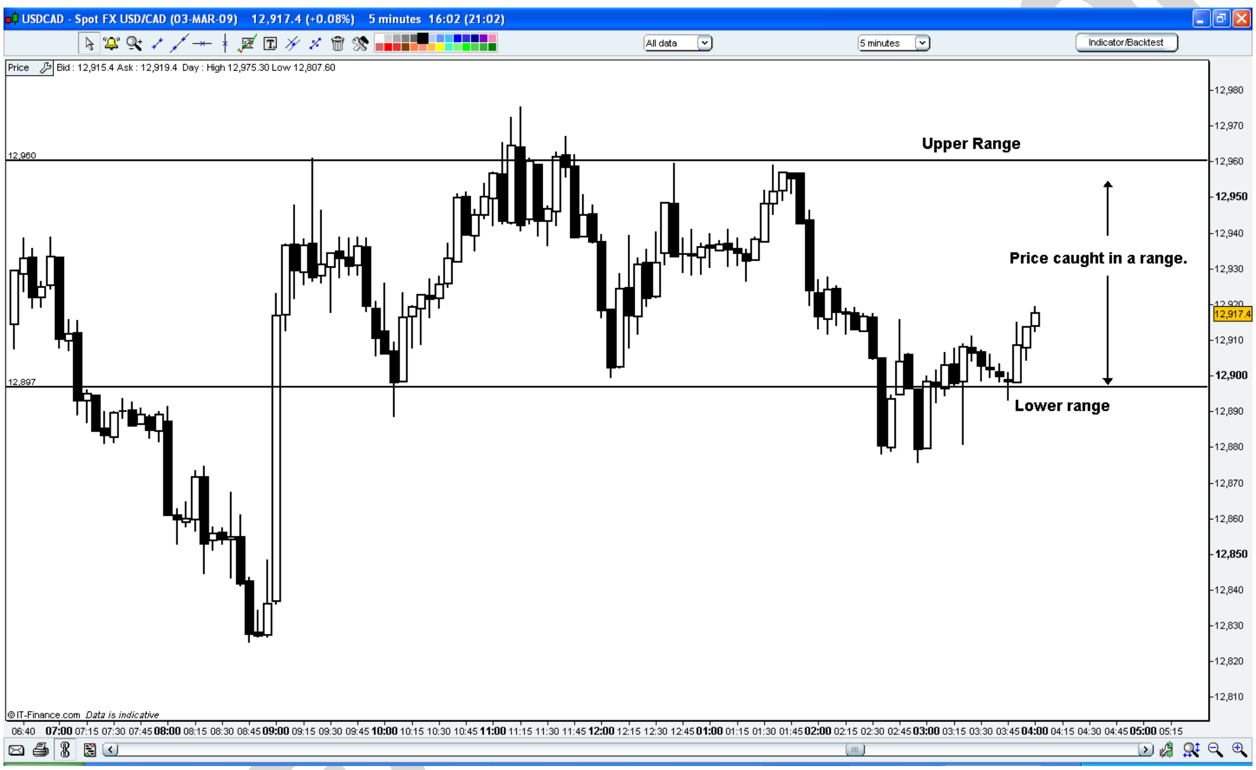
That being said, if you do your analysis correctly, then when price is caught in a channel or moving sideways i.e. consolidating, you can make a significant profit by collecting pips on several small moves.

Once you master scalping it is a good way to get money out of the market in periods of consolidation.

Have a look at the USD / CAD chart below. This is a 5 minute chart which has been magnified to show you the area of consolidation more clearly.

As you can see price is caught in a channel but if we look at the size of the channel it is 63 Pips wide.

The size of the channel was calculated by looking at the position of the upper line of the range and the position of the lower line of the channel and subtracting the two (12,960-12,897 = 63)



If you are a scalper and only looking for 5 , 10 or 20 pips you can see that you could have entered in and out of this range at least 6 times ! Now multiply that by 20 pips and you get 120 Pips from riding a 63 pip channel. It is quite profitable ONLY if you know what you are doing.

Scalping can be done on the 15 minute chart but you can also zoom into the 5 minute chart as shown in the example above. The 5 minute chart will give many opportunities but the range will be smaller than on the 15 minute chart and will definitely keep you on your toes.

When scalping the Bollinger bands and RSI can be used on the 5 minute chart.

