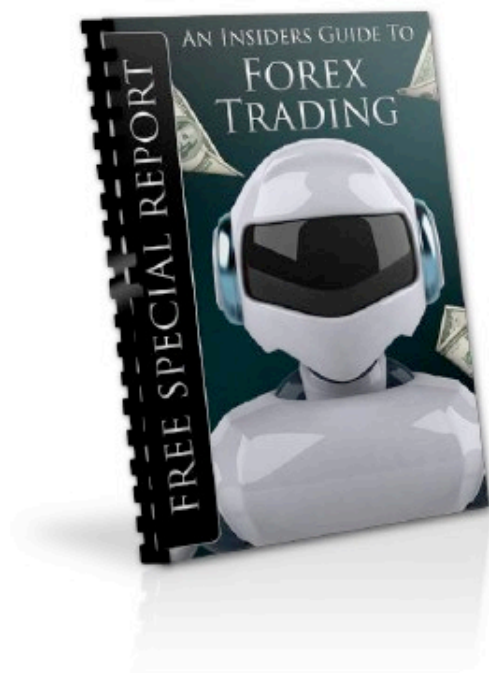


**Mary Cala**

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# **An Insider's Guide to Forex Trading**

*Is Forex Trading For You: Honest Answers*



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## Table of Contents

|                                                                                          |           |
|------------------------------------------------------------------------------------------|-----------|
| <b>1. IMPORTANCE OF PSYCHOLOGY IN FOREX TRADING .....</b>                                | <b>5</b>  |
| 1.1. Are You Prepared to Trade Currencies? .....                                         | 6         |
| 1.2. Psychology of the Winning Trader .....                                              | 8         |
| 1.3. The Sure Way to Become a Successful Forex Trader .....                              | 9         |
| 1.4. Trading Psychology: Mistakes in a Trading Environment.....                          | 10        |
| 1.5. Believing These Six Myths Will Slash Your Currency Trading Profits .....            | 14        |
| 1.6. Stick to Your Forex Trading Philosophy .....                                        | 16        |
| 1.7. Master Forex Traders Learn to Like Losses.....                                      | 18        |
| 1.8. Savvy Tactics to Minimize Whopping Forex Losses.....                                | 19        |
| 1.9. Common Sins of a Forex Trader.....                                                  | 20        |
| 1.10. Forex Trading and the Obsession to Win .....                                       | 22        |
| 1.11. Deadly Forex Mistakes That Assure Failure .....                                    | 23        |
| 1.12. How to Spot Forex Fraud .....                                                      | 24        |
| <br>                                                                                     |           |
| <b>2. FOREX TRADER’S TOOLBOX - FIND THE BEST TOOLS FOR PROFITABLE FOREX TRADING.....</b> | <b>26</b> |
| 2.1. Finding a Forex Broker .....                                                        | 27        |
| 2.2. Forex Fundamental Analysis .....                                                    | 29        |
| 2.3. TA: The Art of Predicting the Future by Studying the Past .....                     | 31        |
| 2.4. Why Technical Analysis Works Well in the Forex Market .....                         | 32        |
| 2.5. More about Technical Analysis and Some Indicators .....                             | 33        |
| 2.6. Four Main Types of Orders in Forex Market .....                                     | 35        |
| 2.7. Learn by Hands on Forex Trading: Demo Accounts Vs Mini Accounts.....                | 36        |
| 2.8. The Pros and Cons of Trading a Forex Trading Demonstration Account .....            | 38        |
| 2.9. Forex Software – Choosing the Best .....                                            | 40        |
| 2.10. How to Read Forex Charts: 5 Things You Must Know .....                             | 42        |
| 2.11. Paper Trading and the Transition to Real Money Trading.....                        | 46        |
| 2.12. Having a Mentor Can Help You Succeed at Forex Trading - Part I .....               | 49        |
| 2.13. Having a Mentor Can Help You Succeed at Forex Trading - Part II .....              | 50        |
| 2.14. Introduction to Fibonacci Retracement Trading .....                                | 51        |
| 2.15. Forex and Some Important Facts about Bollinger Bands .....                         | 52        |
| 2.16. The Advantages of Automated Forex Trading Software .....                           | 53        |
| 2.17. Choosing the Right Automated Forex Trading Software .....                          | 54        |
| <br>                                                                                     |           |
| <b>3. FOREX TRADING SYSTEMS AND STRATEGIES - FIND THE HOLY GRAIL OF FOREX TRADING ..</b> | <b>56</b> |
| 3.1. What to Look for in the Perfect Forex Trading System .....                          | 57        |
| 3.2. Forex Trading Systems - Discretionary Vs. Mechanical Systems .....                  | 59        |
| 3.3. Recognize ‘The Force’ and Trade the Trend.....                                      | 61        |

