2008

Forex Hidden Systems

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How to Stay on Top of Forex Events

In order to stay on top of Forex events and be an informed trader, you need 2 simple things: a good news data feed and a good economic calendar.

If you know where to look for, it's really easy to stay on top of the market.

In this chapter you'll know the best places to look for information so that you can become an informed trader.

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News:

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Most broker platforms come with decent news data feed. If for some reason you don't like your broker's data feed, you can visit http://www.dailyfx.com/ . At this website, you'll find the latest news on the market.

Another good place to look for the latest news is http://www.fxstreet.com/news/forex-news/. Here, you can find the latest news from multiple sources as Thomson Financial, Dow Jones and Fxstreet. Here is a screenshot of this resource:

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N! Latvian GDP grows 9.6 pct in Q4
Thomson Financial News | Fri, Feb 8 2008, 14:25 GMT

N! India spot gold gains tracking overseas market, domestic demand seen slacking
Thomson Financial News | Fri, Feb 8 2008, 14:16 GMT

N! CORRECTION Canada Jan employment rate 63.8 pct, jobs up 46,000 UPDATE
Thomson Financial News | Fri, Feb 8 2008, 14:15 GMT

N! Argentina's INDEC Tells IMF All's Well With CPI Data -Reports
Dow Jones | Fri, Feb 8 2008, 14:07 GMT

N! India sugar eases on higher supply in domestic markets
Thomson Financial News | Fri, Feb 8 2008, 13:59 GMT

N! ECB Foreign Exchange Reference Rates - 8th February 2008
Dow Jones | Fri, Feb 8 2008, 13:41 GMT

N! Canadian housing starts boost in January
FXstreet.com | Fri, Feb 8 2008, 13:34 GMT

N! Metals - Platinum slips away from record but outlook remains upbeat
Thomson Financial News | Fri, Feb 8 2008, 13:32 GMT

N! City Index acquires FX Solutions, are the new regulations bringing about industry consolidation?
FXstreet.com | Fri, Feb 8 2008, 13:28 GMT

N! Canada Housing Starts s.a up 21.0% to 222.7K in January
FXstreet.com | Fri, Feb 8 2008, 13:16 GMT

N! CME/IMM Financials Volume And Open Interest - Feb 8
Dow Jones | Fri, Feb 8 2008, 13:16 GMT

N! Forex - Canadian dollar strengthens vs US dollar after strong employment data
Thomson Financial News | Fri, Feb 8 2008, 13:07 GMT

N! Oil higher on Nigeria supply disruptions and cold US weather
Thomson Financial News | Fri, Feb 8 2008, 13:07 GMT

N! Forex - Dollar steady ahead of Fed speakers
Thomson Financial News | Fri, Feb 8 2008, 13:05 GMT

N! Hungary PM: To Lower Tax Burden By HUF200 Billion In 2009 - Agency
Dow Jones | Fri, Feb 8 2008, 13:05 GMT

N! CME Currencies Volume/Open Interest - Feb 8
Dow Jones | Fri, Feb 8 2008, 13:04 GMT

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If you want to look for news and commentaries from multiple sources at the same time, you can use http://www.goforex.net/forex-news.htm. This resource advantage is that you can look for news of plenty of different sources.

Forex News

Daily Commentary & Analysis

Daily News Sources

- Reuters
- Bloomberg
- CBS MarketWatch
- Financial Times
- Yahoo
- NewsNow
- Morgan Stanley
- Bank of New York
- CIBC World Markets
- HSBC Private Bank
- Commerzbank
- BNP Paribas
- Standard Bank
- RTT News
- Thomson Financial News
- BMO Nesbitt Burns
- Wachovia FX Market Pulse
- Daily Pfennig
- Daily FX
- ATNABTU
- Investica
- GFT Forex
- Moreover News
- The Bullion Desk

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Economic Calendar:

My favorite economic calendar is http://biz.yahoo.com/c/e.html. When you visit Yahoo's economic calendar here's what you find:

Last Week | Next Week

Date	Time (ET)	Statistic	For	Actual	Briefing Forecast	Market Expects	Prior	Revised From
Feb 4	12:00 AM	Auto Sales	Jan	5.1M	5.2M	5.2M	5.5M	-
Feb 4	12:00 AM	Truck Sales	Jan	6.6M	7.3M	7.2M	6.9M	-
Feb 4	10:00 AM	Factory Orders	Dec	2.3%	2.8%	2.0%	1.7%	1.5%
Feb 5	10:00 AM	ISM Services	Jan	44.6	52.5	53.0	53.2	54.4
Feb 6	8:30 AM	Productivity-Prel	Q4	1.8%	0.0%	0.5%	6.0%	6.3%
Feb 6	10:30 AM	Crude Inventories	02/02	7052K	NA	NA	3555K	-
Feb 7	8:30 AM	Initial Claims	02/02	356K	350K	340K	378K	375K
Feb 7	10:00 AM	Pending Home Sales	Dec	-1.5%	-	-	-3.0%	-2.6%
Feb 7	10:30 AM	Crude Inventories	02/02	-	NA	NA	NA	-
Feb 7	3:00 PM	Consumer Credit	Dec	$4.5B	$12.0B	$8.0B	$17.1B	$15.4B
Feb 8	10:00 AM	Wholesale Inventories	Dec	-	0.2%	0.3%	0.6%	-

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This calendar has 2 advantages over most calendars out there. The first one is that you can easily view past and future economic releases. You just need to click the “last week” link or the “next week” link, and you’ll be able to know what was released, for example, 3 weeks ago as well as what you can expect next week.

The second big advantage is that when you click in the name of the economic release, this calendar gives you a good description of the economic release and also gives you the importance of this indicator. This importance is rated from A to F and A stands as the most important indicators.

Here are some examples.

If you click on the “Initial Claims” report, it gives you the following information:

Initial Claims

- **Importance (A-F):** This release merits a **C+**.
- **Source:** The Employment and Training Administration of the Department of Labor.
- **Release Time:** 8:30 ET each Thursday (data for week ended prior Saturday).
- **Raw Data Available At:** http://www.dol.gov/opa/media/press/eta/main.htm.

Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential signalling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

There are two other statistics in this report -- the number of people receiving state benefits and the insured unemployment rate; neither is watched closely by the market. Some analysts track the number of people receiving state benefits from month to month as a guide for job growth, though this series has a poor track record in predicting the monthly employment report. The insured unemployment rate changes little on a weekly basis and is never a factor for the market.

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You can see a full description on the Initial Claims report and know that its importance is a C+.

If you click in “Wholesale Trade” you can see that its importance is a D- , so this indicator is not supposed to bring a lot of volatility to the market.

Wholesale Trade

- **Importance (A-F):** This release merits a **D-**.
- **Source:** The Census Bureau of the Department of Commerce.
- **Release Time:** 10:00 ET around the fifth business day of the month (data for two months prior).
- **Raw Data Available At:** http://www.census.gov/svsd/www/mwts.html.

The wholesale trade report includes sales and inventory statistics from the second stage of the manufacturing process. The sales figures say close to nothing about personal consumption and therefore do not move the market.

Wholesale inventories sometimes swing enough to change the aggregate inventory profile (aggregate inventory is the sum of inventory at the manufacturing, wholesale, and retail levels), which may affect the GDP outlook. In that event they can elicit a small market reaction. More often than not, however, this release goes unnoticed except by market economists.

The Nonfarm Payrolls is the most important economic release on Forex. This is the indicator that, most of the times, brings good volatility to Forex. Not surprisingly, it’s an A.

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The Employment Report

- **Importance (A-F):** This release merits an **A**.
- **Source:** Bureau of Labor Statistics, U.S. Department of Labor.
- **Release Time:** First Friday of the month at 8:30 ET for the prior month
- **Raw Data Available At:** http://stats.bls.gov/news.release/empsit.toc.htm.

The employment report is actually two separate reports which are the results of two separate surveys. The household survey is a survey of roughly 60,000 households. This survey produces the unemployment rate. The establishment survey is a survey of 375,000 businesses. This survey produces the nonfarm payrolls, average workweek, and average hourly earnings figures, to name a few. Both surveys cover the payroll period which includes the 12th of each month.

The reports both measure employment levels, just from different angles. Due to the vastly different size of the survey samples (the establishment survey not only surveys more businesses, but each business employs many individuals), the measures of employment may differ markedly from month to month. The household survey is used only for the unemployment measure - the market focusses primarily on the more comprehensive establishment survey. Together, these two surveys make up the employment report, the most timely and broad indicator of economic activity released each month.

Another great economic calendar is the Briefing calendar. You can find it at http://www.briefing.com/Investor/Public/Calendars/EconomicCalendar.htm .

When you visit this webpage, you find a good looking and complete calendar like this one:

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This Week's Calendar *Click on a "Release" for insight*

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Feb 07	08:30	Initial Claims	02/02	356K	350K	340K	378K	375K
Feb 07	10:00	Pending Home Sales	Dec	-1.5%			-3.0%	-2.6%
Feb 07	15:00	Consumer Credit	Dec	$4.5B	$12.0B	$8.0B	$17.1B	$15.4B
Feb 08	10:00	Wholesale Inventories	Dec		0.2%	0.3%	0.6%	

Week of February 11 - February 15

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Feb 12	14:00	Treasury Budget	Jan		$15.0B	$30.0B	$38.2B	
Feb 13	08:30	Retail Sales	Jan		0.0%	0.0%	-0.4%	
Feb 13	08:30	Retail Sales ex-auto	Jan		0.5%	0.2%	-0.4%	
Feb 13	10:00	Business Inventories	Dec		NA	0.4%	0.4%	
Feb 13	10:30	Crude Inventories	02/09		NA	NA	7052K	
Feb 14	08:30	Initial Claims	02/09		360K	NA	356K	
Feb 14	08:30	Trade Balance	Dec		-$62.0B	-$61.0B	-$63.1B	
Feb 15	08:30	Export Prices ex-ag.	Jan		NA	NA	0.3%	
Feb 15	08:30	Import Prices ex-oil	Jan		NA	NA	0.3%	
Feb 15	08:30	NY Empire State Index	Feb		5.0	7.5	9.0	
Feb 15	09:00	Net Foreign Purchases	Dec		NA	NA	$90.9B	
Feb 15	09:15	Industrial Production	Jan		0.2%	0.1%	0.0%	
Feb 15	09:15	Capacity Utilization	Jan		81.5%	81.4%	81.4%	
Feb 15	10:00	Mich Sentiment-Prel.	Feb		78.0	76.5	78.4	

Just like Yahoo's calendar, if you click in the name of the economic release, you can find information about it. This information includes the importance of the indicator (from A-F) just like Yahoo's calendar. Besides this, it presents a chart so that you can easily know the historical releases on this economic report. For example, if you click in "Initial Claims", you'll see the following information:

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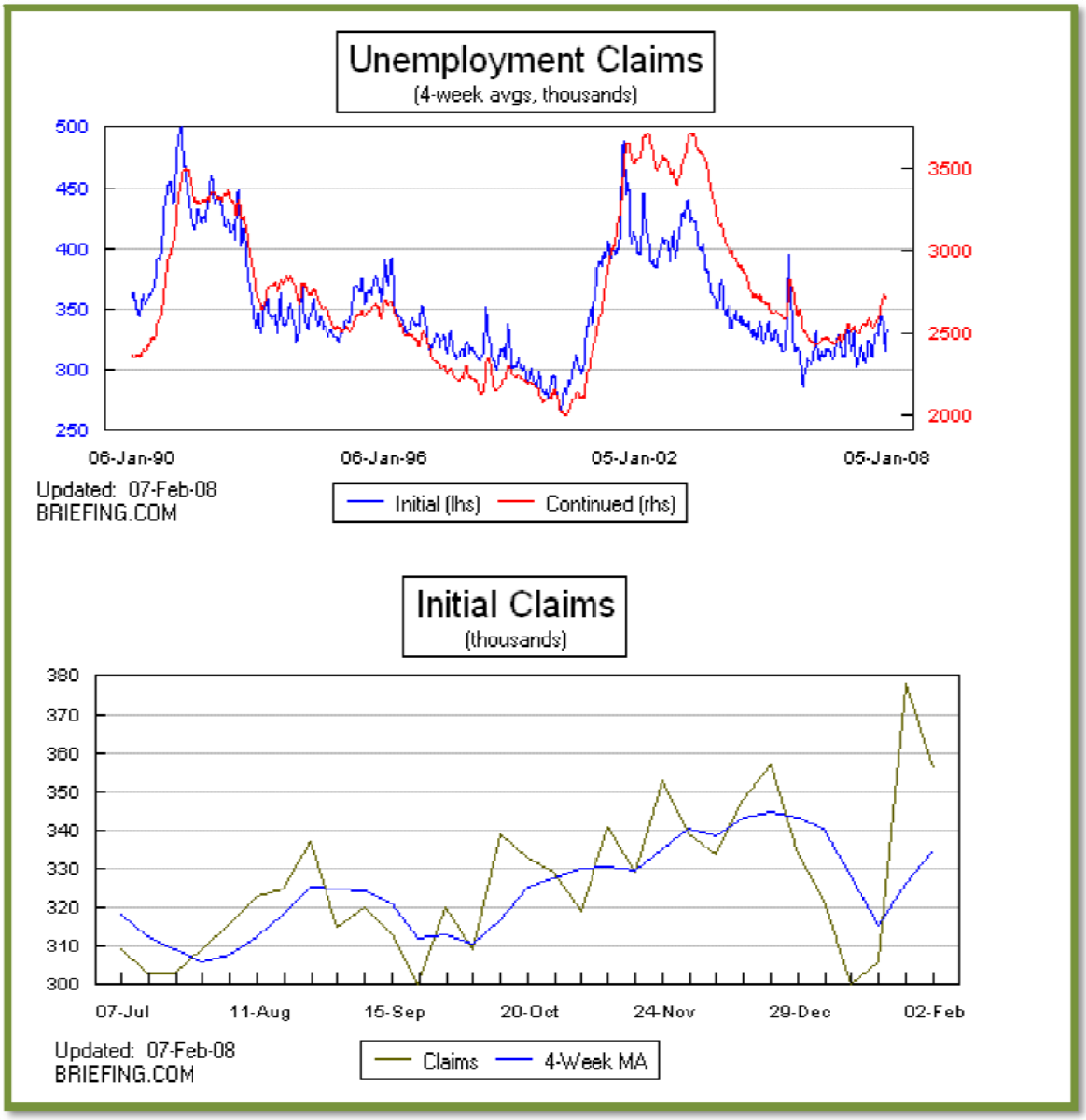

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Highlights

- Initial claims fell -22K but to a high 356K in the week of Feb 2.
- Continued claims rose 75K to 2.785 mln in the week of Jan 26.

Key Factors

- Smaller downward rebound than expected as the prior week was revised higher to 378K.
- Recent volatility is extreme -- 300K to 378K levels in just the last four weeks.
- Boosts 4-week average to 335K, 2-week average is a more frightening 367K.
- The 4-week average of continued claims rose to a new 2 year (26 month) high.

Big Picture

- Seasonal adjustment provided some volatility early in the year as early January lows of 300K compared to the 378K in late January. The 335K 4-week average provides a better read but seems low given the 367K average over the last two weeks which are more consistent with the late 2007 trend. Continued claims (a better read on hiring) reached a new 2-year high for both the level and 4-week average. Claims provide a nearly real time read on layoffs and the labor market as the employment report reflects the broader combined read of layoffs and hiring. A 360+K level for the 4 week average has been present at the start of the last two recessions -- 362K in 1990 and 373K in 2001.

Category	Feb 2	Jan 26	Jan 19	Jan 12	Jan 5
Initial Claims	356K	378	306	300	322
4-Wk Moving Avg	335	327	316	328	340
Continued Benefits		2785K	2710	2669	2747
4-Wk Moving Avg		2728	2704	2715	2726

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Release Details

Initial Claims

- **Importance (A-F):** This release merits a **C+**.
- **Source:** The Employment and Training Administration of the Department of Labor.
- **Release Time:** 8:30 ET each Thursday (data for week ended prior Saturday).
- **Raw Data Available At:** http://www.dol.gov/opa/media/press/eta/main.htm.

Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential signalling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

There are two other statistics in this report -- the number of people receiving state benefits and the insured unemployment rate; neither is watched closely by the market. Some analysts track the number of people receiving state benefits from month to month as a guide for job growth, though this series has a poor track record in predicting the monthly employment report. The insured unemployment rate changes little on a weekly basis and is never a factor for the market.

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Another good thing about the Briefing economic calendar is that it allows you to see the economic releases for the next several weeks.

Other good economic calendars are the following:

- http://www.forexfactory.com/calendar.php:

Feb 3 - Feb 9 Filter

Date	10:06am	Currency	Impact		Detail	Actual	Forecast	Previous
Sun Feb 3	4:45pm	NZD		Visitor Arrivals m/m		-1.2%		2.8%
	6:30pm	AUD		TDMI Inflation Gauge m/m		0.3%		0.6%
	6:50pm	JPY		Monetary Base y/y		-0.1%	0.3%	0.4%
	7:30pm	AUD		Trade Balance		-1.9B	-2.0B	-2.2B
	7:30pm	AUD		House Price Index q/q		3.2%	2.9%	3.2%
Mon Feb 4	4:30am	EUR		Sentix Investor Confidence		4.3	5.7	8.2
	4:30am	GBP		Construction PMI		53.9	55.0	56.0
	5:00am	EUR		PPI m/m		0.1%	0.2%	0.9%
	10:00am	USD		Factory Orders m/m		2.3%	2.3%	1.7%
	11:20am	USD		Fed Governor Kroszner Speaks				
	4:45pm	NZD		Labor Cost Index q/q		1.1%	0.9%	0.9%
	7:30pm	AUD		Retail Sales m/m		0.5%	0.6%	0.8%
	7:30pm	AUD		Building Approvals m/m		-16.0%	-3.8%	8.9%
	9:00pm	NZD		ANZ Commodity Price Index		-1.4%		0.8%
	10:30pm	AUD		Interest Rate Statement		7.00%	7.00%	6.75%

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- http://www.dailyfx.com/calendar/:

Print: PDF | XLS | CSV US Economic Calendar | Central Bank Calendar Sort By: Date | Currency | Importance Filter

Date	Time	Currency	Event	Importance	Actual	Forecast	Previous	Commentary
Mon Feb 4	GMT 09:30 AM		GBP PMI Construction (JAN)	LOW	53.9	55.0	56.0	
	GMT 09:30 AM		EUR Euro-Zone Sentix Investor Confidence (FEB)	LOW	4.3	5.7	8.2	
	GMT 10:00 AM		EUR Euro-Zone Producer Price Index (MoM) (DEC)	MEDIUM	0.1%	0.1%	0.9%(R+)	
	GMT 10:00 AM		EUR Euro-Zone Producer Price Index (YoY) (DEC)	MEDIUM	4.3%	4.3%	4.2%(R+)	
	GMT 12:30 PM		USD Challenger Job Cuts (YoY) (JAN)	LOW	19.1%		-18.7%	
	GMT 15:00 PM		USD Factory Orders (DEC)	LOW	2.3%	2.4%	1.5%	
	GMT 17:00 PM		USD Fed's Kroszner Speaks at Securitization Forum in Las Vegas	LOW				

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- http://www.babypips.com/tools/forex-calendar/:

Forex Economic Calendar

February 2008

*	S	M	T	W	T	F	S
>	27	28	29	30	31	1	2
>	3	4	5	6	7	8	9
>	10	11	12	13	14	15	16
>	17	18	19	20	21	22	23
>	24	25	26	27	28	29	1

Date	Time	Currency	Event	Impact	Actual	Forecast	Previous
Fri 2/8	1:45	CHF	Consumer Climate		14	11	15
	1:45	CHF	CPI		-0.3%	-0.4%	0.2%
	2:00	EUR	German Trade Balance		10.8B	16.8B	19.3B
	6:00	EUR	Composite Leading Indicators		98.1		98.4
	7:00	CAD	Unemployment Rate		5.8%	6%	6%
	7:00	CAD	Employment Change		46.4K	10K	-2.9K
	8:15	CAD	Housing Starts		223K	210K	185K
	10:00	USD	Wholesale Inventories			0.4%	0.6%

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How to Get a Professional Trading Platform For Free

There are plenty of trading platforms on the market. Almost all brokers offer you good trading platforms and charting packages. You can also choose a trading platform that's not offered by your broker.

One of the best Forex trading platforms is Metatrader. This platform is extremely flexible and stable, has top quality charts and it's available for free.

In order to get this trading platform you just need to follow these simple steps:

Step 1: Go to http://www.metaquotes.net/downloads.

Step 2: Press the Download Metatrader and press "Save".

Step 3: Open the mt4setup file you have downloaded.

Step 4: Choose your desired language.

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Step 5: Press next, read and accept the User License agreement.

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Step 6: Choose the destination folder where you want to install Metatrader:

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Step 7: Press “Next” to begin the installation process.

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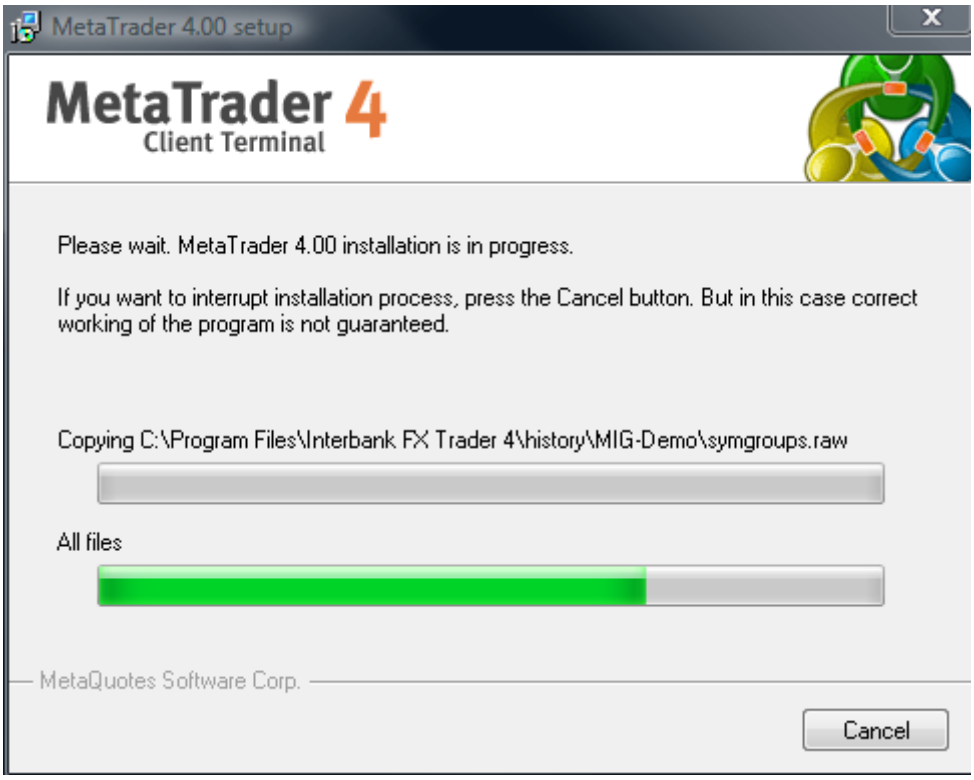

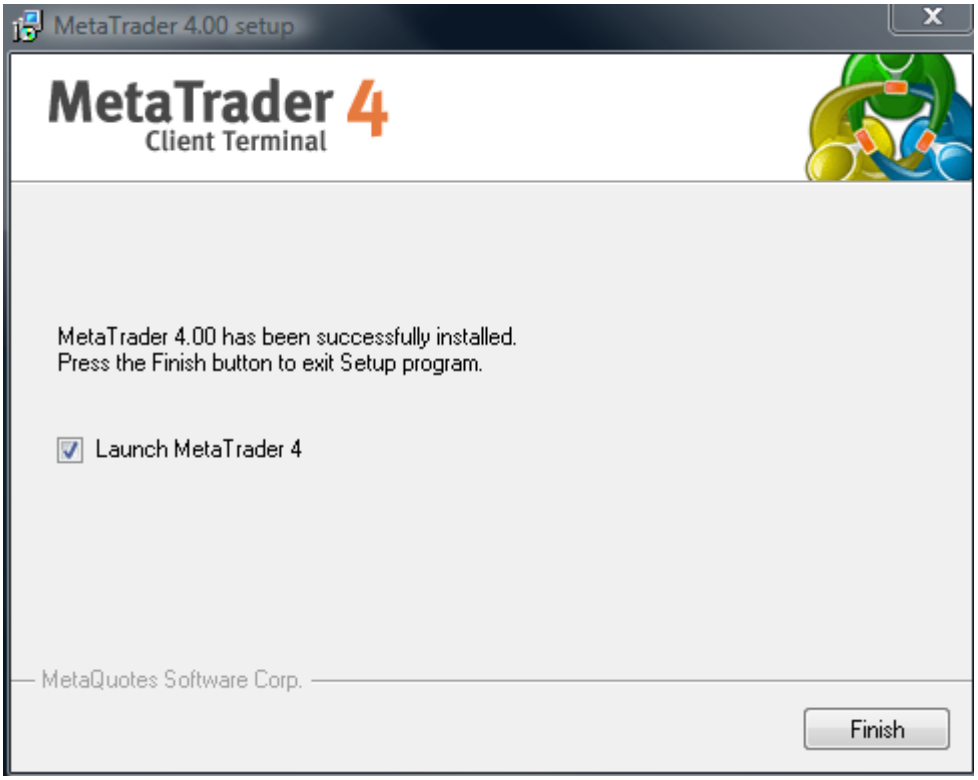

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Step 8: To Launch Metatrader 4, you can click on "Start/Programs/Metatrader 4/Metatrader" or on its desktop icon.

First time users need to setup a demo account. You can do this by selecting "File → Open account" item from the Metatrader 4 menu. Then, fill the application to open a demo account.

You can use a demo account with Metatrader 4 on plenty of brokers. Here are some brokers that offer you Metatrader on a demo account:

- http://www.ikon-royal.com/
- http://www.westcapfx.com/
- http://www.aleccohfx.com/
- http://www.alpari-idc.com/
- http://www.interbankfx.com/

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How to Setup Charts

In order to open a chart on Metatrader, click “File → New chart”. Then, choose the currency pair you prefer.

When you open a Metatrader chart it opens a chart like this one:

In order to get a more intuitive chart I prefer to perform some changes.

I usually change the time frame from H1 to M15 or M5 since I usually trade on 5 or 15 minutes charts. To do that you can simply click on the M5 or the M15 button.

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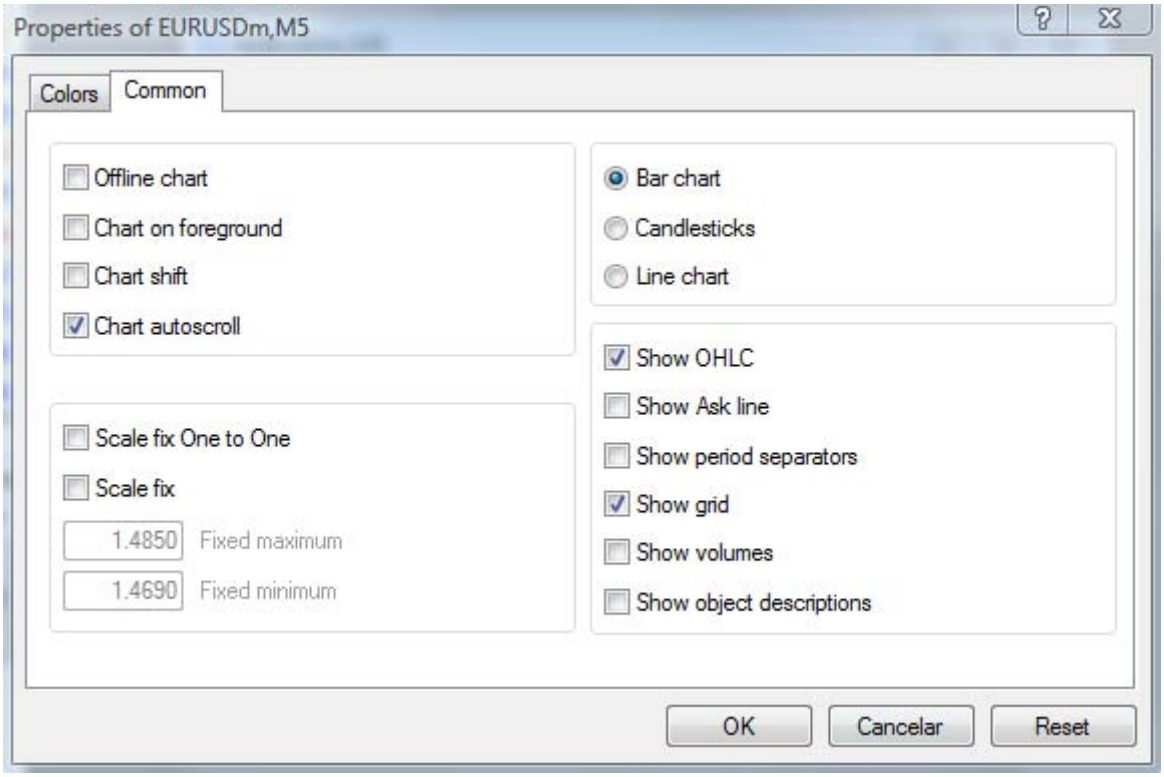
Now, right click on the chart and click “Properties”.



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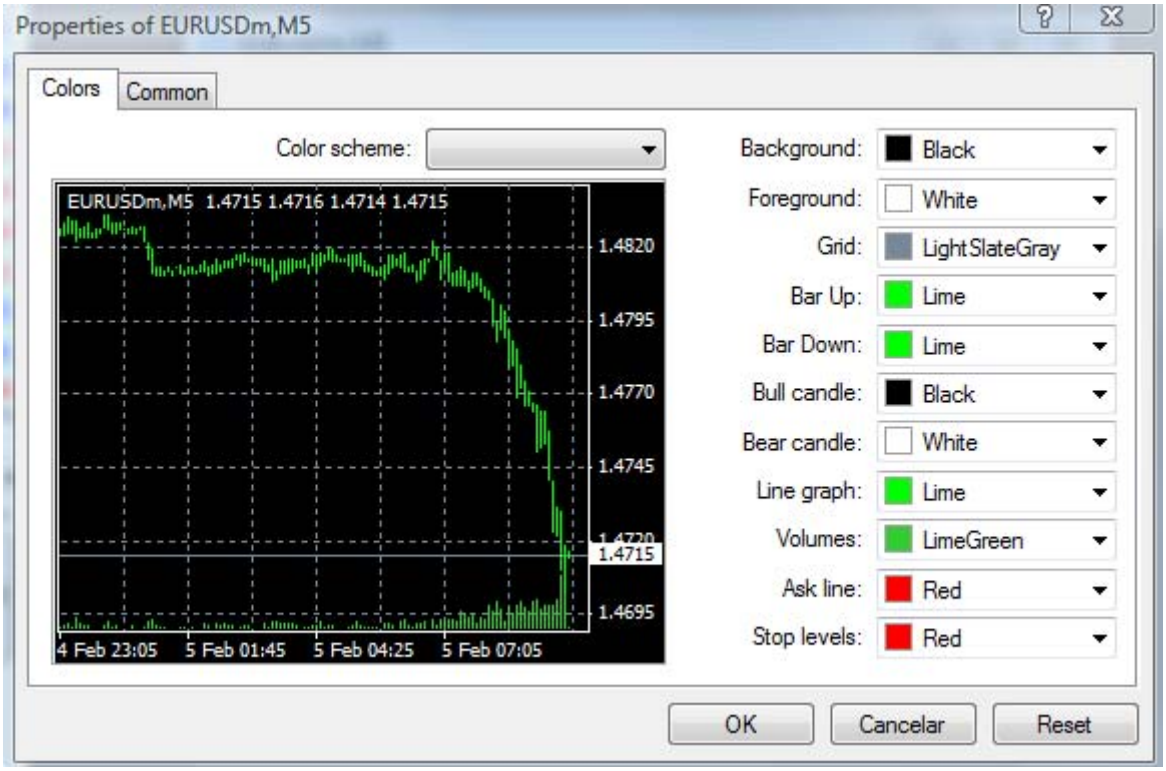
Click colors and you'll have the following options:



I prefer to use the following Color options:

Background: White

Foreground: Black

Grid: None

Bar up: Lime

Bar Down: Red

Bull Candle: Lime

Bear Candle: Red

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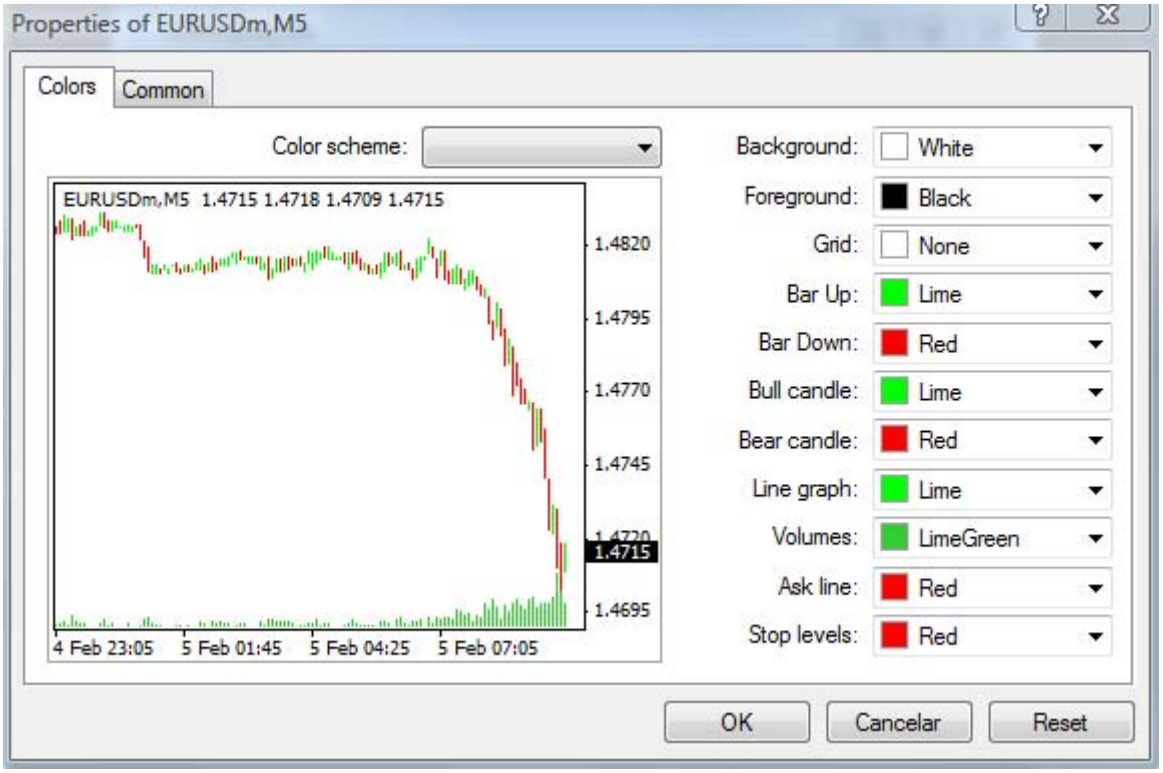

The result is the following chart:

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Since I prefer to use candlesticks charts, I click on the following button:

And here is the final result:

As you can see, now you have a much “cleaner” chart. These are the definitions I use on my charts.

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Which Time Frames Should You Use?

If you're day trading, the best time frames you can use are the 5 minutes and the 15 minutes charts. Both these time frames provide you with good opportunities almost every single day.

On 5 minutes charts, you'll have more trades and you won't be on a position as long as on a 15 minutes chart. If you use 15 minutes charts, you'll be able to get the strongest intraday trends. Both time frames are extremely useful and profitable for day traders.

If you're swing trading, the best time frames you can use are the 1 hour chart, the 4 hours chart and the daily chart. These 3 time frames give you deep understanding about where the market is headed.

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Risk Management

Risk management is what separates a winner trader from a loser. Most beginners ignore or use poor risk management rules and, as a result, they lose money on Forex.

The single most important thing on Forex is to use strict Money Management rules. If you want to make money consistently, you need to use simple rules that protect your money and your profits.

As a rule of thumb, you should never ever risk more than 5% of your account on a single trade. 5% is the maximum risk you should accept in any Forex trade, and this is if you're a risk taker. If you're a more conservative trader you shouldn't risk more than 2% of your account on a single trade.

Please don't ignore this simple rule. If you start to risk too much, you'll be out of the game before you even realize how to make money on Forex.

All traders make good trades and bad trades. If you're risking too much on a trade you might not have money the next time the market gives you a good opportunity. Your first priority as a trader is to protect your money. Your second goal is to make money on your trading.

Let's analyze an example of the same system but applying different money management rules to see how important risk management is in the real world.

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John is a smart trader. He's going to start trading Forex using good risk management rules. He won't risk more than 5% of his account on any trade. He's comfortable risking 5% of his account in a single trade because he knows his system well. He tested it deeply on a demo account so he knows it works well.

Martin is another trader. He sees Forex as a get rich quick opportunity. So, he doesn't care with risk management. He wants to use all the leverage he can so that he can get rich in less than a year.

Both traders will use the same system. This system is good since it makes money most of the time and has a good risk/reward. It uses tight stop losses and the average loss is 30 pips, and the average profit is 75 pips. The system they use generated the following trades:

Trades	Profit/Loss in Pips
Trade 1	51 pips Profit
Trade 2	25 pips Loss
Trade 3	25 pips Loss
Trade 4	25 pips Loss
Trade 5	25 pips Loss
Trade 6	60 pips Profit
Trade 7	60 pips Loss
Trade 8	32 pips Profit
Trade 9	93 pips Profit
Trade 10	121 pips Profit
Trade 11	31 pips Loss
Trade 12	25 pips Loss
Trade 13	87 pips Profit
Trade 14	117 pips Profit
Trade 15	31 pips Profit
Trade 16	25 pips Loss
Trade 17	51 pips Profit
Trade 18	77 pips Profit
Trade 19	140 pips Profit
Trade 20	40 pips Profit

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John never risks more than 5% of his account on a single trade. Since he's starting with a $5.000 account, he won't risk more than $250 per trade. Since the system he's using usually has a 25 pips stop loss and averages 30 pips on losing trades, he's willing to trade 1 single contract per trade ($100.000 per trade).

Martin ignores risk management rules. He's starting with the same $5.000 and he's going to use the maximum leverage his broker allows him. His broker allows him to use 200:1 leverage, so he's going to trade on the limits all the time. He's going to start trading 10 lots which represents $1.000.000.

Let's see who has done better:

Trade Profit / Loss	John Profit / Loss		Martin Profit / Loss	
	Profit/Loss	Balance	Profit/Loss	Balance
51 pips profit	$510 Profit	$5.510	$5100 Profit	$10.100

Martin feels he's a pro. With just one trade he doubled his account size. He's ready to keep using his full margin strategy in order to reach $1 million as soon as possible. Now that he has $10.100, he'll be able to trade $2 millions on the next trade!

Trade Profit / Loss	John Profit / Loss		Martin Profit / Loss	
	Profit/Loss	Balance	Profit/Loss	Balance
25 pips loss	$250 Loss	$5.260	$5.000 Loss	$5.100

With just one loss, Martin lost almost all the profit from the first trade. He doesn't realize the risks he's taking; so, he'll continue to use the maximum margin possible. John is already making more money than Martin, even with less risk.

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Trade Profit/Loss	John Profit/Loss		Martin Profit/Loss	
	Profit/Loss	Balance	Profit/Loss	Balance
25 pips loss	$250 Loss	$5210	$2500 Loss	$2600
25 pips loss	$250 Loss	$4960	$1250 Loss	$1350
25 pips loss	$250 Loss	$4710	$250 Loss	$1100
60 pips profit	$600 Profit	$5310	$600 Profit	$1700
60 pips loss	$600 Loss	$4710	$1200 Loss	$500
32 pips profit	$320 Profit	$5030	$320 Profit	$820
93 pips profit	$930 Profit	$5960	$930 Profit	$1750
121 pips profit	$1210 Profit	$7170	$1210 Profit	$2960
31 pips loss	$310 Loss	$6860	$2960 Loss	Game Over For Martin
25 pips loss	$250 Loss	$6610		
87 pips profit	$870 Profit	$7480		
117 pips profit	$1170 Profit	$8650		
31 pips profit	$310 Profit	$8960		
25 pips loss	$210 Loss	$8750		
51 pips profit	$510 Profit	$9260		
77 pips profit	$770 Profit	$10030		
140 pips profit	$1440 Profit	$11470		
40 pips profit	$400 Profit	$11870		

Both traders were using the same system. And the results were completely different. Let's analyze the results:

- **Number of trades:** 20
- **Number of profits:** 12 profits (60%)
- **Profit in Pips:** 900 pips total profit averaging 75 pips profit per winning trade
- **Loss in pips:** 241 total pips loss averaging 30 pips per losing trade

This is a great system. It works most of the times (60%) and it has a great risk/reward. While the average loss is around 30 pips, the average win is 75 pips.

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John finished these 20 trades with $11.850. He made $6150 profit (123% profit). On the same time span and with the same system, Martin lost all his money. The only difference between these 2 traders is that John used risk management, while Martin ignored risk management.

John now has $11850 so he can start trading $200.000 per trade risking less than 5% of his account. So, higher profits are in the future for John.

Martin is out of the market for good. He didn't know how to protect his money, so he lost it all in a hurry.

As you can see in this example, risk management is the most important thing in trading. This is what makes the difference between good traders and the bad ones.

If you're a risk taker, never risk more than 5% of your account on a single trade. This way you can have 20 losses in a row and you'll still have money on your account to trade.

When you're trading on a real account, no matter how good your strategy or system is, you'll have some losses. Sometimes, you'll even have losing strikes which means you'll lose on 4 or up to 7 trades in a row. If you use too much leverage, when your system has a losing strike, you'll be out of the market. If you protect your money and acknowledge that you should never ever risk more than 2% or 5% of your account in a single trade, you're on the right patch to succeed.

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Simple Day Trading

This strategy can be implemented as a full trading system and best of all is that you can use it even if you just can trade 10 minutes a day.

The best period to use this strategy is between 8h and 18h GMT (3am and 1pm EST).

We can use this strategy only for EUR/USD and for GBP/USD. Since the rules for each of these currency pairs are different, I'm going to divide this strategy rules for each currency pair.

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A – EUR / USD:

The first thing you need to do is to draw 2 lines: one at 24h GMT (7pm EST) and the other one at 8h GMT (3am EST). These lines are going to be our entry point's reference.

If during this period EUR/USD has moved more than 60 pips, you won't have any trade during the day. If EUR/USD has had less than 60 pips volatility during this time span, you can have a buy or a short sell opportunity.

In this strategy, we will use a fixed stop loss as well as a fixed target. That's why you can use this strategy as a mechanical trading system. If at 18h30 GMT (1:30pm EST) you're still holding the trade because it didn't reach your target or your stop loss, you should exit the trade.

This strategy can be used in 5, 10 and 30 minutes as well as in 1 hour charts.

Rules:

To enter in a long position: You should enter your buy order 10 pips above the higher line - that you draw in the chart -, which represents the higher price EUR/USD achieved between 24h and 8h GMT (7pm and 3am EST). You should also place a 25 pips stop loss order.

To exit a long position: Your target is 40 pips. If EUR/USD doesn't reach it, you should exit the trade at 18h30 GMT (1:30pm EST).

To enter in a short sell position: You should enter your short sell order 10 pips below the lower price achieved between 24h and 8h

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GMT (7pm and 3am EST). You should also place a 25 pips stop loss order.

To exit a short sell position: Your target is 40 pips. If EUR/USD doesn't reach it, you should exit the trade at 18h30 GMT (1:30pm EST).

In sum:

Time of Day	Between 8h and 18h GMT (3am and 1pm EST)
Time Frames	5, 10 and 30 minutes as well as 1 hour
Condition	Between 24h and 8h GMT (7pm and 3am EST), the currency pair moved less than 60 pips
Entry in a Long Position	10 pips above the higher line
Entry in a Short Position	10 pips below the lower line
Stop Loss	25 pips
Target	40 pips
Currency Pairs	EUR/USD

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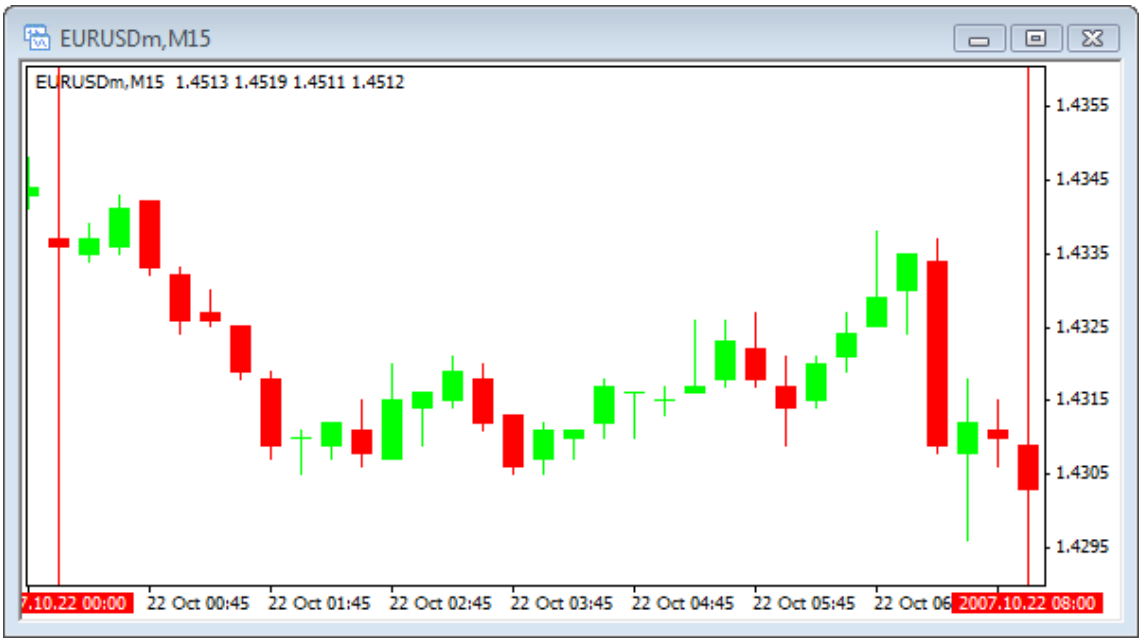
Let's take a look at a 15 minutes EUR/USD chart to see this strategy in practice.



The red lines show you the 24h and 8h GMT (7pm and 3am EST) time span. This is the time frame you need to focus on in order to find out if you'll have an opportunity to enter in a trade or not, and to determine the entry points, stop losses and targets.

Let's start by drawing 2 lines: one at the top of this time span and another one at the bottom.

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You can now see that 1.4343 was this time span's high and 1.4296 was the low. EUR/USD has moved 47 pips which accomplishes the volatility rule.

So, you have a buy point at 1.4353 with a target at 1.4393 and a stop loss at 1.4328.

You also have a short sell opportunity at 1.4286 with a target at 1.4246 and a stop loss at 1.4311.

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The short sell order was triggered at 1.4286. You now have a stop loss set at 1.4311 and a target at 1.4246.

Our target was reached. We made 40 pips profit on this trade.

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As you can see on this chart, the signals generated by this strategy are extremely powerful. After our short sell signal at 1.4286, a strong downtrend developed that sent the EUR/USD as low as 1.4125.