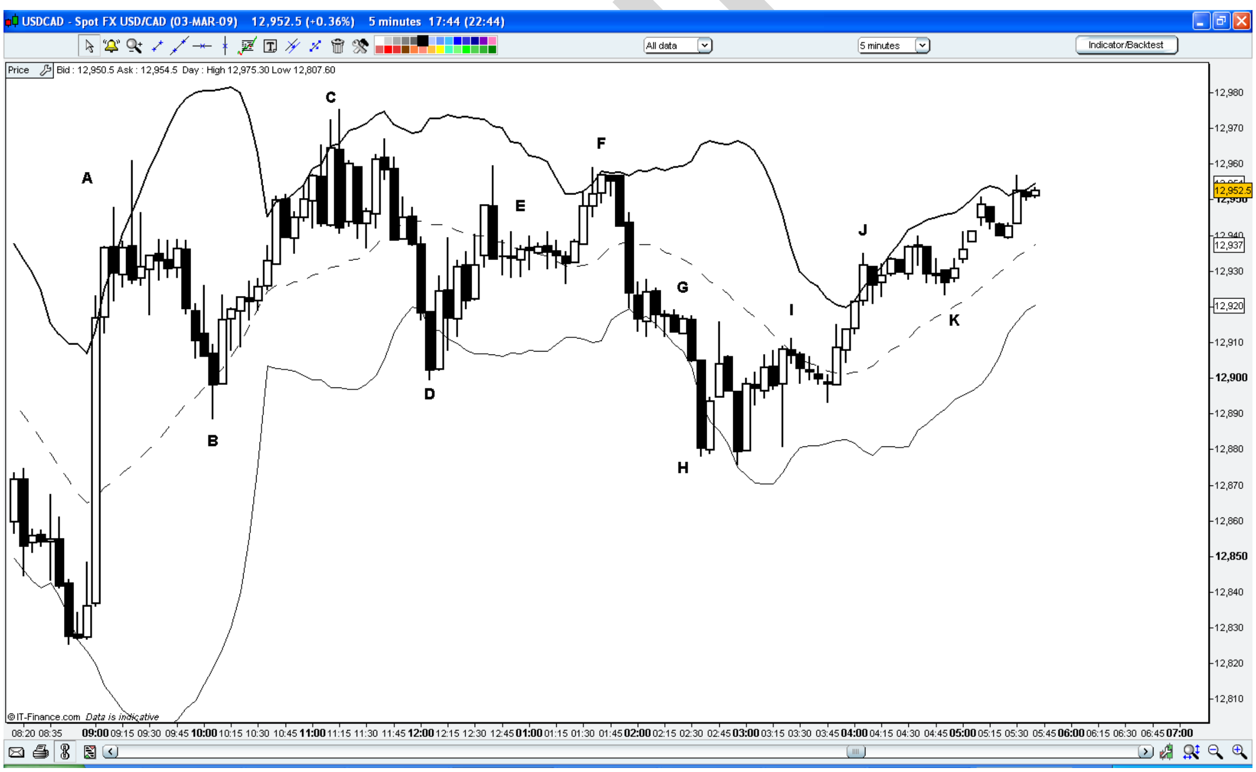
The Bollinger Bands

Think of the Bollinger bands as large elastic bands. If you stretch an elastic band it has a natural tendency to come back to its original configuration.

When price is within the Bollinger bands as it moves to the upper band it will tend to bounce back and will try to go back to the centre of the bands. If it breaks past the centre it will go the bottom of the bands.

The chart below is the same 5 minute chart we used above to discuss scalping.

Have a look at how price behaved within the Bollinger Bands.



Price moved from the top of the bands at A to the center of the Bands (represented by the broken lines) at B.

It then moved back up to the top at C. From C It broke through and went to the bottom of the bands at D.

Price then moved up and got stuck at the centre of the band at E.

It played around the centre and then moved up to F at the top of the bands only to move back down to the centre at G and then to the bottom at H. Then it moved back to the centre at I and then to J at the top and back to the centre at K.

If you feel a bit sea sick it is understandable. This back and forth movement of price within the Bollinger bands is what presents scalping opportunities.

It is also important to note that if price closes outside the Bollinger Bands this can signal a price continuation in that direction and not a reversal signal. Always use confluences to help you determine price direction. Do not just trade with the Bollinger Bands alone or any other indicator for that matter.

Often Peter will use the RSI as well as pivots and price itself amongst other things to confirm his trades. Remember we need at least three green lights to pull the trigger. Three or more reasons indicating that price is going the way we think it is going will give us a high probability trade.

NOTE: Before using any indicator please take the time to understand the behavior of that indicator. If you choose to use the Bollinger Bands in trading then I recommend that you practice with it in your demo account to appreciate how price behaves at the respective levels.

RSI

RSI is the acronym for Relative Strength Index. The RSI indicator tells you whether the market is overbought or oversold. Why is this information important? If the market is oversold then there is a likelihood that price will start turning around in the opposite direction? If the RSI is showing that the market is oversold and you see a hammer and a break of a trend line to go long then this is a very high probability trade.

If it is overbought and you see a shooting star and a break of a trend line then there is a great likelihood that the market will go short. Again you always look for multiple reasons to confirm that the market is going in the direction you are going to trade.

The chart below shows the RSI indicator's behavior in respect to price. As price was moving up the RSI was sitting at over bought (70). Price eventually formed a shooting star and down it went.