# MARY CALA – AN INSIDER’S GUIDE TO FOREX TRADING

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|           |                                                                  |           |
|-----------|------------------------------------------------------------------|-----------|
| 3.4.      | Currency Trading Profits – A Simple System Making Millions ..... | 63        |
| 3.5.      | Forex trading - Exiting Positions at a Right Time .....          | 65        |
| 3.6.      | Five Tips to Make Money Fast in Forex Trading .....              | 66        |
| 3.7.      | Forex Trading Profits from Calendar Patterns.....                | 68        |
| 3.8.      | The Three Trendline Strategy .....                               | 70        |
| 3.9.      | The Correct Timing in Forex Trading .....                        | 71        |
| <b>4.</b> | <b>HOW TO WIN WITH FOREX: THE FINAL THOUGHTS.....</b>            | <b>73</b> |
|           | <b>ADDENDUM - RECOMMENDED RESOURCES FOR FOREX TRADERS.....</b>   | <b>76</b> |
|           | Recommended Forex Trading Tools That Work .....                  | 77        |
|           | Free Forex Ebooks .....                                          | 78        |
|           | Recommended Forex Trading Platform .....                         | 81        |
|           | Recommended Forex Trading Systems and Robots .....               | 82        |
|           | Recommended Forex Trading Signal Services .....                  | 83        |
|           | Recommended Forex Expert Advisors .....                          | 84        |
|           | Recommended Forex Courses and Webinars .....                     | 85        |
|           | Recommended Forex Brokers.....                                   | 87        |
|           | Recommended Forex Forums.....                                    | 88        |

## **1. IMPORTANCE OF PSYCHOLOGY IN FOREX TRADING**

## 1.1. Are You Prepared to Trade Currencies?

**C**urrency trading is the most popular way to earn money and it is without doubt a very profitable market. However few are familiar with its unpleasant intricacies and most ignore a very important aspect: **risk**.

It is not enough only to be given the chance to invest your money successfully, you have to be careful because currency trading can be an efficient trading system or it can ruin you.

Why is currency trading risky?

- **Currency trading is very unstable.** It is the subject of rapid and overwhelming changes. The market is volatile and it is influenced by political events.
- **One can lose at any time especially when he has just ventured into currency trading.** Experience, information and attention are necessary.
- Some unexpectedly loose **the Risk Capital** which sometimes consists of College money, the retirement funds or some other substantial sum that shouldn't have been considered as currency trading capital in the first place.
- Fluctuations in currency prices, discrepancies between interest rates in two different countries, insolvency of financial institutions that take part in transactions and limited flow of exotic currencies will most likely lead to loss.
- Large profits and minimal losses are impossible to predict with 100% certainty.
- The currency trading market has great *winning* potential, but it also has *loss* potential.
- **Misinformation** and **the emotional baggage** are most of the time cause of loss. Use facts, not hope or fear, when currency trading.
- Sometimes trends can lead to money loss.
- Huge leverage is available to traders. This leads to dangerous positions that risk too much in comparison with the size of the account.
- Lacks of **money management** and of **back testing plans** are the mistakes that currency traders make sometimes.
- Using brokers is sometimes inefficient because this counterpart can refuse to trade during volatile market conditions affecting the retail trader. They can even widen spreads. However it is recommended to collaborate with a broker, because he can deal in the interbank market and he surely knows more about currency trading making it safer from other points of view.
- **Scams** were very common years ago when dealing with a broker. However, one can be confident with the person he is working with by checking their background and the Institutions he is associated with (large banks, important insurance companies).