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Let's analyze another trade on EUR/USD. This time, we'll use a 30 minutes chart.

As you can see, the higher line (blue) at 1.3872 represents the high for the period we are considering for this strategy. The lower line represents the low for this period.

This time period had 43 pips volatility. Since this volatility is clearly below the maximum 60 pips, you might have a good trade.

Remember that you enter in a long position 10 pips above the high and enter in a short sell position 10 pips below the low. You'll also use a 40 pips target and a 25 pips stop loss for EUR/USD.

So, you have a buy point at 1.3882 with a target at 1.3922 and a stop loss at 1.3857.

You also have a short sell point at 1.3819 with a target at 1.3779 and a stop loss at 1.3844.

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This chart shows you that our buy order at 1.3882 was filled. You should stay on this trade until it reaches the 1.3922 target or the stop loss.

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The target was reached around 18h GMT (1pm EST), giving you a 40 pips profit, which means $440 only in this particular trade.

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B – GBP / USD:

The first thing you need to do is to draw 2 lines: one at the higher price reached between 24h and 8h GMT (7pm and 3am EST), and another line at the lower price reached between the same time span. These lines are going to be our reference in order to get our entry points.

If during this period this currency pair has moved more than 80 pips, you won't have any trade during the entire day. If GBP/USD had less than 80 pips volatility, you will have a good buy or sell opportunity.

In this strategy, you will use a fixed stop loss as well as a fixed target. If, by any chance, at 18h30 GMT (1:30pm EST), you're still holding the trade because it didn't reach your target or your stop loss, you should exit the trade.

This strategy can be used in 5, 10 and 30 minutes as well as in 1 hour charts.

Rules:

To enter in a long position: You should enter your buy order 10 pips above the higher line (which represents the higher price GBP/USD achieved between 24h and 8h GMT (7pm and 3am EST). You should also place a 30 pips stop loss order.

To exit a long position: Your target is 50 pips. If GBP/USD doesn't reach it, you should exit the trade at 18h30 GMT (1:30pm EST).

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To enter in a short sell position: You should enter your short sell order 10 pips below the lower line (which represents the lower price GBP/USD reached between 24h and 8h GMT (7pm and 3am EST). You should also place a 30 pips stop loss order.

To exit a short sell position: Your target is 50 pips. If GBP/USD doesn't reach it, you should exit the trade at 18h30 GMT (1:30pm EST).

In sum:

Time of Day	Between 8h and 18h GMT (3am and 1pm EST)
Time Frames	5, 10 and 30 minutes as well as 1 hour
Condition	Between 24h and 8h GMT (7pm and 3am EST), the currency pair moved less than 80 pips
Entry in a Long Position	10 pips above the higher line
Entry in a Short Position	10 pips below the lower line
Stop Loss	30 pips
Target	50 pips
Currency Pairs	GBP/USD

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Let's see some trades with this strategy.

Example 1:

The first thing you need to do is to analyze a GBP/USD chart between 24h and 8h GMT (7pm and 3am EST). In the following chart, I drew 2 vertical lines so that you can easily see the time span we consider for this strategy.

The second thing you must do is to draw 2 horizontal lines: one at the higher price achieved during this period, and another one at the lower price achieved during this period.

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As you can see in this 15 minutes chart, the higher price between 24h and 8h GMT (7pm and 3am EST) was 1.9566, and the lower price was 1.9499. The volatility during this time span was just 67 pips (below the 80 pips condition).

So, you have a buy opportunity 10 pips above the higher blue line (1.9576). You shouldn't forget that the stop loss is 30 pips at 1.9546 and also that you have a 50 pips target.

You also have a short sell opportunity 10 pips below the lower line, at 1.9489. The stop loss will be at 1.9519 and the target will be at 1.9439.

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This chart shows you that the buy order was triggered. Now, you just need to insert a stop loss at 1.9546 and a sell order on the 50 pips target at 1.9626.

Let's see how this trade behaved:

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The above chart shows you that after you entered the trade, the market stayed quiet for some time, and decided to start moving down. It almost reached the stop loss.

Fortunately for us, the stop loss wasn't reached and GBP/USD quickly reversed to the upside reaching your 1.9626 target leaving you with 50 pips profit.

In fact, the uptrend was so strong that GBP/USD continued its uptrend for the rest of the day almost reaching 1.9740 as you can see on the following chart.

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This trade shows you 2 important things: first of all, the stop loss was almost reached. Since you'll be using a good stop loss point you'll give some room for the currency pair to move against you without being kicked out of a potential good trade.

The second thing you can learn with this trade is that the trend that emerges from this strategy is really strong. It's so strong that sometimes the trend lasts for the entire day.

We use a very good risk/reward on this strategy. We risk 30 pips for a potential 50 pips profit. So, you can rest assured that even when you face a losing trade, you'll be able to quickly return to a profit on your account.

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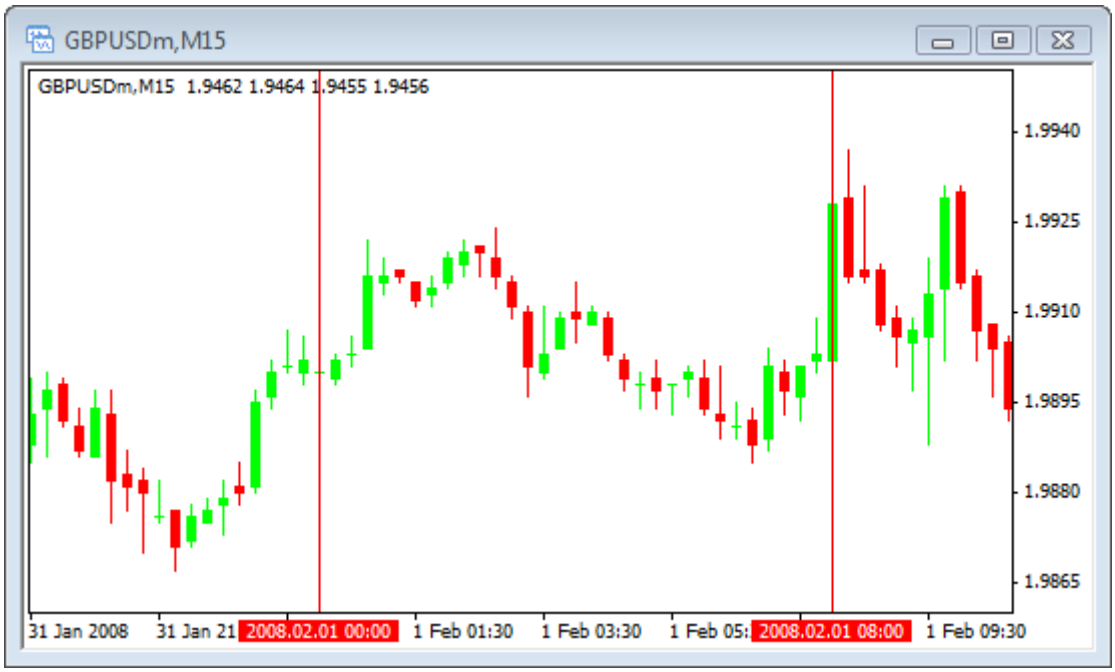
Example 2:

Let's check another GBP/USD trade.

The first thing you need to do is to analyze the time period between 24h and 8h GMT (7pm and 3am EST).



Then, you should draw 2 lines: one at the higher price reached during this time span and another one at the lower price.

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On this example, you can see the higher price was 1.9924 and the lower price was 1.9885. Since the volatility is 39 pips you can have a good opportunity on GBP/USD.

You have a buy entry point at 1.9934 with a stop loss at 1.9904.

You also have a short sell point at 1.9875 with a stop loss at 1.9905.

You entered on a long position around 8h18 GMT (3:18am EST). However, GBP/USD reversed and the stop loss was reached. This trade left you with a 30 pips loss.

After this, the currency pair continued its downtrend and reached your short sell point at 1.9875.

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GBP/USD continues to fall so there's a good probability you'll be able to get your 50 pips profit, and return your account to a profit.

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And here it is. GBP/USD downtrend was strong and was able to reach the 50 pips profit. You finished the day with 20 pips profit.

Example 3:

Between 24h and 8h GMT (7pm and 3am EST), GBP/USD oscillated between 2.0188 and 2.0159. Just 29 pips volatility is extremely good.

According to this strategy, you have a buy entry point at 2.0198 with a stop loss at 2.0168 and a target at 2.0248.

You also have a short sell entry point at 2.0149 with a stop loss at 2.0179 and a target at 2.0099.

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The short sell order was triggered and you entered on the trade at 2.0149.

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And it quickly reached your 50 pips target, which means more $500 in your account.

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Intraday Large Swings

This strategy is a day trading strategy that offers good opportunities most of the days.

It can be used in any currency pair of your choice, on 5 and 15 minutes charts.

The best time of the day to trade this strategy is between 8h and 11h GMT (3am and 6am EST). This strategy can also be used between 13h and 17h GMT (8am and 12pm EST) but it usually works better during the European time frame.

Rules:

To enter in a long position: When you see a candle making a new high for the day, you should enter a buy order 1 pip above the breakout of this candle. In order to minimize risks, you should place a stop loss order 1 pip below the candle that made the breakout for the high of the day.

To exit a long position: You need to have the EMA10 on your chart. You should exit the trade on the breakout of the candle that closes below EMA10.

To enter is a short sell position: When you see a candle making a new low for the day, you should enter a short sell order 1 pip below the breakdown of this candle. In order to minimize risks, you should place a stop loss order 1 pip above the candle that made the breakdown for the low of the day.

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To exit a short sell position: You should exit the trade on the breakout of the candle that closes above EMA10.

In sum:

Time of Day	Between 8h and 11h GMT (3am and 6am EST). The second time frame you can apply this strategy is between 13h GMT and 17h GMT (8am and 12pm EST)
Time Frames	5 and 15 minutes
Entry in a Long Position	1 pip above the candle that does the breakout of the high of the day
Entry in a Short Sell Position	1 pip below the candle that does the breakout of the low of the day
Stop Loss	1 pip below/above the entry candle, for long and short sell positions, respectively
Exit	On the breakout of the candle that closed below/above the EMA10, for long and short sell positions, respectively
Currency Pairs	You can use which one(s) you prefer

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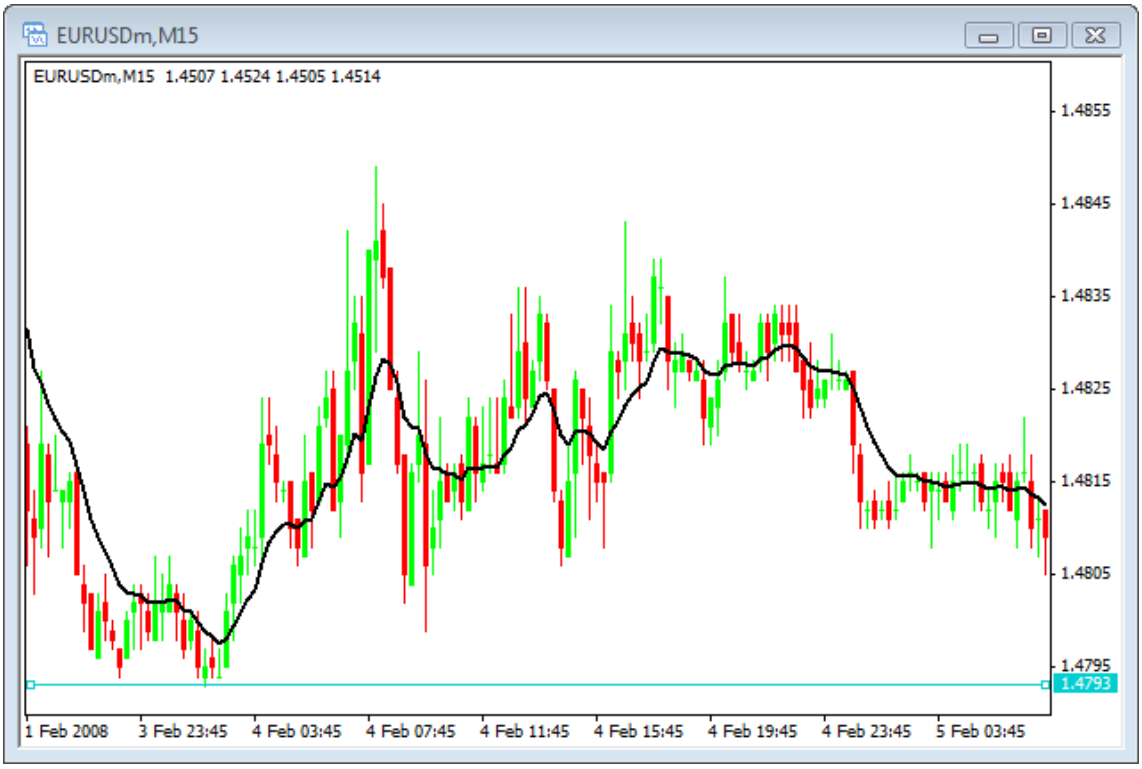
Let's see some trades generated by this strategy:

Example 1:

Here is a 15 minutes EUR/USD chart. The blue line represents the low of the day so far (1.4793).



Slightly after 8h GMT (3am EST), the currency pair makes a new low for the day.

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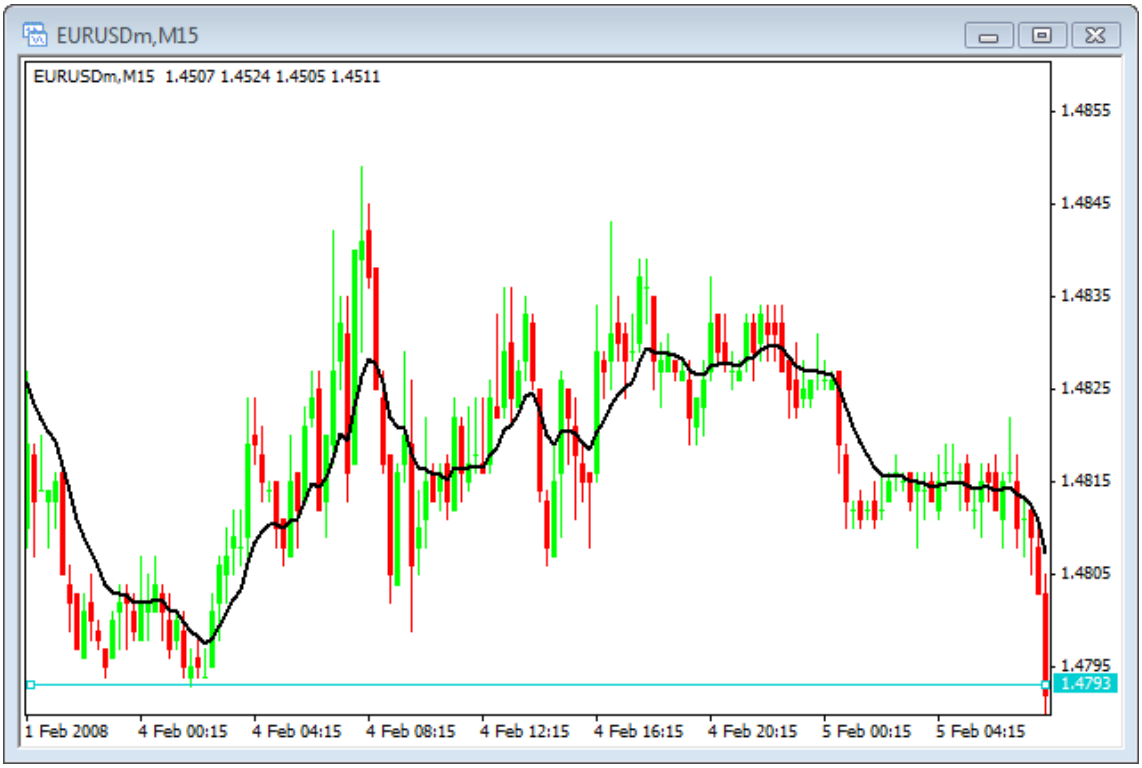

According to this strategy, you have a short sell opportunity here.