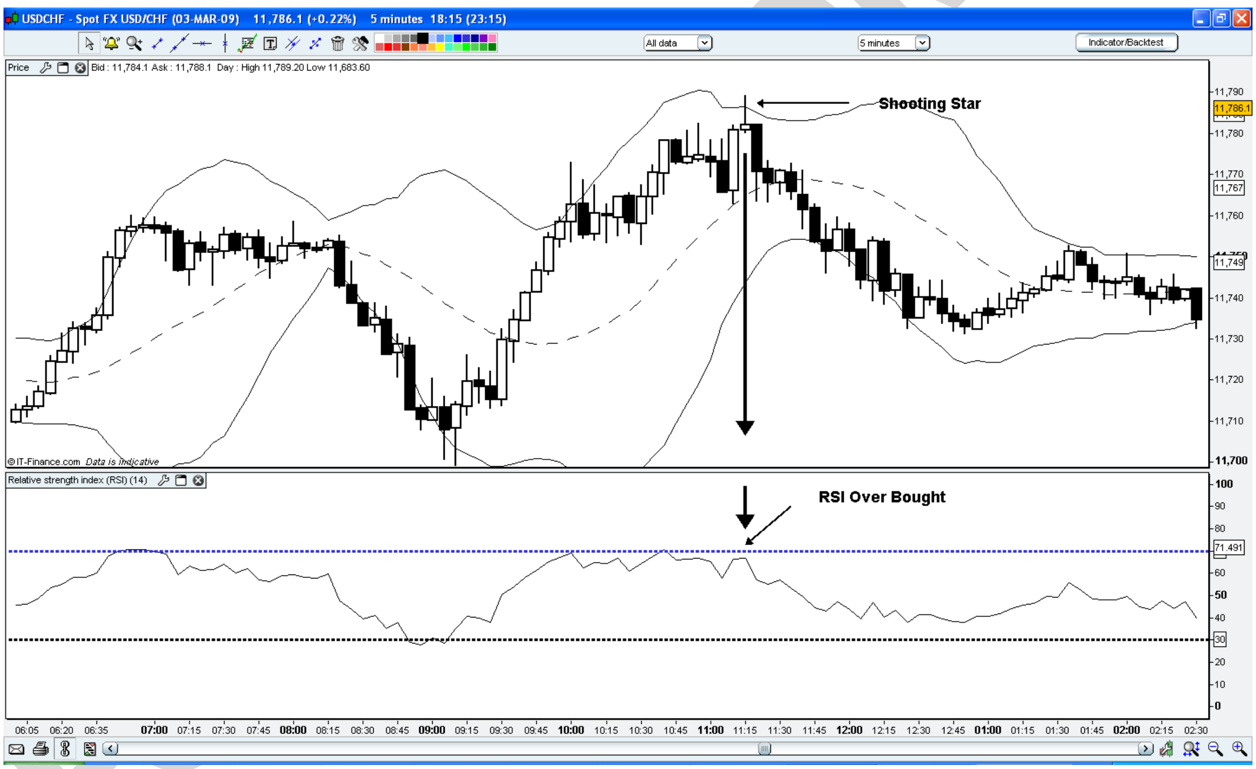
On the RSI indicator:

OVERBOUGHT = 70 and above

OVERSOLD = 30 and below.

Using the RSI in conjunction with the Bollinger bands can give a strong confluence of reasons for a trade.

The chart below is the same chart as the one above but the Bollinger Bands have been added.



The shooting star came at the top of the band. So we not only have a shooting star which in itself signals a price reversal but we have price at the top of the bands and RSI over bought. What a nice confluence of events. If you traded this you would have made a nice profit.

Pivot Points

We discussed Pivot points in section 6 and this is another indicator that can be used to Scalp the Forex.

If you recall above the CPP is a sell area and below the CPP is a buy area. Pivots act as support and resistance and can give you a nice bounce at these areas. Often you will see price moving within two pivots and reacting pretty much as when it is in a range.

When price is caught in a range technical indicators are pretty much useless and so you have to rely on Pivots and price to give you the true story.

Often when price is caught in a tight range just about all you can do is trade off the 5 minutes chart to grab your 20 pips. Pivots and price are your key guides.

Trading Using The 200 EMA

In Part 5 we discussed the importance of the 200 EMA. It comes as no surprise then that it can also be used to help determine and entry for scalping.

Look at the position of price in relation to the 200 EMA on the following charts

- Daily
- 4 Hourly
- 1 Hour
- 15 Minutes

Then look at the 5 minute or 1 minute chart to get an entry if the higher time frames show an opportunity.

For more clarification please refer to the video example. It is 4:44 minutes into the presentation under Scalping the Forex Part 12.