Don't be frightened! It isn't all about risks. And don't start trading in fear! You will lose this way. You just have to keep in mind all possibilities and avoid unwanted situations

only you can get yourself into. All currency traders have to be very well informed about their activity. They have to know technical analysis and how to read and interpret charts, they have to develop effective strategies and minimize risk. The financial exposure has to be limited and this can be done in many ways available to currency traders who inform themselves.

So, educate yourself, be prudent, take risks only when you can handle loss and always be prepared for anything. And have this in mind: If currency trading isn't profitable then why are so many financial investors, banks, international institutions and important players that obtain huge amounts of cash by simply turning their own money into other currencies?

## 1.2. Psychology of the Winning Trader

It is often being said that nine out of every ten traders lose money. It is also said that trading is seventy five percent psychology and the other twenty five percent divided up between your trading system and proper money management. Now I do not know if those facts are true or false. I have never seen a survey published on the topic maybe someone can help me with that information, but let us assume that if it's not absolutely true then it is nearly true. This would mean that most traders are lacking the proper psychology for trading.

Therefore we need to look very carefully at this business of our thought patterns, what we are thinking while we are trading. All our actions are governed by either pleasure or pain. Whatever we do, we do it to either to experience pleasure or escape pain. We have a need to avoid pain and a desire to gain pleasure. We need to do some introspection and decide what is it that drives us while we are trading, pleasure or pain. Do you jump into every trade even when the setups are not quite right because you just cannot stand missing the next big move, not having the pleasure of the winning trade?

Fear will probably cause you to not enter trades when everything looks perfect because the chance of losing money is just too much for you. So you sit there paralyzed, or you enter the trade but your stops are so tight you hardly ever make any money. Most traders I believe associate trading with pain. They are ruled by fear. The fact is that every trader loses money. It is part of the game. It's how you deal with it that matters.

If we associate pleasure with every winning trade and pain with every losing trade then our trading career will be an emotion roller coaster ride of up and down feelings. This is the very heart of the problem. Most of us are emotional traders. Our psychology has associated winning with pleasure and losing with pain. The problem with this is that in day trading we will experience a number of winners and losers every day. If you start the day with a couple of losers you will begin to hurt, which causes fear and when the next setup comes along your fear level is too high and prevents you from entering the trade, That trade just happened to be a winner and you missed it. Now you are really going to pieces. What can we do to overcome our emotions?

We have to change our psychology, change the associations we have formed of pleasure equals winners and pain equals losers. The first thing is to set goals for our trading and our goal should be consistent profitability. What are our monthly and our yearly goals? Use points or pips instead of money. Secondly, we need to know what is preventing us from achieving our goals. Is it fear of losses, incorrect position sizing etc. Look at what you are doing and why it is not working. We now need to break that pattern of behavior and install a new pattern. How do we do that?

## 1.3. The Sure Way to Become a Successful Forex Trader

Everyone who enters into the forex market to trade always starts off with good intentions. They will invariably aim to win. They are there to make gigantic profits in the market. After all, it is a keen interest in trading that has led to their involvement in trading the forex market.

In all my years of trading, I have yet to meet a complete newbie who is in the forex market to trade without spending at least some time to learn how to trade. At worst, the newbie to forex trading has at least learned the technical terms to trading, and has at least entered his trading account to look at the trading platform and the trading interface provided by his broker.

In the quest to become a better trader, most forex traders I know would have learnt the use of many tools, usually technical tools. To them, the tools are their weapons of war. Many use technical trading systems to help them get a more accurate analysis of price movements, and to study price trends. Some use simple trend trading methods such as trendlines, others use price patterns of congestion and outbreaks, some use the more sophisticated Elliot wave counting and WD Gann squaring of price and time, and some even neural networks forecasting and astronomy. Yet, with the help of many trading tools, a big majority of traders are still unprofitable.

Herein is the problem with many traders.

In forex trading, like in all forms of market trading, the amount of tools you use, whether singly or in synergy, will not guarantee your success. Having a battery of technical indicators to provide you a technical reading will not ensure your success in trading. At best, these technical indicators will help you understand the market trend more, or might even serve to confuse you especially if they generate conflicting signals.