You can enter your short sell order at 1.4787 (1 pip below the candle that made the low of the day). You will insert the stop loss order 1 pip above this candle, at 1.4806.

On the next chart, the blue line represents the previous low of the day (1.4793), the red line represents your stop loss (1.4806) and the green line represents your entry point (1.4787).

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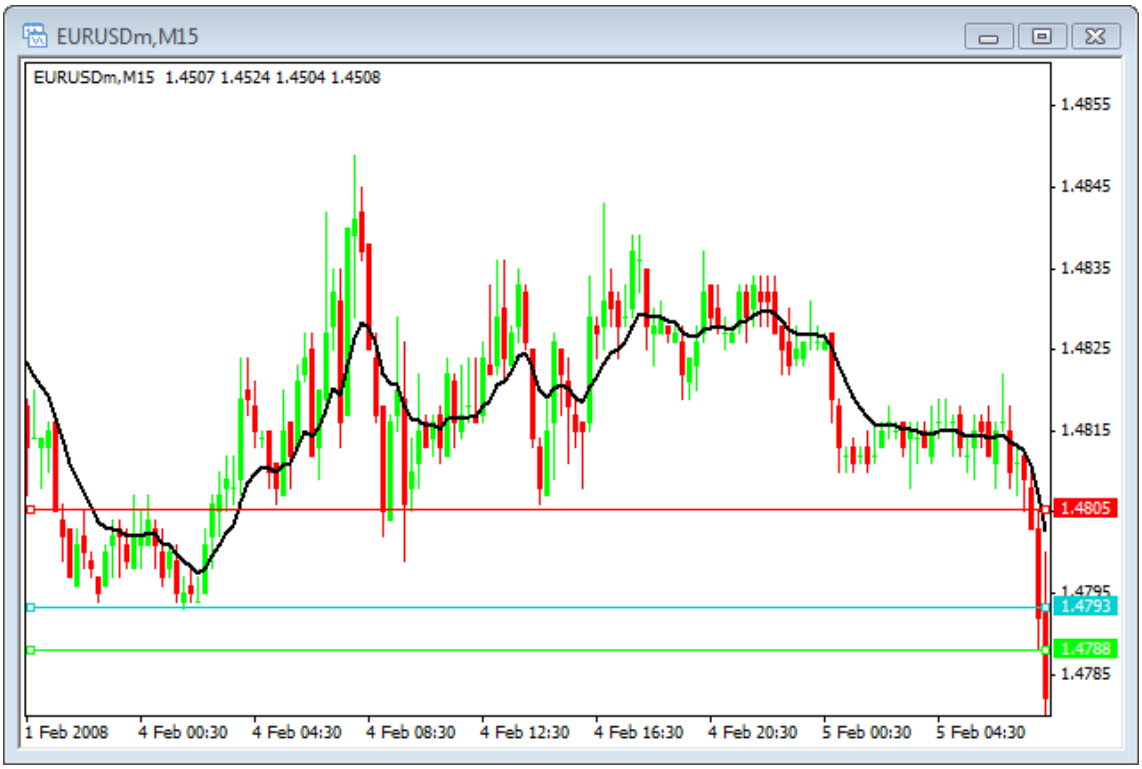

You should exit this trade if the stop loss is reached or when there's a breakout of a candle that closed above the EMA10.

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So far, so good. This trade keeps moving in our way, and is far away from the stop loss point.

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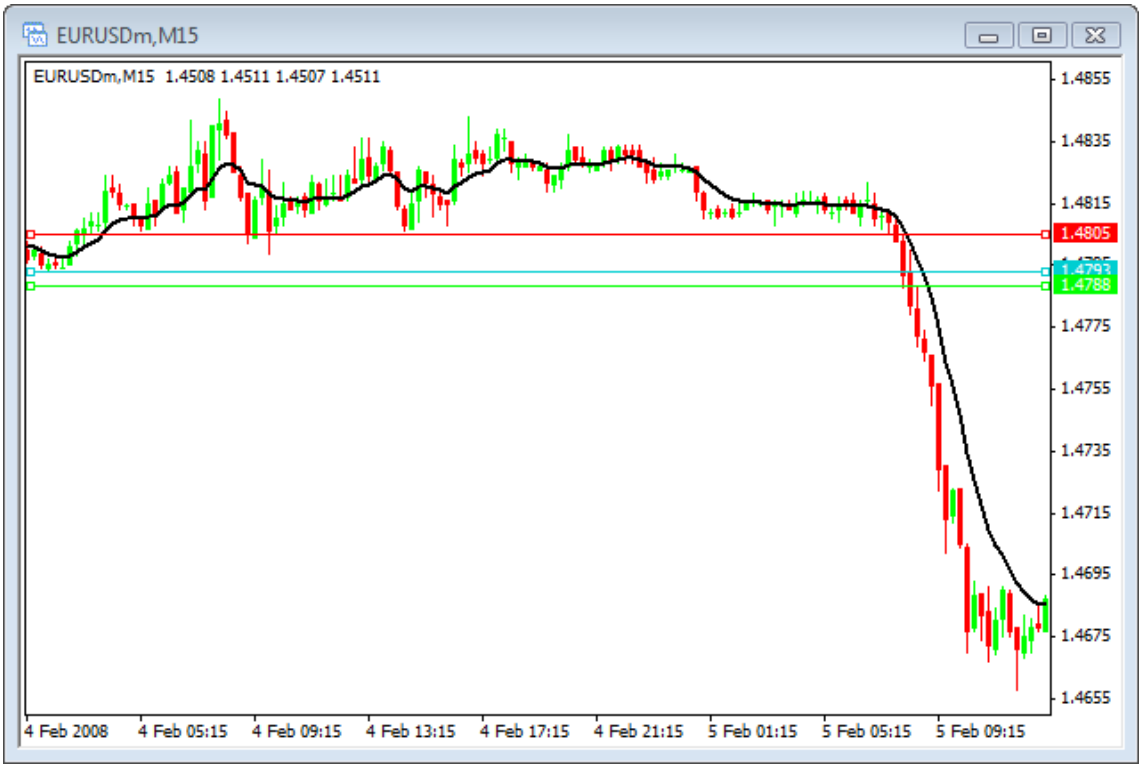

On this chart you can see that, for the first time, the price closed above the EMA10. That's a warning sign. If the price breaks above this candle, you should exit the trade. Since the high of this candle is 1.4688, you'll be ready to cover the trade if the price reaches 1.4689.

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The price wasn't able to break the previous candle. So, you remain on the trade.

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At point 1, you can see that the price closed above the EMA10 once again. However, it wasn't able to break the high of this candle, so you continued on this trade.

The exit point is represented in the chart by the orange line. This was when the price closed above the EMA10 and the next candle broke above the high of the first one.

You exited the trade at 1.4650. The profit on this trade was 137 pips, which means $1370 pips.

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Example 2:

Now let's take a look at another trade, this time on a 5 minutes EUR/USD chart.

Around 15h40 GMT (10:40am EST), EUR/USD approaches the low of the day which is represented by the blue line. As you know, this strategy works better during the European time frame. However, it can also be used on the US time frame (between 13h GMT and 17h GMT – 8am and 12pm EST).

The entry point appeared at 1.4717 (green line); the stop loss was at 1.4779 (red line) – 1 pip above the candle that made a new low of the day.

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On the last candle you can see that the price closed slightly above the EMA10. If the price breaks above the high of this candle, you'll have an exit signal.

On the next chart you can see that prices broke above 1.4650, giving you your exit point.

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The total profit for this day trade was 66 pips.

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Example 3:

On the next 5 minutes EUR/USD chart, you can see that a new low for the day occurred at 1.4702.

So, you have a short sell opportunity at 1.4701 and a stop loss 1 pip above the candle that made a new low for the day.

The price starts to move in your direction.

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Once the price breaks the candle that closes above the EMA10, you will have your exit signal. The exit point comes at 1.4669 leaving us with 33 pips profit.

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Example 4:

Here is a 5 minutes GBP/USD chart:

GBP/USD just made a new low for the day at 9h15 GMT (4:15am EST). The currency pair was able to break down below the blue line that represented the previous low for the day.

So, you have a short sell opportunity 1 pip below the green line at 2.0580.

Let's see what happened:

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GBP/USD wasn't able to reach the entry point. You should always enter on the breakout of the candle that made the new low or high in order to avoid false breakouts.

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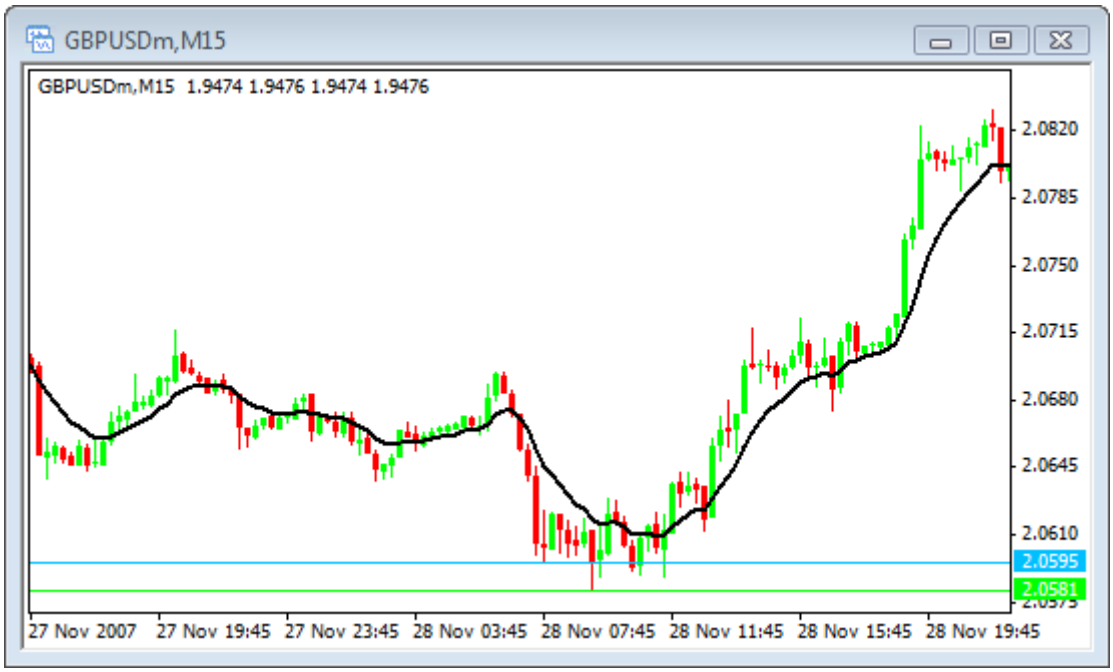

The currency pair reversed and even reached new highs for the day at 19h GMT (2pm EST).

Entering on the breakout of the candle that made the new high or low for the day is a simple but effective way to avoid lots of false breakouts.

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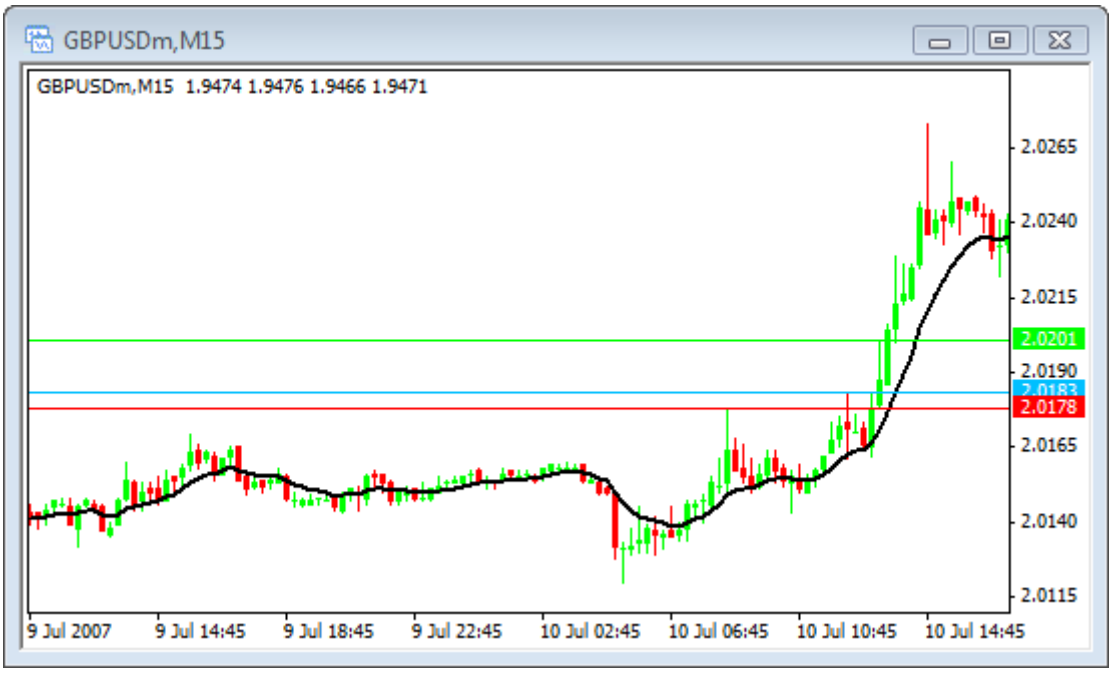
Example 5:

Let's see another 15 minutes trade on GBP/USD.

In this example, GBP/USD just made a new day's high, breaking the blue line (2.0183).

The entry point is represented by the green line at 2.0201 and the stop loss is represented by the red line at 2.0178.



The trade started to move your way, until it closed below the EMA10.

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The exit point came at 2.0227. The profit on this trade was 27 pips, which means $227 in a single trade.

As you can see by these examples, this strategy is extremely flexible and easy to use. It gives you good opportunities most of the days, and offers a good risk/reward. Since we use the EMA10 to exit the trade, you'll able to maximize the profits most of the times.

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Solid Movers

If you're already trading forex for quite some time, or even if you're just starting, you'll probably saw that there are a lot of false breakouts and breakdowns on Forex.

On this strategy we'll focus on the strongest breakouts, the rarer and most powerful ones.

As you probably know, the longer the time frame you're using, the more accurate technical analysis patterns are. We'll use this simple premise on this strategy.

This strategy offers good opportunities on the strongest breakouts with a good risk/reward.

We'll trade based on 2 days breakouts. We will use the EMA10 to exit the position and a small stop loss to decrease risks.

The best period to use this strategy is between 8h and 18h GMT (3am and 1pm EST).

This strategy works well on 15 and 30 minutes, and even on 1 hour charts. This strategy is suitable to any currency pair.

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Rules:

To enter in a long position: You should enter your buy order 1 pip above yesterday's high of the day. In order to minimize risks, you should also place a stop loss order of 20 pips.

To exit a long position: This is when the EMA10 is going to be used. Once the candle closes below the EMA10, you should exit as soon as there is a breakdown of this last candle.

To enter in a short sell position: You should enter your short sell order 1 pip below yesterday's low of the day. In order to minimize risks, you should also place a stop loss order of 20 pips.

To exit a short sell position: Once the candle closes above the EMA10, you should exit the trade as soon as there is a breakout of this last candle.