The 200 EMA should be used on the 15 and hourly to get an idea of where price is going. For example, if price is above the 200 EMA on the hourly and 15 minutes chart and on the 5 minutes you see price dip below the 200 EMA. This is a good example of price going the wrong way and could provide you with a scalping opportunity. You would look for an entry on the 5 minute chart and that entry could be as simple as a trend line break.

Please practice any new strategies in your demo account before attempting to do them live. Remember to always keep a demo account so that you can try out new strategies and only take bankable trades in your live account.

PART 13: DR. PETER'S LITTLE FOREX SECRETS

This section is a quick recap of some of the points that were mentioned earlier and also to get you to start thinking outside the box as well as point out some other "tools" that you may find useful.

As we are nearing the end of this course remember that first and foremost:

Do not trade a pair that is not cooperating. This was covered in part 5 of this course.

If you only trade one pair and there is no clear setup on the chart, then go for a walk or a coffee or whatever else you do to amuse yourself but do not force a trade for amusement if the signals are not clear.

If however you trade multiple currencies then take the time to go through the pairs and try to find one that is giving you clear signals. Ignore those that don't!

You cannot drive blind folded so don't try to trade something you cannot see!!

The Hourly Chart

Pay attention to the hourly Chart! Do not become myopic. Once you have done your top down and are on your trigger chart, i.e. the 15 minute or 5 minute chart do not just react to what you see on these charts. Always refer back to the Hourly chart for better guidance on the direction that price is going to move.

The direction of the MACD is very significant on the hourly chart for intraday trading. Look for MACD crossovers as well as both MACD and Histogram divergence to alert you to possible reversals.

The stochastics on the Hourly chart can also be used to signal price changes. The Slow Stochastics are plotted as follows:

To plot the **<u>Daily</u>** slow stochastics on **<u>the 4-hour</u>** chart you would have to do the following Calculation:

Determine how many 4 hourly candles there are in a day… that's easy – there are 6 – 4 hour candles.

Now multiply the Standard Stochastic settings (5, 3, and 3) by 6 to get the Stochastic settings for the 4 hourly Chart.

Note: We do not multiply the right most digit (3) as it denotes the gap between the K and D lines in the form of Divergence.

EXAMPLE: To plot the Daily Stochastics on the 4 hour chart

(24-4) = 6

Standard Stochastics – 5, 3, 3

Multiply the first two variables by 6 and leave the last digit (3) unchanged

This gives us:

30, 18, 3

The chart below has all the calculations completed for your convenience should you choose to use the Stochastics in your Chart analysis.

CHART	Standard Setting	Modified Setting	Explanation
Daily	5 , 3 , 3	25 , 15 , 3	Based on 5 full trading days per week
4 Hour	5 , 3 , 3	30 , 18 , 3	There are 6 x 4 hour candles in a daily candle
1 Hour	5 , 3 , 3	20 , 12 , 3	There are 4 x 1 Hr candles in each 4 hour candle
15 Minute	5 , 3 , 3	20 , 12 , 3	There are 5 x 15 Min candles in a 1 Hour candle
5 Minute	5 , 3 , 3	15 , 9 , 3	There are 3 x 5 Min candles in one 15 Min candle
1 Minute	5 , 3 , 3	25 , 15 , 3	There are 5 x 1 Min Candles in one 5 Minute Candle

Again before you press enter on the 15 minute chart or 5 minute chart, look at what is happening on the hourly chart. Avoid the hourly chart at your own peril.

The Guppy System Or The Bow Tie

This system is named after Daryl Guppy who is a well known trader and author from Australia. He is known as the individual who invented the Guppy moving average system. He is also the founder and director of **Guppytraders.com**

His system is based on plotting multiple short term moving averages along with multiple long term moving averages and the resulting crosses are the signal for entry.

The Exponential Moving Averages used are:

Short Term: 3, 5,7,10 and 15. Make all of these the same color for example, blue

Long Term: 30, 35, 40, 50 and 60. Make all of these another color for example: Red.

You may also see the following EMAs:

Short Term: 3, 5,8,10, 12 and 15

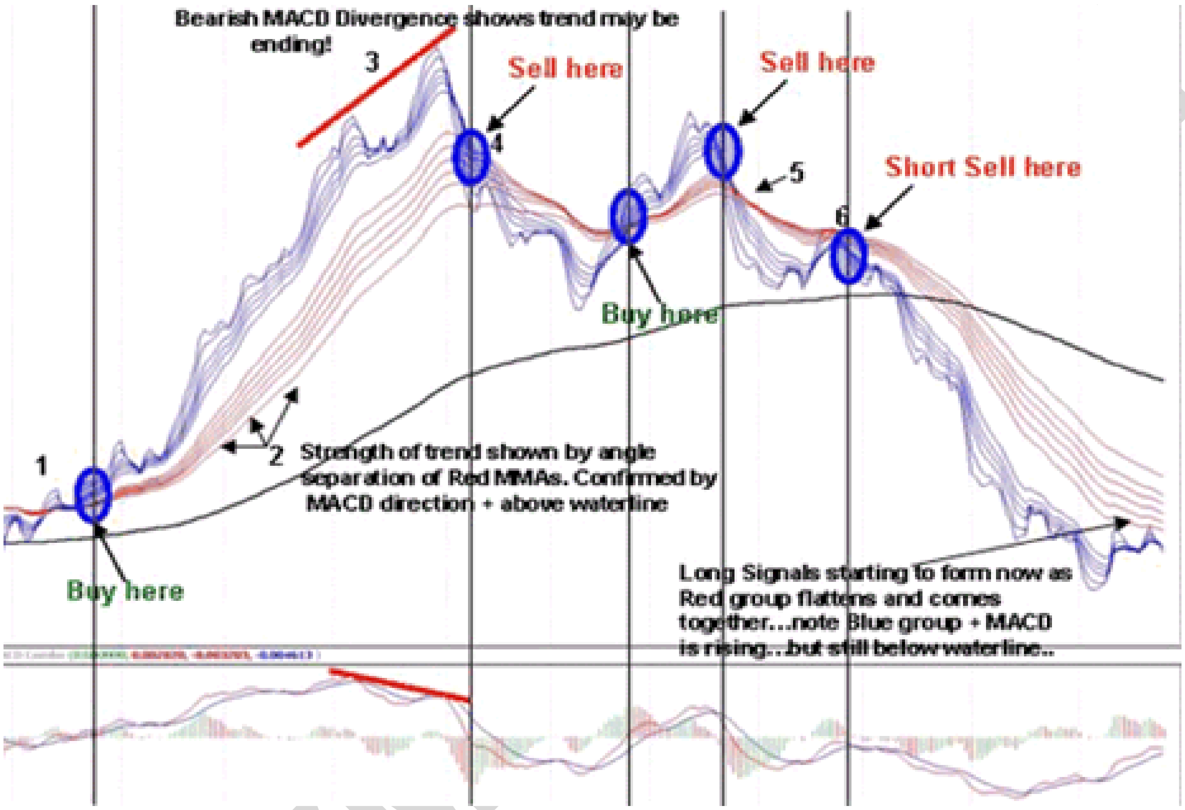
Long Term: 30, 35, 40, 45, 50 and 60

The long term EMAs represent the long term investors and the short term EMAs represent the short term traders in the Market.

The activity of these two groups is tracked via the Exponential Moving averages.

For example the short term EMAs (3, 5,7,10 and 15) represent 3 days, 5 days 7 days and 15 days of information on the short term trader and similarly for the Long Term EMAs.

The Guppy system can be used on any time frame. Entry is when the moving averages cross over each other as shown in the drawing below. Don't just trade this blindly however it can also be used to help you confirm a trend.



DAILY TRADE PLAN

In **"Daily Trade Plan" Service**, Fund Trader Chris Mathis prepares Forex traders for each and every trading session with price forecasts and projections using Elliot Wave principle, news event highlights, trading ideas and alerts and much more

Below is a close up view of a confirmed breakout Fig.1 and a false breakout Fig. 2