Forex trading is just like fighting a battle, and the following principle holds true: "It's not the sword that wins the battle. It's the Warrior who's wielding it." It's the warrior who's wielding the sword that will determine the outcome of the battle. In other words, if you are a forex trader, it is your trading discipline, and the proper use of the trading tool or method that will ensure your success. It is you, the trading warrior, who wields the trading tool correctly that can ensure the battle is won.

Therefore to become a successful trader, you will need to master your self - to follow a set trading method and to execute the trades based on a trading plan, where you will follow stringently to the best trading setups and exit at pre-determined stop losses. Without trading discipline, you will not be able to master your trades, and you will find profits hard to come by.

It is only when you master yourself to conduct discipline trading and also master your trades by following a proven trading methodology with a timely and suitable entry and exit strategy that you can become a profitable trader.

## 1.4. Trading Psychology: Mistakes in a Trading Environment

When it comes to trading, one of the most neglected subjects are those dealing with trading psychology. Most traders spend days, months and even years trying to find the right system. But having a system is just part of the game. Don’t get us wrong, it is very important to have a system that perfectly suits the trader, but it is as important as having a money management plan, or to understand all psychology barriers that may affect the trader decisions and other issues.

In order to succeed in this business, there must be equilibrium between all important aspects of trading.

In the trading environment, when you lose a trade, what is the first idea that pops up in your mind? It would probably be, “There must be something wrong with my system”, or “I knew it, I shouldn’t have taken this trade” (even when your system signaled it). But sometimes we need to dig a little deeper in order to see the nature of our mistake, and then work on it accordingly.

When it comes to trading the Forex market as well as other markets, only 5% of traders achieve the ultimate goal: to be consistent in profits. What is interesting though is that there is just a tiny difference between this 5% of traders and the rest of them. The top 5% grow from mistakes; mistakes are a learning experience, they learn an invaluable lesson on every single mistake made. Deep in their minds, a mistake is one more chance to try it harder and do it better the next time, because they know they might not get a chance the next time. And at the end, this tiny difference becomes THE big difference.

Most of us relate a trading mistake to the outcome (in terms of money) of any given trade. The truth is, a mistake has nothing to do with it; mistakes are made when certain guidelines are not followed. When the rules you trade by are violated.

Take for instance the following scenarios:

### **First scenario: The system signals a trade.**

1. Signal taken and trade turns out to be a profitable trade.

Outcome of the trade: Positive, made money.

Experience gained: It’s good to follow the system; if I do this consistently the odds will turn in my favor. Confidence is gained in both the trader and the system.

Mistake made: None.

2. Signal taken and trade turns out to be a losing trade.

Outcome of the trade: Negative, lost money.

Experience gained: It is impossible to win every single trade, a losing trade is just part of the business; our raw material, we know we can’t get them all right. Even with this lost trade, the trader is proud about himself for following the system. Confidence in the trader is gained.

Mistake made: None.

3. Signal not taken and trade turns out to be a profitable trade.

Outcome of the trade: Neutral.

Experience gained: Frustration, the trader always seems to get in trades that turned out to be losing trades and let the profitable trades go away. Confidence is lost in the trader self.

Mistake made: Not taking a trade when the system signaled it.

4. Signal not taken and trade turns out to be a losing trade.

Outcome of the trade: Neutral.

Experience gained: The trader will start to think “hey, I’m better than my system”. Even if the trader doesn't think on it consciously, the trader will rationalize on every signal given by the system because deep in his or her mind, his or her “feeling” is more intelligent than the system itself. From this point on, the trader will try to outguess the system. This mistake has catastrophic effects on our confidence to the system. The confidence on the trader turns into overconfidence.

Mistake made: Not taking a trade when system signaled it

### **Second Scenario: System does not signal a trade.**

1. No trade is taken

Outcome of the trade: Neutral

Experience gained: Good discipline, we only need to take trades when the odds are in our favor, just when the system signals it. Confidence gained in both the trader self and the system.