In sum:

Time of Day	Between 8h and 18h GMT (3am and 1pm EST)
Time Frames	15 and 30 minutes and 1 hour
Entry in a Long Position	1 pip above yesterday's high of the day
Entry in a Short Sell Position	1 pip below yesterday's low of the day
Stop Loss	20 pips
Exit	On the breakout of the candle that closed below/above the EMA10, for long and short sell positions, respectively
Currency Pairs	You can use which one(s) you prefer

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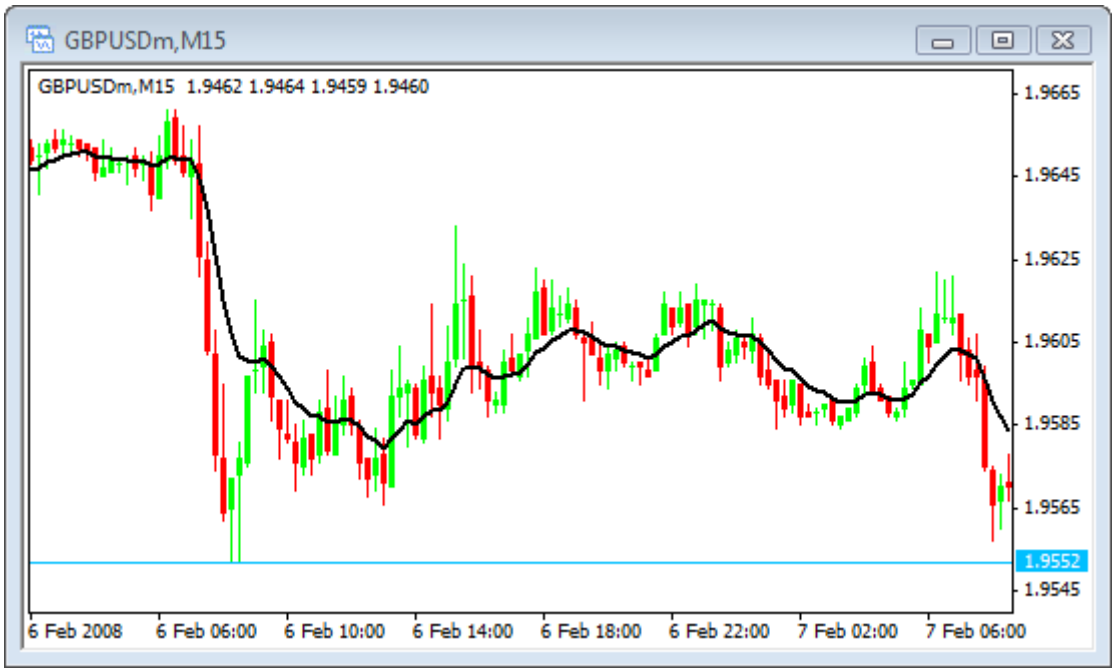
Usually, when the price breaks above yesterday's high or below yesterday's low, it means you're in a strong intraday trend. This brings good opportunities for a day trader.

Example 1:

Let's see this strategy in action. The first trade is on a 15 minutes GBP/USD chart.



The blue line represents yesterday's low (1.9552). At this moment, GBP/USD is approaching yesterday's low.

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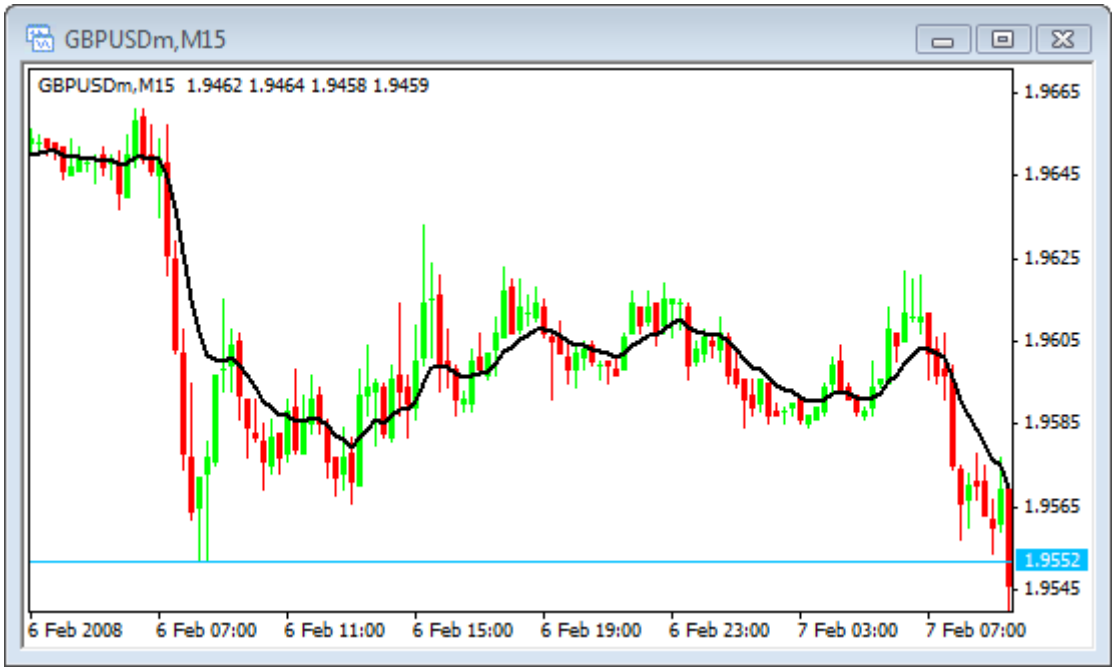
So, you might have a short sell opportunity. You should insert a short sell order at 1.9551, with a 20 pips stop loss at 1.9571.



Around 9h30 GMT (4:30am EST), your trade was filled. As you can see on the above chart this happens when the blue line was surpassed.

Take a look at the following chart to see how this trade behaved:

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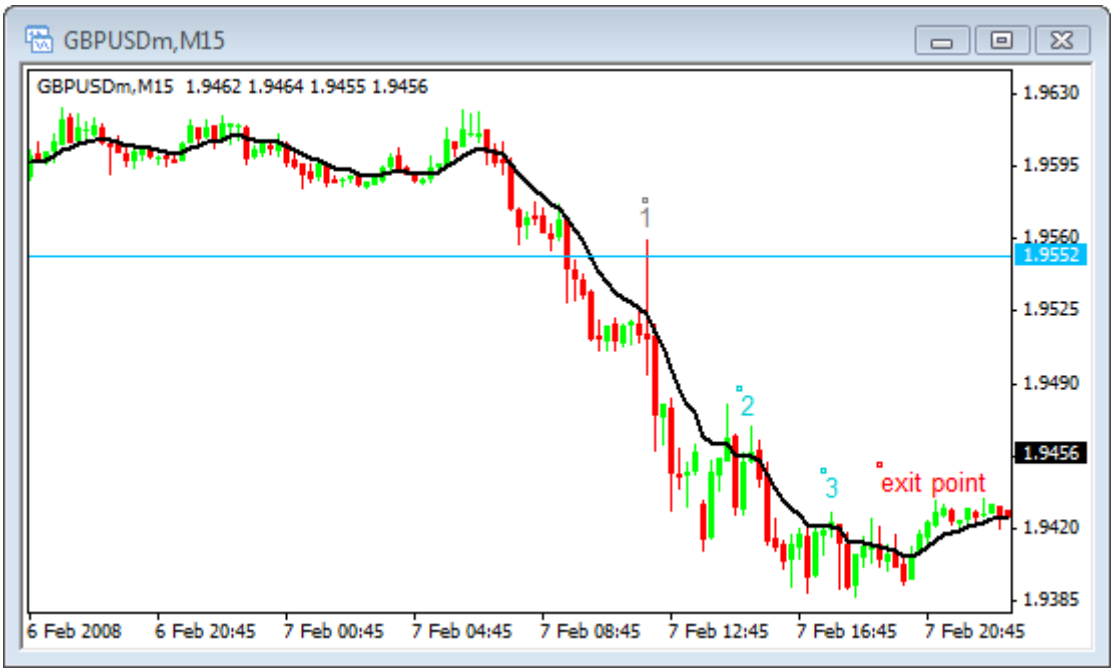

At point 1, the price was clearly above the EMA10 but closed below. The price never threatened our stop loss point (1.9571), so you remain on the trend.

At points 2 and 3, you can see that we had some candles closing above the EMA10. However, prices never had the strength to break above the high on any of these candles. That's good for us, so you remain on the trade.

The exit point appeared when the price closed above the EMA10 and broke above the high of this candle. This happened at 1.9420 leaving us with 132 pips profit intraday, which means $1320.

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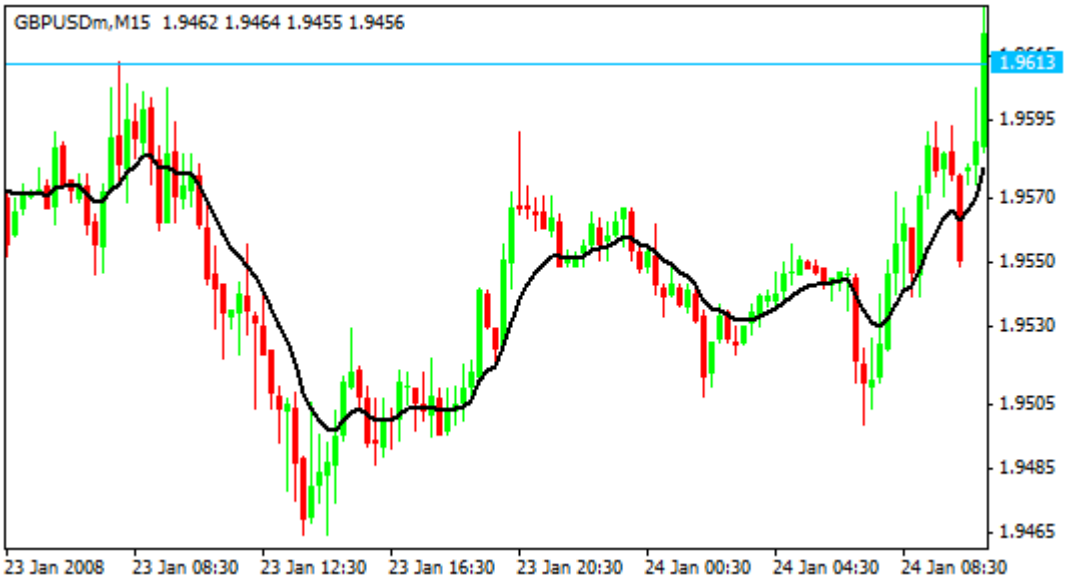
Example 2:

On the next 15 minutes GBP/USD chart, you can see that prices are approaching yesterday's high (the blue line at 1.9613). It's time to prepare a buy order at 1.9614.



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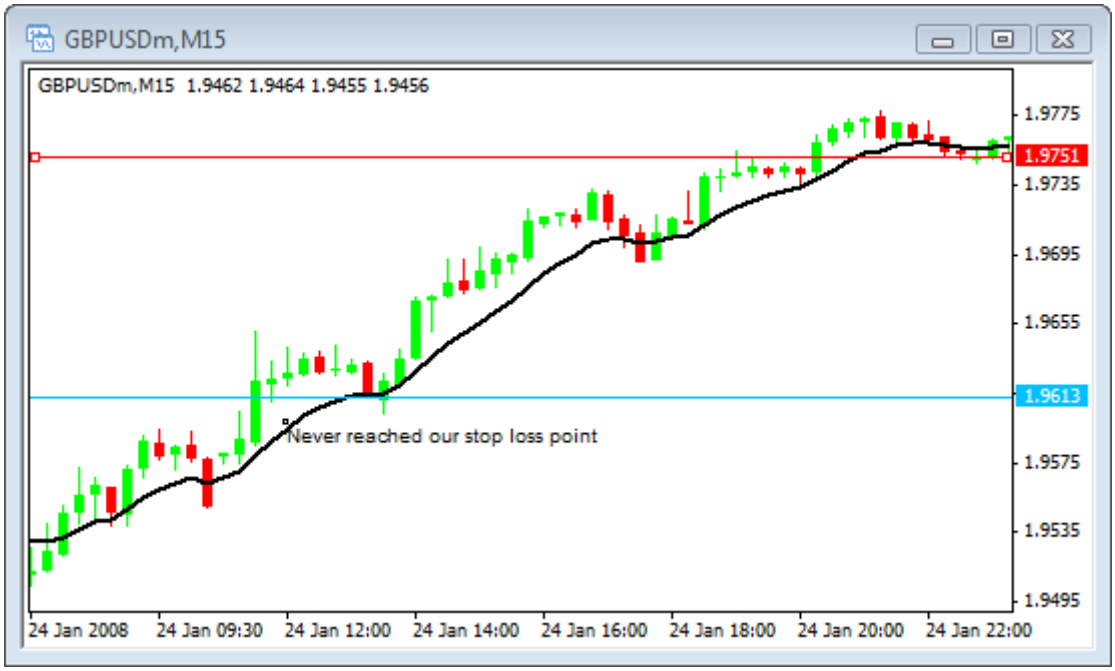
As you can see on the above chart, our entry point came around 11h30 GMT (6:30am EST) at 1.9614. You should also place a 20 pips stop loss order at 1.9594.



After our entry, prices remained quiet and at 13h30 GMT (8:30am EST) prices crossed below the EMA10, but quickly rebounded and finished above this important EMA.

After this, GBP/USD continued to move higher. During this trend the currency pair only closed below the EMA10 one time and quickly rebounded.

At the end of the day, prices closed below the EMA10 and a breakdown of this last candle occurred. We have our exit point at 1.9750 as you can see on the red line.

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This strategy once again allowed us to capture the big intraday trend and allowed us to bank 136 pips profit.

As I told you, this strategy can be used with larger time frames like the 30 minutes chart or the hourly chart. I find the 15 minutes chart the most effective on most currency pairs, so this is the one I use most of the times.

Example 3:

Let's take a look at this strategy in another currency pairs:

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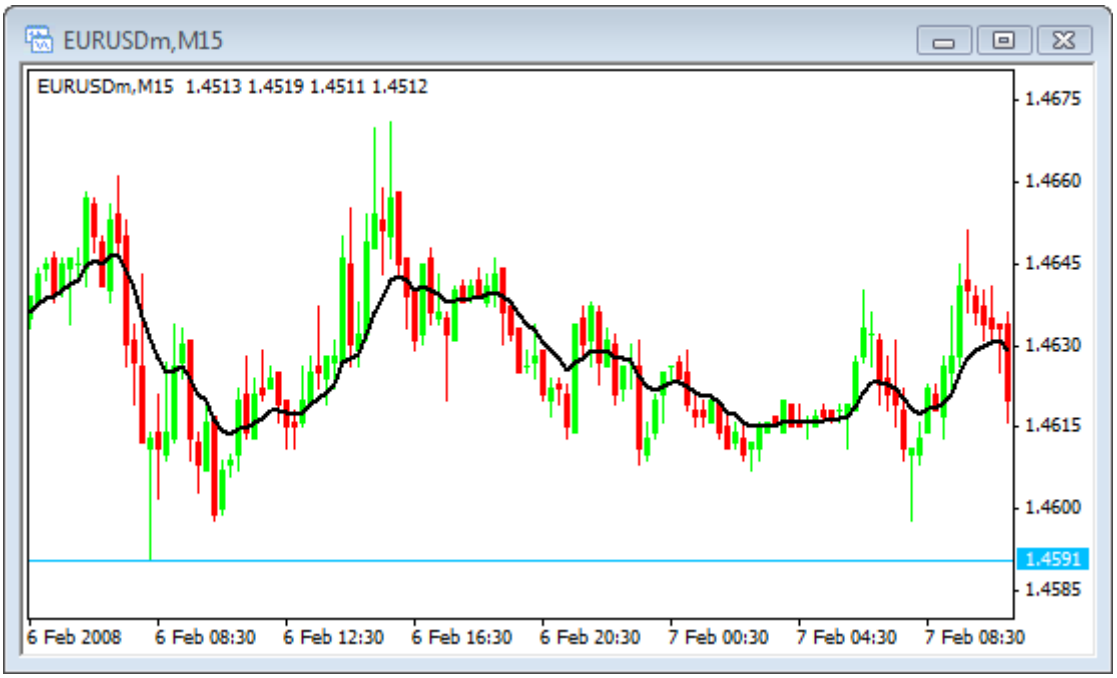

On this 15 minutes EUR/USD chart, you can see that the previous day low was 1.4591. If the price reaches 1.4590 we will have a short sell opportunity.