Fig. 1 Break out confirmed

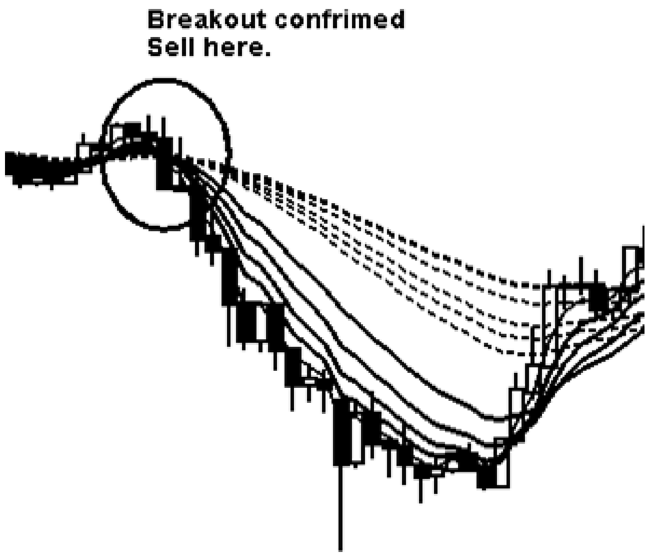


Fig. 2.0 False Break out

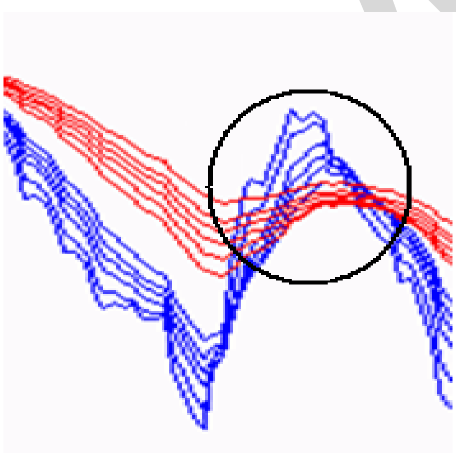
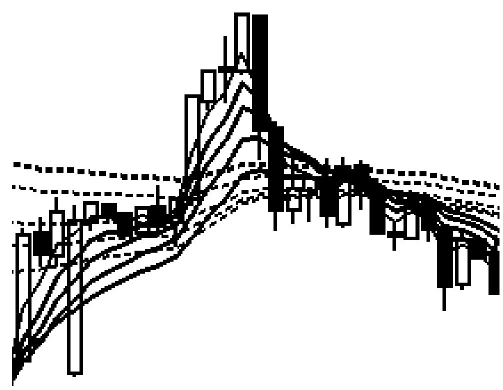


Fig. 2.1 False Break out

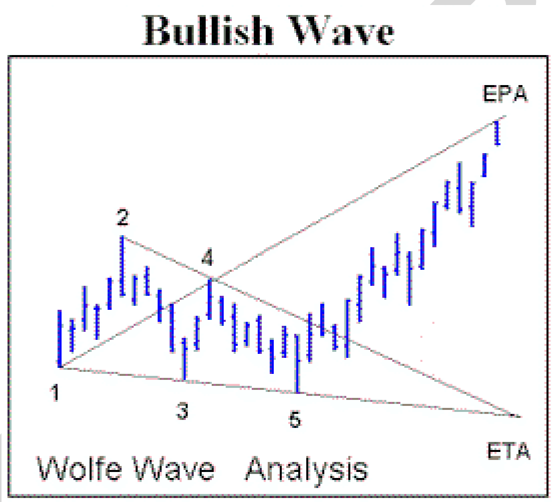


The Wolfe Wave

The Wolfe wave is a way of projecting where price will go by counting waves. It was discovered by Bill Wolfe.

The rules below were taken from his site: **http://www.wolfewave.com/**

Rules: Please note the odd sequence in counting; it is necessary for the inductive analysis. By starting with a top we are assured of beginning our count on a new wave. (The reverse would apply for a bearish wave.)



- The 2 point is a top.
- The 3 point is the bottom of the first decline.
- The 1 point is the bottom prior to point 2 (top), that 3 has surpassed.
- The 4 point is the top of the rally after point 3.
- The 5 point is the bottom after point 4 and is likely to exceed the extended trend line of 1 to 3. This is the entry point for a ride to the EPA line (1 to 4).
- Estimated Price at Arrival (EPA) is trend line of 1 to 4 at apex of extended trend line of 1 to 3 and extended trend line of 2 to 4.
- Estimated Time of Arrival (ETA) is apex of extended trend line of 1 to 3 and 2 to 4.

If you wish to learn more about the Wolfe wave feel free to visit the website above. As always when testing a new strategy and / or indicator please test using your demo account until you are fairly confident with the strategy.

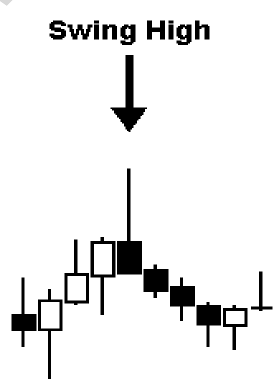
Tom DeMark Trend Lines

Before we go in to detail about a Tom De Mark trend line here is a simple quote from his book: "*The New Science of Technical Analysis"* that will help you understand why you need to know this.

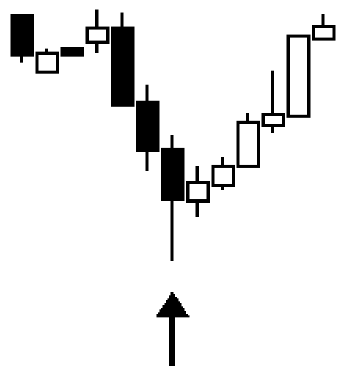
"Not all trend lines can be correct. Only one is."

A Tom DeMark trend line can be used on any time frame but is more effective as you move up to higher time frames. In order to understand how to draw Tom DeMark Trend lines you first have to understand what a swing high or Swing low is.

A **swing high** is a point on the chart that has two or more lower highs to the right and two lower highs to the left of it. The color of the candle does not matter. The key here is that the swing high is the highest point.



A **Swing Low** is a point on the chart that has two or more higher lows to the right and two or more higher lows to the left. Again the color of the candle is irrelevant.