Mistake made: None

2. A trade is taken, turns out to be a profitable trade.

Outcome of the trade: Positive, made money.

Experience gained: This mistake has the most catastrophic effects in the trader self, the system and most importantly in the trader’s trading career. You will start to think you need no system, you know better from them all. From this point on, you will start to trade based on what you think. Confidence in the system is totally lost. Confidence in the trader self turns into overconfidence.

Mistake made: Take a trade when there was no signal from the system.

3. A trade is taken, turned out to be a losing trade.

Outcome of the trade: negative, lost money.

Experience gained: The trader will rethink his strategy. The next time, the trader will think it twice before getting in a trade when the system does not signal it. The trader will go “Ok, it is better to get in the market when my system signals it, only those trade have a higher probability of success”. Confidence is gained in the system.

Mistake made: Take a trade when there was no signal from the system

As you can see, there is absolutely no correlation between the outcome of the trade and a mistake. The most catastrophic mistake even has a positive trade outcome, made money, but this could be the beginning of the end of the trader’s career.

As we have already stated, mistakes must only be related to the violation of rules a trader trades by.

All these mistakes were directly related to the signals given by a system, but the same is applied when getting out of a trade. There are also mistakes related to following a trading plan. For example, risking more money on a given trade than the amount the trader should have risked and many more.

Most mistakes can be avoided by first having a trading plan. A trading plan includes the system: the criteria we use to get in and out the market, the money management plan: how much we will risk on any given trade, and many other points.

Secondly, and most important, we need to have the discipline to follow strictly our plan. We created our plan when no trade was placed on, thus no psychology barriers were up front. So, the only thing we are certain about is that if we follow our plan, the decision taken is on our best interests, and in the long run, these decisions will help us have better results. We don’t have to worry about isolated events, or trades that could had give us better results at first, but then they could have catastrophic results in our trading career.

### **How to deal with mistakes**

There are many possible ways to properly manage mistakes. We will suggest the one that works better for us.

#### **Step one: Belief change.**

Every mistake is a learning experience. They all have something valuable to offer. Try to counteract the natural tendency of feeling frustrated and approach mistakes in a positive manner. Instead of yelling to everyone around and feeling disappointed, say to yourself “ok, I did something wrong, what happened? What is it?”

#### **Step two: Identify the mistake made.**

Define the mistake, find out what caused the mistake, and try as hard as you can to effectively see the nature of that mistake. Finding the mistake nature will prevent you from making the same mistake again. More than often you will find the answer where you less expected. Take for instance a trader that doesn’t follow the system. The reason behind this could be that the trader is afraid of losing. But then, why is he or she afraid? It could be that the trader is using a system that does not fit him or her, and finds difficult to follow every signal. In this case, as you can see, the nature of the mistake is not in the surface. You need to try as hard as you can to find the real reason of the given mistake.

#### **Step three: Measure the consequences of the mistake.**

List the consequences of making that particular mistake, both good and bad. Good consequences are those that make us better traders after dealing with the mistake.

Think on all possible reasons you can learn from what happened. For the same example above, what are the consequences of making that mistake? Well, if you don’t follow the system, you will gradually lose confidence in it, and this at the end will put you into trades you don’t really want to be, and out of trades you should be in.

**Step four: Take action.**

Taking proper action is the last and most important step. In order to learn, you need to change your behavior. Make sure that whatever you do, you become “this-mistake-proof”. By taking action we turn every single mistake into a small part of success in our trading career. Continuing with the same example, redefining the system would be the trader’s final step. The trader would put a system that perfectly fits him or her, so the trader doesn’t find any trouble following it in future signals.

Understanding the fact that the outcome of any trade has nothing to do with a mistake will open your mind to other possibilities, where you will be able to understand the nature of every mistake made. This at the same time will open the doors for your trading career as you work and take proper action on every mistake made.

The process of success is slow, and plenty of times it is attributed to repeated mistakes made and the constant struggle to get past these mistakes, working on them accordingly.

How we deal with them will shape our future as *a trader*, and most importantly as *a person*.