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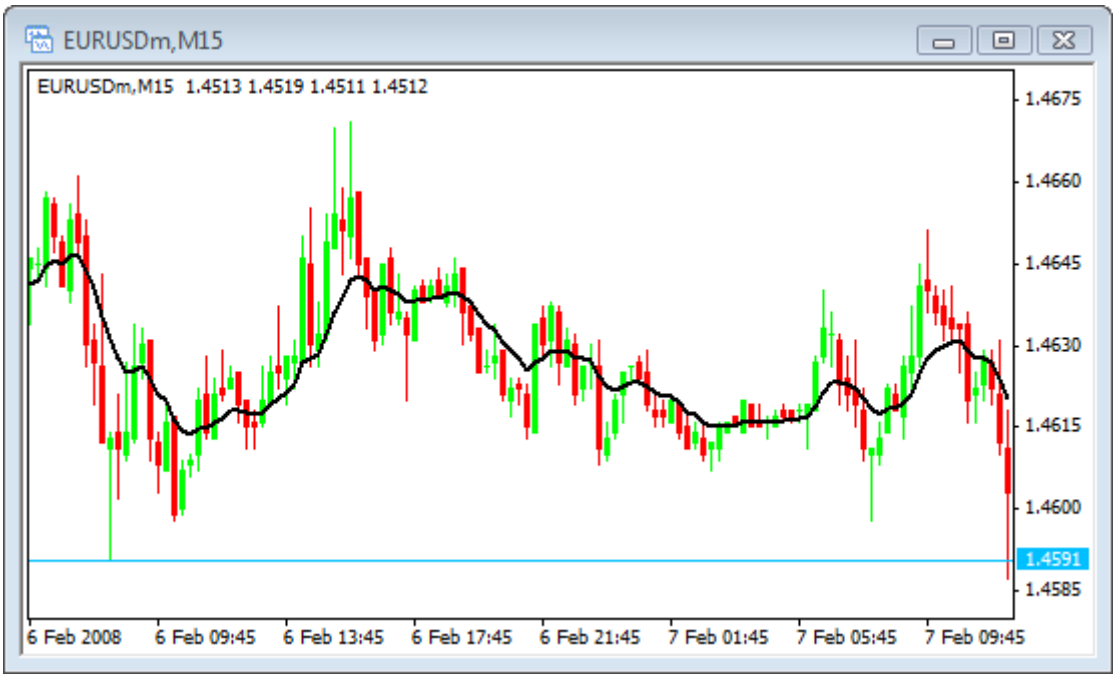

Here is the opportunity you've been waiting for. The price reached 1.4590, which means you can enter a short sell at 1.4590 and insert a 20 pips stop loss order at 1.4610.

Take a look at the next chart to see what happened:

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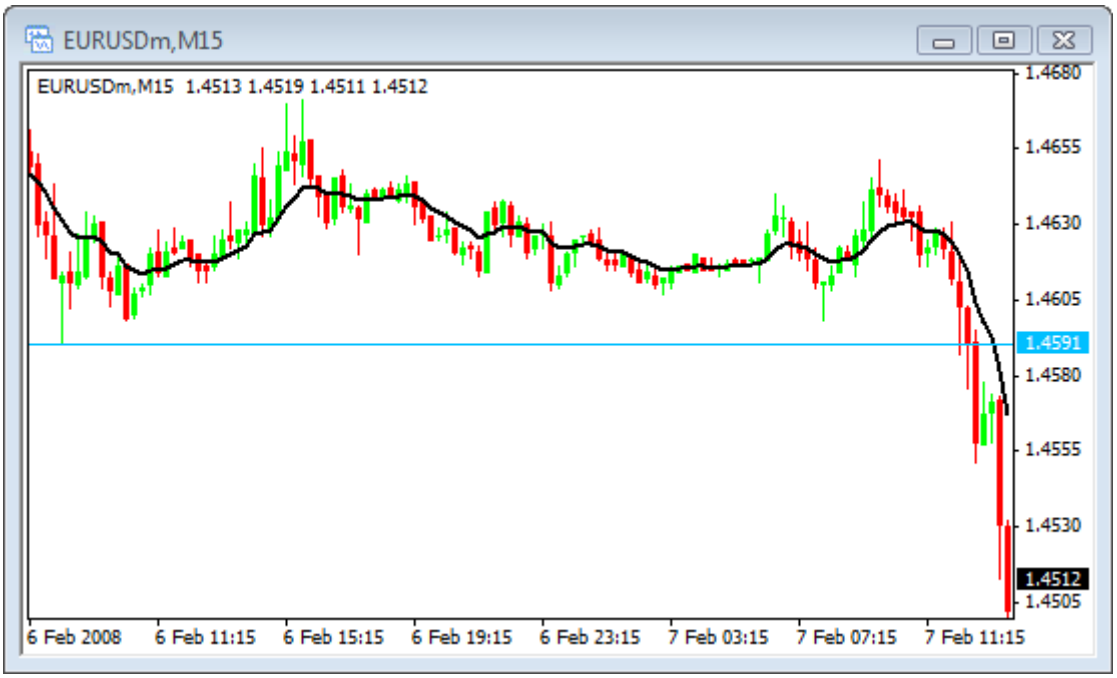
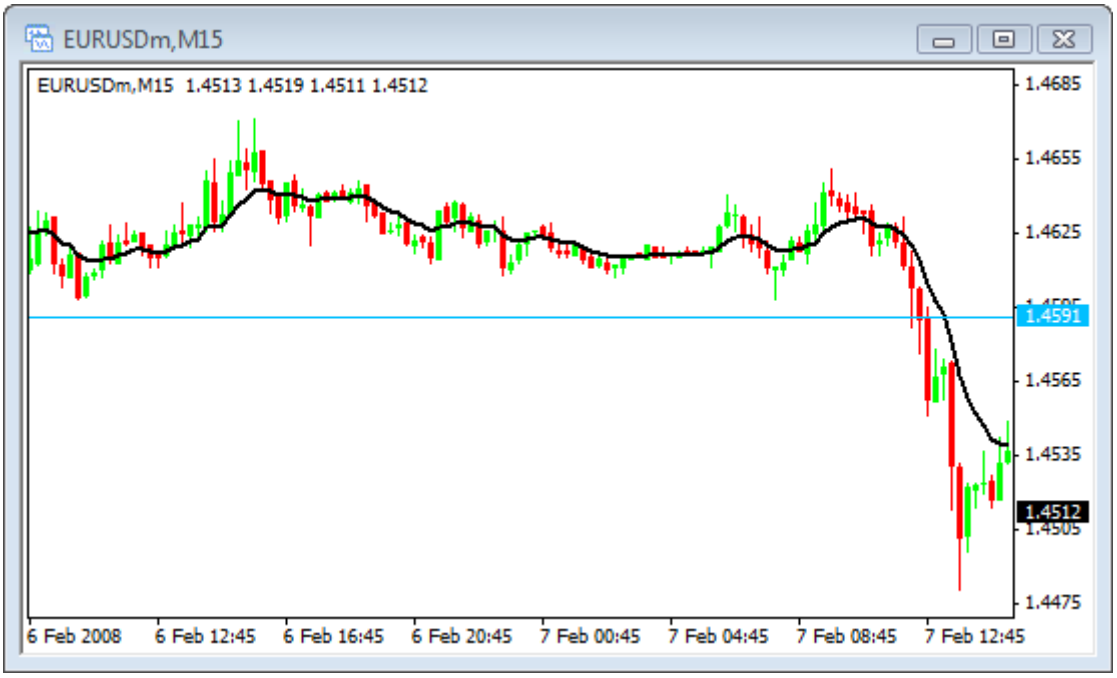


In the above chart it's easy to see the power of the EMA10. As soon as the price touches it, it quickly gained more downside steam.



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On the above chart you can see that prices were able to pass the EMA10 but weren't able to close above it. So, you need to keep an eye on this trade, but right now the best thing to do is to hold it.

The downside resumed and we were able to get an handsome profit on this trade.

Point 1 represents the first time prices close above the EMA10. A breakout of this candle is our exit signal. Our exit signal appeared at 1.4477.

The profit on this trade was 113 pips, which represents $1130 in your account.

These are the kind of trades this strategy offers. We're risking 20 pips per trade, and usually the trade gives us more than 100 pips. If you profit 5 times what you lose, you're headed for huge profits on Forex.

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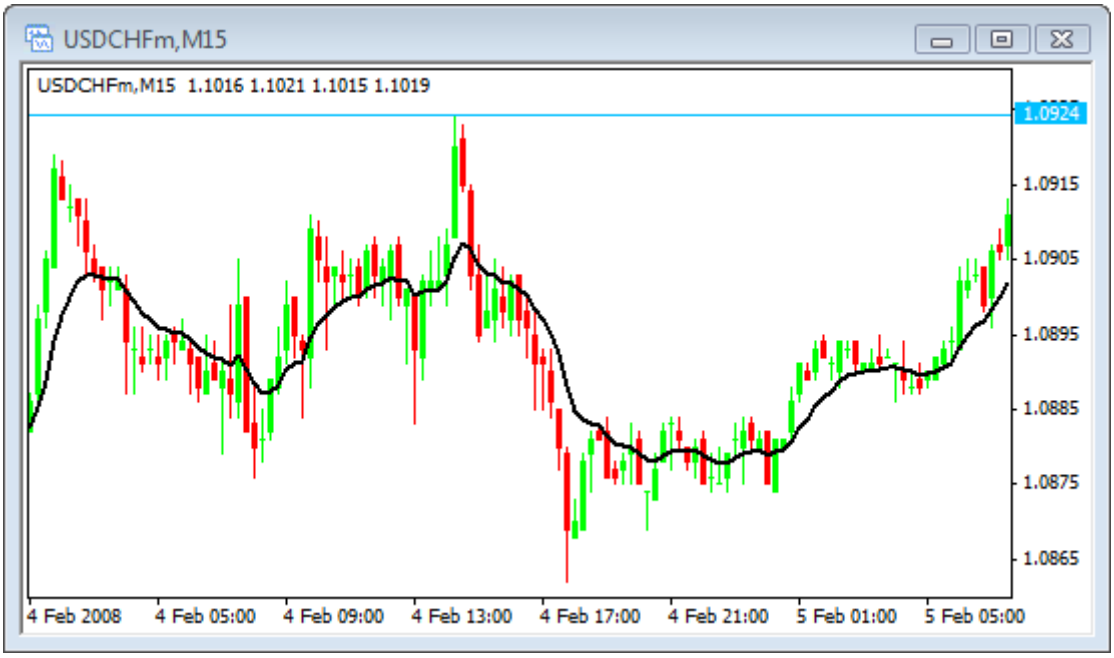
Example 4:

I usually trade EUR/USD and GBP/USD. These are my favorite currency pairs. However, this strategy can be applied in other currency pairs. Let's take a look at a 15 minutes USD/CHF chart to see how this strategy works:



On this chart, you can see the previous day high represented by the blue line (1.0924). If USD/CHF breaks above this line we have a buy opportunity.

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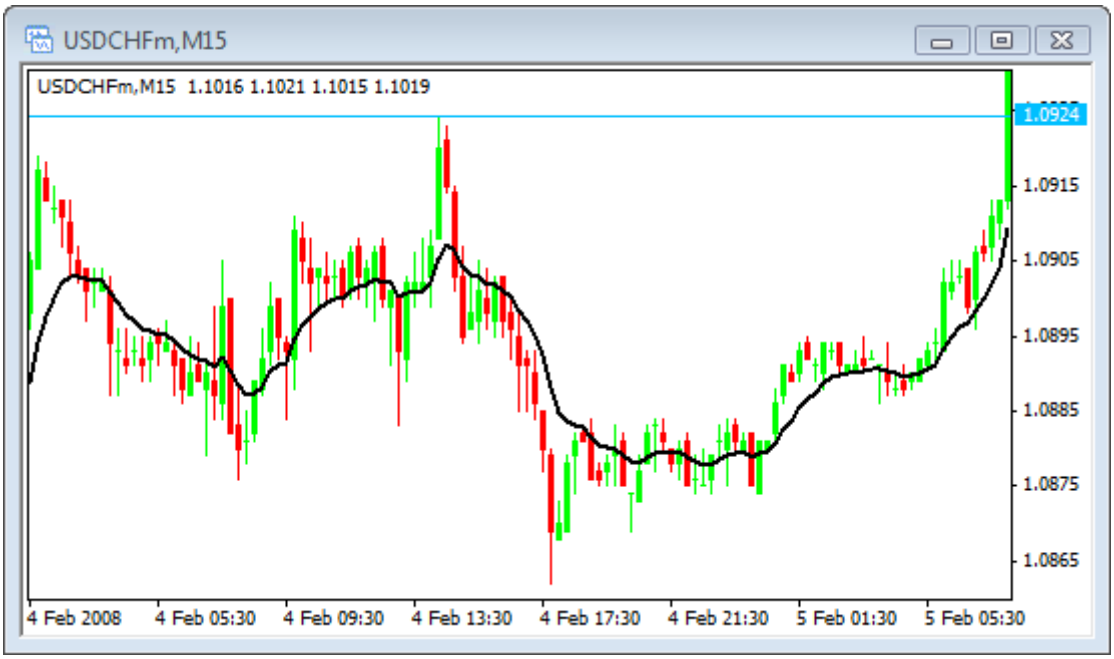

Here is our buy opportunity. USD/CHF breaks yesterday's high, so you will enter in a long position at 1.0925. You will also place the 20 pips stop loss order, at 1.0905.

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So far, so good. USD/CHF never even touched the EMA10.

The above chart shows you how USD/CHF behaved after our entry point. This was an amazing trade that gave us the exit signal at 1.1012, when the price closed below the EMA10 and prices crossed down below this last candle. This day trade gave us 87 pips profit.

As you can see, this is an extremely flexible strategy. You can use it in the currency pairs you like most and you can use several different time frames. Although I used only 15 minutes charts, this strategy can also be used in 30 minutes and 1 hour charts.

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What I like most in this strategy is that it has a great risk/reward. Although there is a fixed 20 pips stop loss, the 20 pips give the currency pair space to move and you won't be kicked out of a good trade.

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Swing Trader Master System

In Forex, you can either adopt a day trading strategy or a swing trading strategy. So far, the strategies that I showed you are more for day trading purposes. This one, on the other hand, is for swing trading.

Swing Trader Master System is an highly profitable system that you can implement with just 5 minutes a day.

The concept of this system is to trade in the direction of the trend, and to hold the trade the minimum time necessary to grab a good profit.

Most trades of this system last 1 or 2 days. This is a terrific advantage because you'll be able to make as much as day traders but since you'll just be spending no more than 5 minutes a day on this system, you can use it even if you have a full time job.

Rules:

You'll be looking for a buy opportunity when the EMA5 and the EMA10 are both moving to the upside and the EMA5 is above the EMA10. When the price closes above both EMAs, this means that the market is in an uptrend so you need to look for buying opportunities.

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You'll be looking for a short sell opportunity when the EMA5 and the EMA10 are both moving to the downside and the EMA5 is below the EMA10. When the price closes below both EMAs, this means that the market is in a downtrend so you need to look for short selling opportunities.

This simple concept allows you to simply and quickly know where the market is headed. Let's look at 2 chart examples:

Example 1:

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The violet line represents the EMA5 and the black line represents the EMA10. As you can see in this chart, when the EMA5 crossed above the EMA10, the market started a big uptrend that resulted in more than 600 pips increase on the GBP/USD.

Example 2:

This time, the EMA5 crossed below the EMA10 signaling a great downtrend that resulted in almost 1000 pips movement to the downside.

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These 2 EMAs are the most effective way to spot the currency pair trend. Once you find the trend, you just need to trade with it because that's the way to make good money on Forex.

So, the first thing you must do is to analyze the daily chart in order to spot the trend. If the EMA5 is moving up and it is above the EMA10, which is also moving up, and the price closes above both EMAs, you'll look for a buy point.

On the contrary, when both EMAs are moving down, the EMA5 is below the EMA10 and the price closes below both EMAs, you need to look for a short sell signal.

If the market is not in an uptrend or in a downtrend, it means you're in a range bound market, so you shouldn't trade in any direction.

To enter in a long position: When the price closes above both EMAs, the EMA5 is above the EMA10 and both EMAs are moving to the upside, you'll place a buy order 1 pip above the previous candle high. You'll also place a stop loss and a target of 50 pips on GBP/USD and 30 pips if you're trading EUR/USD.