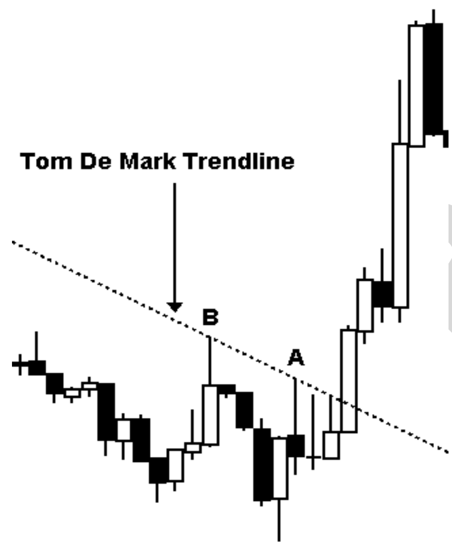
Note: A swing low /high is also referred to as a Cycle low/high.

The Art Of Drawing A Tom Demark Trend Line

In a **downtrend**, connect the latest swing high to a previous swing high which MUST be higher than the first one. Draw your trend line from right to left and project it out into the future.

Look for price to penetrate the trend line and move upwards.

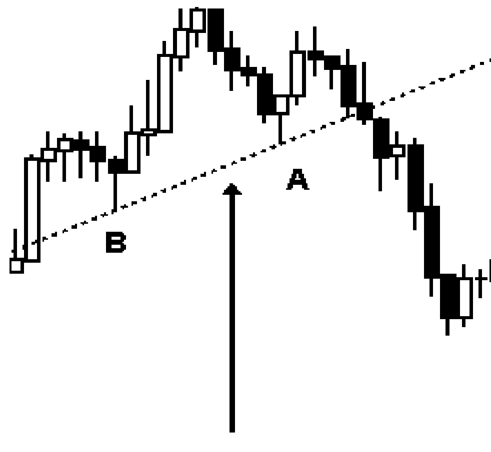
The example below shows two swing highs, A and B connected to form a Tom DeMark trend line in a down trend. Price subsequently broke through the trend line and moved up as expected.



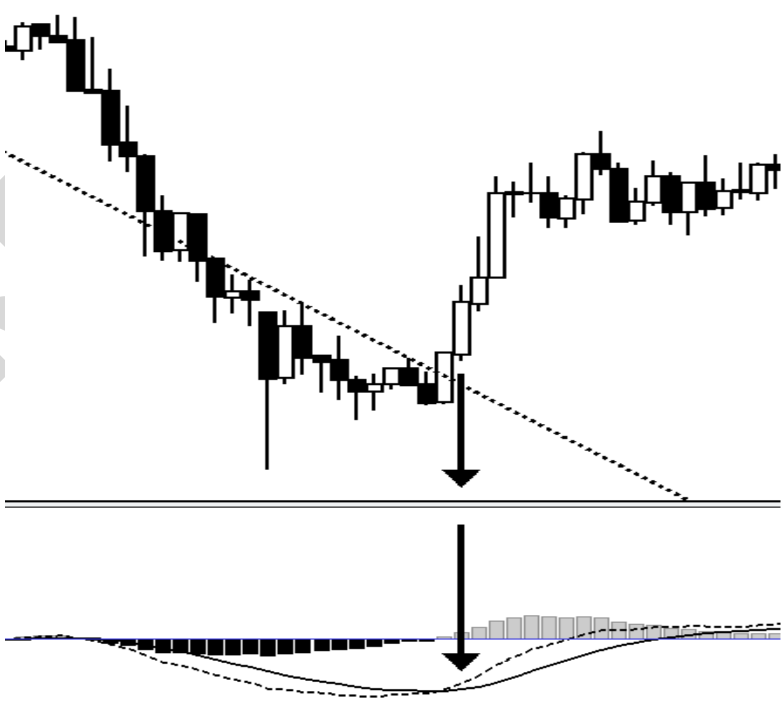
In an **uptrend** connect the latest swing low to a previous swing low, which **MUST** be lower than the first one. Draw your trend line from right to left and project it out in to the future.

Look for Price to penetrate the trend line and move downwards.

In the following example price was moving up. A Tom DeMark trend line drawn connecting swing low point, A and B was subsequently broken and as expected price moved downwards.



The break of the Tom De Mark trend line is often confirmed by the MACD punching through its trigger line as shown below.



Recall that as stated on the Video, there are only two uses for MACD that are employed in this course:

- To confirm divergence
- To confirm a trend line break.

Although you may encounter many other uses for MACD, for this course this is what it is being used for.

Tom DeMark's Price Projection

As the name implies, a price projection is an attempt to project where price is going to go. We spend a great amount of time trying to analyze the charts to get the perfect entry but once in the trade the next question is "Where do I get out?" "How much profit is realistic to expect?"