### 1.5. Believing These Six Myths Will Slash Your Currency Trading Profits

**B**elow you will find the six common beliefs followed by the bulk of traders - and if you believe these myths as well, then they will restrict your chances of making significant currency trading profits.

Ninety percent of currency traders believe at least one or more of these myths - which explains why ninety percent of traders don't make much profit by trading currencies!

- **You should always be in the Market in Case you Miss a Move**  
Traders love excitement, and their view is, if they are in the market they may catch the big move. Well they may - but chances are they won't. The big trends only come a few times a year in each currency - and you should stay out the market until they come, otherwise you will take losses, and run up commissions that will deplete your account.  
Wait for the big trades - patience is a virtue in trading.
- **Diversification Reduces Risk, and Increases Profit Potential**  
Diversification simply dilutes your profits.  
You hit a big move, and your other trades that lose, or give you only marginal profits, eat up all your currency-trading profits.  
You need to have confidence to go for the big moves, when they occur, and load up these trades.  
Currency trading is about calculated risks - if the trade looks good, hit it hard for big profits.
- **Day Trading is Better Than Long Term Trend Following, as it's Less Risky**  
Many brokers spread this myth - and why not? - They make more commission if you believe it!  
You will end up having more losses than profits in your trading. You will never make enough money in a day to cover your inevitable losses. When you add in commission and slippage, it's inevitable that you will lose.  
You need to hold longer-term trends, as these yield the big profits to cover your smaller losses.
- **Timing the Market is the Correct Way to Make Profits**  
Timing the market means you are trying to PREDICT where prices are going to top and bottom - this is not a good way to trade and the odds are against you.  
A better way to trade is to wait for the market to CONFIRM a trend is under way, and jump on board. You may not buy the bottom or sell the high, but you can catch the major chunk in between - and with currency trends lasting for many months or years, you can still get plenty of profits from the trend.
- **Markets are the Same Today as they Were Hundreds of Years Ago**  
Rubbish! Trends now are much more volatile than they were even 50 years ago. Why? Today, with the Internet, price information reaches every

corner of the globe in a split second. This increases volatility as everyone has the same information at once - and everyone tries to enter the market at the same time.

This was not the case even 50 years ago - the trends are still there, but volatility is much higher - traders get the direction of the trend right, but they find themselves stopped out by the volatility. How often has this happened to you? - It happens to all traders. Look at using options to give you staying power.

- **You can use a Black Box System to Make Money**

You can buy a system from a vendor for a few thousand dollars - and it can make 50 to 100% profit per annum.

These systems normally have a hypothetical track record - and use price information where the results are already known, and of course, the logic of the system remains hidden from you - as it's unlikely to have a sound basis.

Have you ever wondered why these vendors sell systems, when they could simply get a bank loan and trade their own systems?

Enough said on this one!

How about some Positive Advice?

If you want to make big currency trading profits, you need to do it for yourself.

Get a plan you have confidence in, and execute the plan with discipline - and have the courage to trade for large gains when they occur.

## 1.6. Stick to Your Forex Trading Philosophy

"Easy money" is the allure that captivates many beginning Forex traders. Forex websites offer "risk-free" trading, "high returns", "low investment." These claims have a grain of truth in them, but the reality of Forex is a bit more complex.

### **Mistakes of the Beginning Trader**

There are 2 common mistakes that many beginner traders make: trading without a strategy and letting emotions rule their decisions. After opening a Forex account it may be tempting to dive right in and start trading. Watching the movements of EUR/USD for example, you may feel that you are letting an opportunity pass you by if you don't enter the market immediately. You buy and watch the market move against you. You panic and sell, only to see the market recover.

This kind of undisciplined approach to Forex is guaranteed to lose money. Forex traders must have a rational trading strategy and not make trading decisions in the heat of the moment.

### **Understanding Market Movements**

To make rational trading decisions, the Forex trader must be well educated in market movements. He must be able to apply technical studies to charts and plot out entry and exit points. He must take advantage of the various types of orders to minimize his risk and maximize his profit.

The first step in becoming a successful Forex trader is to understand the market and the forces behind it. Who trades Forex and why? This will allow you to identify successful trading strategies and use them.