To exit a long position: Exit your position if your target or stop loss were reached. If you want to capture the higher trends you can exit your trade only when the price closes below the EMA5.

To enter in a short sell position: When the price closes below both EMAs, the EMA5 is below the EMA10 and both EMAs are moving to the downside, you'll place a short sell order 1 pip below the previous candle low. You'll also place a stop loss and a target of 50 pips on GBP/USD and 30 pips if you're trading EUR/USD.

To exit a short position: Exit your position if your target or stop loss were reached or at a close above the EMA5. Instead of exiting in the target, if you prefer to grab the higher price swings, you can hold the trade until the price closes above the EMA5.

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On this strategy we use a 1:1 risk/reward. Since the vast majority of signals give us a profit, this risk/reward is more than enough in order to make good money with this system.

In sum:

Time of Day	Any time of the day
Time Frames	Daily
Entry in a Long Position	Market in uptrend, breakout of previous candle high
Entry in a Short Sell Position	Market in downtrend, breakdown of previous candle low
Stop Loss	50 pips on GBP/USD and 30 pips on EUR/USD
Exit	50 pips on GBP/USD and 30 pips on EUR/USD or close above the EMA5 (exit long) or close below the EMA5 (exit short sell)
Currency Pairs	Preferably GBP/USD and EUR/USD

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Let's see some examples:

Example 1:

On this EUR/USD daily chart, the up arrow represents a buy point. The price closed above both EMAs, the EMA5 is above the EMA10 and both EMAs are moving to the upside. If you use a fixed target, your target on this trade was 1.3253 (30 pips) and was reached in 2 days.

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This second arrow represents your second buy point. Once again, all conditions are in place so there's a buy signal at 1.3281. This trade reached its target at 1.3311 in less than a day.

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Another good buy point is signaled by this arrow. As you can see, the uptrend continues and, once again, the price closed above both EMAs. So, there's a buy point at 1.3323 with a target at 1.3353. This target was reached once again in less than a day.

Example 2:

Now let's see a couple of examples on the EUR/USD if you decide to use a close below the EMA5 as an exit signal in long positions, and a close above the EMA5 as an exit signal in short sell positions:

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On this daily chart, you can see a clear buy point at 1.2292 represented by the blue line. The currency pair continued its uptrend until it closed below the EMA5 at 1.2790 (as you can see on the black line). This trade alone made 499 pips, which represents a profit of $4990.

Example 3:

On this chart, you can see a good short sell opportunity at 1.3138. The downtrend continued until point 1, when EUR/USD finally closed above the EMA5. This short sell at 1.3138 was closed at 1.2940 giving us 198 pips profit.

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Example 4:

On this EUR/USD daily chart, you can see that the blue line represents the high of the candle that closed above both EMAs while both EMAs were moving up, and the EMA5 was above the EMA10. So, we have a buy signal at 1.2856.

The black horizontal line marks the first time EUR/USD closed below the EMA5 giving us our exit signal. This trade made us 427 pips profit.

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Example 5:

Now let's take a look at some GBP/USD examples:

The above chart shows a solid uptrend on GBP/USD. As you can see, the EMA5 was always above the EMA10. At the end of this chart, the price closed below the EMA5. This could be a potential trend reversing warning.

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As you can see here, after the price closed below the EMA5, the currency pair reversed to the downside. That's why we just consider a bull trend when prices close above the EMA5. When they close below the EMA5, the market is not considered to be in a bull trend.

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Example 6:

On the above chart, you can see some signals this strategy gave you during this uptrend. A buy signal on the breakout at 1.9843 generated a 50 pips quick profit on the same day when it reached 1.9893.

At point 1 you can see that the price closed below the EMA5. So, there's no trend on the market. Besides this, you can notice that at point 1 and the following 2 candles, both EMAs were almost horizontal. They were not pointing to the upside. This also confirms that there was no bull trend at that moment.

Then, marked by the arrow, there's a new buy opportunity. The price closed above both EMAs, the EMA5 was clearly above the EMA10 and both EMAs started to move up again. The buy signal was triggered at 2.0170 and the 50 pips target was reached on that same day.

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Just like on EUR/USD, on GBP/USD you can exit the trade at your target price, or when the currency pair closes below the EMA5 (exit signal for longs) or closes above the EMA5 (exit signal for shorts). If you decide to stick to the fixed target, you'll hold your trades for a shorter period of time but you'll also make less profit per trade than traders who hold the trade until the EMA5 gives them the exit signal.

Let's see some examples:

Example 7:

On this GBP/USD daily chart, you can see that we had a buy signal at 2.0523, which is represented by the horizontal blue line. GBP/USD started a good uptrend that gave us an exit signal at 2.0906 when the price closed below the EMA5. The profit on this trade was 384 pips, which means $3840.

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Example 8:

On this example, we had a buy point at 1.9843. GBP/USD started a good uptrend until it gave us an exit signal when it closed below the EMA5. The exit signal is represented on the chart by an “X” and occurred at 2.0109 leaving us with a 266 pips profit.

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Example 9:

On the next chart you can see that just a few days after the exit signal, we had a new buy point at 2.0169.

This second trade continued a solid uptrend until GBP/USD closed below the EMA5 at 2.0537 with a 368 pips profit.

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With these examples you can see the power of this strategy. This is a solid strategy and since it's based in daily charts, you can use it even if you just have 5 minutes a day to trade Forex.

If you prefer to trade just a few times and capture the higher price swings on a currency pair, the exit signal based on the EMA5 is more suitable for you. This exit strategy works better than the strict target on strong trends.

If you prefer to make more trades and have a more stable strategy during range bound markets, the 30 pips target on EUR/USD or 50 pips on GBP/USD is the best exit strategy for you.

Both exit strategies work well so it really depends on your personal goal.

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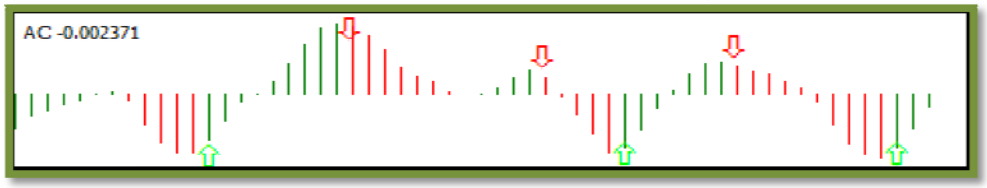
What Indicators Can You Use to Improve Any Trading System or Strategy and to Reduce Risks?

The Awesome Oscillator:

The Awesome oscillator is one of the best indicators you can use to improve your timing on the market. When there's no trend on the market (sideways market), the Awesome oscillator grabs tops and bottoms in advance like no other indicator.

When there's a solid trend on the market, you can use the Awesome oscillator to enter on trades that go with the trend and to better time your exit points. This indicator is extremely reliable (probably because most traders never heard of it before) and flexible. Using this indicator alone is enough to improve your current strategy performance drastically.

Take a look at what the Awesome oscillator looks like:



The Awesome oscillator appears in histogram format. What's more interesting is that the oscillator is green when it increases in value and turns red when it decreases in value. This turns the Awesome oscillator on an extremely easy indicator to use.

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When the Awesome oscillator is above 0 and turns red, this means a top can be near, so it's time to exit your long positions and start looking for a good short sell opportunity. I placed some red arrows on the image above indicating these points.

When the Awesome oscillator is below 0 and turns green, this means a bottom can be near, so you must exit your short sell positions and start looking for a good buy opportunity. On the above image, I placed some green arrows on these points so that you can notice this signals on the Awesome oscillator.

As you can see, this oscillator is pretty easy to use. Now, take a look at the next chart to see how EUR/USD behaved when the Awesome oscillator gave these signals:

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I placed some green and red arrows on the price chart as well, so that you can see the exact candle when the Awesome oscillator gave a signal.

As you can see in this chart, the Awesome oscillator is simply amazing. The Awesome was able to spot trend reversals in advance.

Here is another Awesome oscillator example on EUR/USD:

The Awesome oscillator started by giving a long signal on a bottom. EUR/USD started to move up and the Awesome oscillator signaled a top. This time, it was wrong and prices continued to move up.

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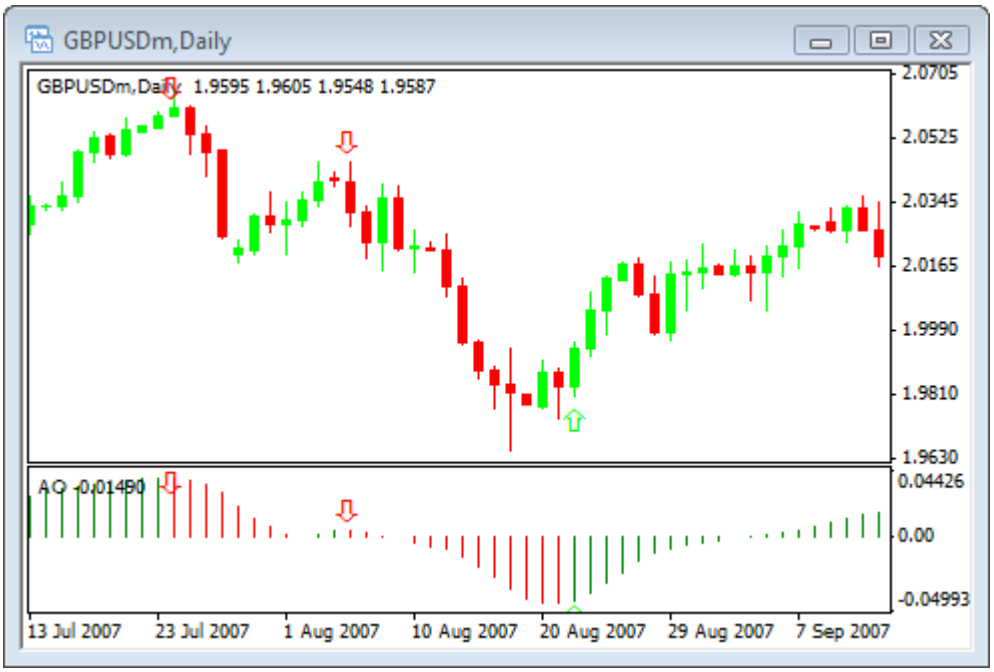
The Awesome oscillator gave a sell signal once again and this time it was completely right. EUR/USD started a 400 pips downtrend until the Awesome oscillator gave a buy signal. Once again, this indicator had a great timing.

Another sell signal appeared on another top, and finally the Awesome oscillator gave a buy signal on another bottom.

In 6 signals, the Awesome oscillator was right in 5 of them. Nothing works at 100%, but the Awesome oscillator is clearly one of the best indicators on the market.

When the market is in sideways, using the Awesome oscillator is like having a crystal ball.

Let's now check some examples on GBP/USD:



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On this chart, you can see that the Awesome oscillator started by giving a sell signal right on the top.

GBP/USD started to move down and once it bounced back, the Awesome oscillator gave another sell signal. It was correct once again and GBP/USD continued on a 600 pips decline until the oscillator gave a buy signal.

Once again, you can see how easy and powerful it is to use the Awesome oscillator on your strategy.

On this final example you can see another GBP/USD chart with the Awesome oscillator. The Awesome oscillator gave a sell signal around 1.7650 and GBP/USD started a downtrend. Around 1.7200, the Awesome gave a buy signal. So, we know we're probably on a bottom. This buy signal came 450 pips below the sell signal.

Finally, the Awesome oscillator gave another sell signal this time around 1.7620. This means another 420 pips profit. On these 2 signals alone, the Awesome oscillator was able to give 870 pips which represents $8700 for each single GBP/USD contract you're trading.

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By now, you should understand the power of the Awesome oscillator. It's extremely valuable during sideways markets, and it's extremely useful to signal potential exit points on your trades.

This indicator is included for free on Metatrader 4, so you don't even need to purchase expensive charting packages in order to start using the Awesome oscillator.

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The Alligator Indicator:

The Alligator Indicator is a combination of Balance Lines (Moving Averages) that use fractal geometry and nonlinear dynamics.

- The blue line (Alligator's Jaw) is the Balance Line for the timeframe that was used to build the chart (13-period Smoothed Moving Average, moved into the future by 8 bars);
- The red line (Alligator's Teeth) is the Balance Line for the value timeframe of one level lower (8-period Smoothed Moving Average, moved by 5 bars into the future);
- The green line (Alligator's Lips) is the Balance Line for the value timeframe, one more level lower (5-period Smoothed Moving Average, moved by 3 bars into the future).

Alligator's Lips, Teeth and Jaw show the interaction of different time periods. As clear trends can be seen only 15% to 30% of the time, it is essential to follow them and refrain from working on markets that fluctuate only within certain price periods.

When the Jaw, the Teeth and the Lips are closed or intertwined, it means the Alligator is going to sleep or is asleep already. As it sleeps, it gets hungrier and hungrier — the longer it will sleep, the hungrier it will wake up. The first thing it does after it wakes up is to open its mouth and yawn. Then the smell of food comes to its nostrils: flesh of a bull or flesh of a bear, and the Alligator starts to hunt it. Having eaten enough to feel quite full, the Alligator starts to lose the interest to the food/price (Balance Lines join together) — this is the time to fix the profit.

Check the Alligator indicator on the following chart:

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Here you can see Alligator's 3 lines. As you can see, during the uptrend, the Alligator lines represented strong support. When the Alligator lines start to get closer the trend is losing steam. At the top of this chart you can notice that the green and red lines were starting to get closer and closer, and the result was that the uptrend came to an end.

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On the beginning of this chart, the 3 lines were extremely close, and we had no trend on the market. When the lines started moving up, you can see that a strong uptrend emerged.
At the end of the chart, the green line started to get closer to the red line. This was a signal that the trend could be ending soon.

The Alligator indicator is extremely useful to know when there's a trend or not, and to know when a trend might be ending. Besides this, the Alligator represents an outstanding support area during uptrends, and an outstanding resistance area during downtrends. So, this indicator can be extremely useful for you.

Let's take a look at GBP/USD hourly charts.

On the grey rectangle, you can notice the 3 Alligator lines were extremely close. This means there was no trend in the market.

Once the lines started moving down and getting apart where the green arrow is on the chart, notice that GBP/USD started a strong downtrend.

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On this final example, you can see, once again, the Alligator importance. When the market had no trend, the 3 lines were extremely close and weren't moving anywhere. Once the 3 lines started to move down and gained more distance, the currency pair had a big downtrend of more than 300 pips. When the 3 lines started to lose distance between them, the trend was about to end.

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The Parabolic SAR:

The Parabolic SAR is a useful indicator to spot trends and to have a solid trailing stop loss. This is clearly one of the best indicators to use as a stop loss, reducing risk on your trading.

When the price is above the Parabolic SAR line, we're in an uptrend and when the price is below the Parabolic SAR, we are in a downtrend.

When you are in a long position and the price breaks below the Parabolic SAR line you can use that as a stop loss.

When you're on a downtrend you can use a breakout above the Parabolic SAR line as a stop loss.

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The advantage in using the Parabolic SAR as a stop loss is that this line moves with prices, so it allows you to maximize your gains on a trend.

This indicator works better during trending markets. During sideways markets it gives too much signals to be effective. This is why I recommend that you use the Parabolic SAR in conjunction with other indicators like, for example, the Alligator.

Besides this, you should use the Parabolic SAR as a stop loss point, not as an entry point.

Here is another EUR/USD chart with the Parabolic SAR. As you can see, the Parabolic SAR works extremely well as a stop loss during trends. The 2 strong uptrends you have on this chart show you that Parabolic SAR gave an exit signal near the top of the uptrends. The Parabolic SAR clearly allowed you to maximize your profits on these trades.

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Note that between these 2 solid uptrends there was a moment where the market was on sideways. It couldn't move one way or another. During that time, the Parabolic SAR line was giving mixed signals. That's why you shouldn't use Parabolic SAR as an entry point. Use it only as an exit signal and this way you'll get the best this indicator has to offer.

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