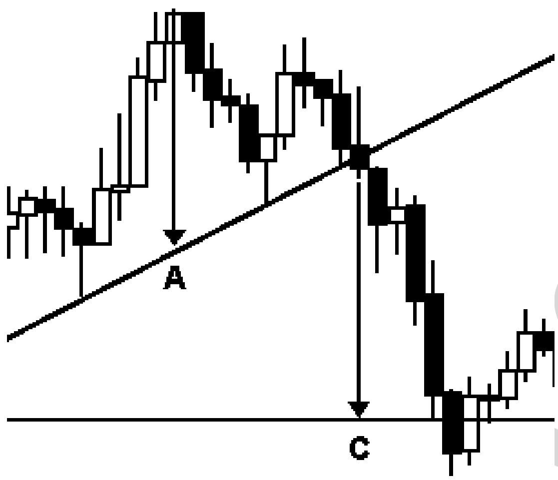
We can determine approximately where price is going to go using a Tom De Mark price projection.

A price projection may seem a bit difficult to grasp at first but if you take the time to practice you will find that it quickly becomes very obvious.

When drawing a projection, take the highest or lowest point between price and the trend line.

Take the pip value of that distance or simply draw a line.

Copy this line and project it out in the anticipated direction as shown below to get an approximate idea of where price is going to go.



In the example above we see the greatest distance between the trend line and price was at point A. This distance is then added to the candle that broke the Tom DeMark Trend line and projected to point C.

Point C is where we expected price to go. Knowing this information will allow you to set realistic expectations as to where you should set your profit targets.

Do not use projections by themselves to enter or exit a trade. Always look for confluence to make your trading decisions.

In this case it could be Fibonacci extensions, pivots or EMAs coinciding with the projection.

If you are using Projections to limit your profit then always take your profit several pips ahead of the extreme of the projection. This is not an exact science and price could easily turn around before the extreme of your projection with your profit in tow and then dump you out for a loss.

Be diligent. Do your analysis before and during your trade. Once you are in a trade you job is to manage that trade and Price projections is just one tool to assist you with this task.

PART 14: SUMMARY & WHAT'S NEXT?

We have given you some key information in an effort to expose you to what Forex trading is all about. We've also given you a few strategies that can help you become profitable trading the Forex Market.

Please take time to go over this material and ensure that you have grasped the concepts before you try to trade them live. Do not try to trade everything we have shown you, rather after practicing then take the time to document those strategies that work for you and devise a plan from which you will trade. Create a list of rules to help keep you focused and curb the urge to trade everything you see or hear.

We thank you for taking the time to invest in this course and hope that you have come away with a clearer perspective of how the Forex market works and can benefit financially from this information.

As with every endeavor, practice is the key. However, this is something only you can control.

Remember if you are not certain about a trade then step aside and learn from the move.

No trade is also a good trade.

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To see our line-up of affordable and comprehensive Forex training resources and start your trading career on the right track!

If you have any questions, comments or feedback, please feel free to contact us at:

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Thanks again for trusting your education to Forexmentor and best of luck with your trading.

Peter R. Bain
Founder
Forexmentor.com

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"A DAY IN THE LIFE OF A FOREX TRADER" is a workshop wherea handful of traders learned the techniques and insights that have allowed Shirley Hudson to daytrade the Forex at an amazing 92% success rate since 2010. (full workshop video recording) more info »		Vic Noble & Shirley Hudson
RECURRING FOREX PATTERNS Learn to identify and profit from currency price patterns that recur consistently throughout any trading session. These trading opportunities provide the safest and best opportunities to the active Forex trader. more info »		Vic Noble & Shirley Hudson

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Vic Noble & Shirley Hudson

FOREX MONEY MAKER VIDEO COURSE

Peter Bain shows you how to get back on a path to profits using his time-tested and flexible Forex trading strategies.
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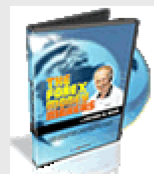

Peter R. Bain

FAST TRACK TO FOREX

is a foundational course designed to offer new traders a comprehensive introduction to all the nuances of trading the Forex market.
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Frank Paul

DRIVING YOUR WAY TO SUCCESS

is the story of the road that I've traveled since placing my first currency trade over four years ago. It chronicles how once I properly channeled my focus and started working diligently on developing the required psychological skill set, my trading took on an entirely new level.
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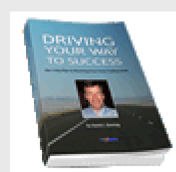

Dave Deming

FX SYSTEMS LAB MONTHLY

Each month from June, 2012 to May, 2013, a new trading system is made available. Each system course has an emphasis not on pie-in-the-sky theory, but rather how to "get down to brass tacks" and actually apply the system for the purpose of making money in the global Forex market.
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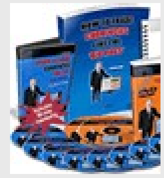

Peter R. Bain

FOREX MONEY MAKERS

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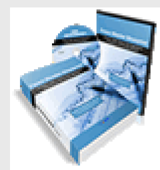

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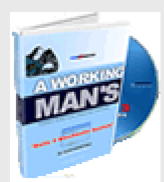

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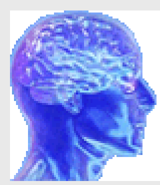

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