### **Accountability**

There are 5 major groups of investors who participate in Forex: governments, banks, corporations, investment funds, and traders. Each group has its own objectives, but 1 thing all groups except traders have in common is external control. Every organization has rules and guidelines for trading currencies and can be held accountable for their trading decisions. Individual traders, on the other hand, are accountable only to themselves.

Large organizations and educated traders approach the Forex with strategies, and if you hope to succeed as a Forex trader you must follow suit.

### **Money Management**

Money management is an integral part of any trading strategy. Besides knowing which currencies to trade and how to recognize entry and exit signals, the successful trader has to manage his resources and integrate money management into his trading plan.

There are various strategies for money management. Many rely on the calculation of core equity -- your starting balance minus the money used in open positions.

### **Core Equity and Limited Risk**

When entering a position try to limit your risk to 1% to 3% of each trade. This means that if you are trading a standard Forex lot of \$100,000 you should limit your risk to \$1,000 to \$3,000. You do this with a stop loss order 100 pips (1 pip = \$10) above or below your entry position.

As your core equity rises or falls, adjust the dollar amount of your risk. With a starting balance of \$10,000 and 1 open position, your core equity is \$9000. If you wish to add a second open position, your core equity would fall to \$8000 and you should limit your risk to \$800. Risk in a third position should be limited to \$800.

### **Greater Profit, Greater Risk**

You should also raise your risk level as your core equity rises. After \$5,000 profit, your core equity is now \$15,000. You could raise your risk to \$1,500 per transaction. Alternatively, you could risk more from the profit than from the original starting balance. Some traders may risk up to 5% against their realized profits (\$5,000 on a \$100,000 lot) for greater profit potential.

These are the kinds of strategic tactics that allow a beginner to get a foothold on profitable trading in Forex.

### 1.7. Master Forex Traders Learn to Like Losses

**A**s a forex trader you have to learn how to take losses. Period. Don't be a crybaby. Learn how to take losses.

Learning how to take losses is one of the most important lessons you must learn if you want to survive as a trader. Nobody is 100% right all the time.

Losses are inevitable. Even Michael Jordan and Tiger Woods lose sometimes and they're considered the best in their field.

There will be trading streaks where you'll have a number of successful consecutive trades, but that will eventually come to an end you will take a loss.

As that point it's very important not to lose your head, you must remain in control of yourself. Don't have a cow man.

Take a break. Calm down and relax. Take a chill pill, dude.

**Until you've regained a clear mind and an ability to think logically again, stay out of the market.**

Don't whine about your loss and never carry a prejudice against a loss.

The key to manage losses is to cut them quickly before a small loss becomes a large one. I repeat. The key to manage losses is to cut them quickly before a small loss becomes a large one.

Never ever think that you will never lose. That's just ludicrous. Losses are just like profits, it's all part of the trader's universe.

Losses are unavoidable. Get over the loss and move on to the next trade.

## 1.8. Savvy Tactics to Minimize Whopping Forex Losses

Forex trading has one goal: to make money. Unfortunately, like any speculative venture, there is a potential for losing money. The same holds true with the stock market, the commodities market, and the money market. Any investment that promises great gain poses a certain level of risk. As a forex trader you want to minimize your chance of risk.

Observe the following Best Practices:

- **Stay informed.** Peruse the current events magazines and political journals. Know how the global political and social landscapes have been shifting.
- **Brush up on economics.** A college refresher course can keep you out of the red. Journals by economists like John Maynard Keynes, Kenneth Galbraith and Walter Williams can help you guesstimate potential forex up-trends.
- **Read periodicals** like the Asian Wall Street Journal and Business Investors Daily.
- Fire up a **practice demo** account and get a feel of the game before jumping into the market.
- Befriend a **broker** you trust.
- Cultivate **friendships with other traders** into active trading.
- Understand **historical trends** and their impact on the charts.
- Take a **short course on forex trading** to get your skills up to speed. These cost under \$200 and can help you avoid \$20000 losses.
- **Research** forex on the Internet. Forums provide great sources of information.
- **Invest money that you can actually afford to lose if worse comes to worse. Then you won't be out of the game completely.**
- ~~**Cut your losses early.** When a portfolio is losing week after week, shed it. It may take months to recover which means money tied unproductively.~~
- Invest in **multiple currency pairs**, such as EUR-GBP, GBP-USD, CHF-USD. This frees the trader from monumental losses incurred when all eggs are thrown into one currency pair.
- Don't hang to a position for **extended** periods. This isn't the stock market where equities tend to go up in the long term. Sell positions when minor up movements are made and reinvest in other currency pairs.

## 1.9. Common Sins of a Forex Trader

**W**hy is it that very few traders succeed in the Forex trading environment while the grand majority of traders fail to achieve success? Although there is no hard answer to this question, there are a few things that will put you one step ahead and will definitely put the odds in your favor.

The main purpose of this article is to guide you through some important aspects of Forex trading. But in a different way, instead of telling you what to do or the best way to do it, it will tell you what to avoid. Sometimes it is better to identify the main drawbacks on a discipline and then isolate them so we have the best results at a certain level of development.

### **The search for the Holy Grail**

Many traders spend years and years trying to find the Holy Grail of trading. That magic indicator or set of indicators, only known by a few traders, that will make them rich in a short period of time.

Fact: Well, there is no magic indicator, nor a set of indicators that will make anyone rich in a short period of time. The main reason of this is because market changes, every single moment is unique. Every Forex trading system will fail from time to time. Our work here is to find a Forex trading system that fits our personality as traders, otherwise the trader will find it hard to follow it.

### **Looking for Easy Money**

Unfortunately most traders are attracted to the Forex market for this reason. Mainly because of the publicity showing or rather trying to show how easy is to trade and make money in the Forex market.

Fact: Yes, it is very easy to trade, anyone can do it. It is as hard as one click. But the second part of it isn't that easy. Making money or achieving consistent profitable results is hard. It requires lots of education, patience, discipline, commitment, and this list could go to infinite. In a few words, it is possible to have consistent profitable results, but definitely it is not easy.

### **Looking for Excitement**

Some other traders are attracted to the Forex market or any other financial market because they think it is exciting to be a trader.

Fact: Yes, it is very exciting to trade the Forex market. But if this is the main reason you are still trading the Forex market, sooner or later you will discover the most expensive adventure you have ever known. Do some thinking on it.

### **Not Using Money Management**

Most traders forget about this important aspect of trading. They think they shouldn't be using money management until they achieve consistent profitable results. They totally forget about the risk side of trading.

Fact: Money management allows your profits to increase geometrically, but also limits your risk on every single trade. Money management tells you how much to risk on each trade. Using money management is a must if you want to achieve your trading goals. By using money management you make sure you are going to be able to trade tomorrow, the next week, month and the following years.

### **Not Being Psychology Tuned**

This is one of the most underestimated subjects when it comes to trading. One of the main principles of financial markets is that the price of each instrument is based on the perception of each individual participant “the crowd.” In other words the price of each instrument is determined by the fear, greed, ego and hope of all traders.

Fact: Being aware of all psychological issues that affect the decisions made by traders will definitely put the odds in your favor.

### **Lack of Education**

Education is the base of knowledge on every discipline. As lawyers and doctors require several years of college until they get their degree, Forex traders also require long years of study. It is better to have someone experienced to guide you through your trading, since some information could take you in the wrong path.

Fact: The market teaches us invaluable lessons on every single trade made. The process of education for a Forex trader could take forever. That’s right, we never stop learning. We should be humble about the markets and our knowledge; otherwise the market will prove us wrong.

These are some of the most important barriers every trader faces when trying to trade successfully. Trading successfully the Forex markets is no easy task; it requires a lot of hard work to do it right, but with the right education you will put yourself closer to your trading goals.

## 1.10. Forex Trading and the Obsession to Win

Forex trading is one of the great money making opportunities available these days. People from many walks of life, men and women, decide to join the forex trading world everyday looking for the great style of life a profitable forex trader can achieve.

But Forex trading is also a war where you can lose your money and confidence if you are not wise enough in your battles against the market, a wise, often formidable and even brutal enemy.

There is an old saying by the Chinese military genius, Sun Tzu that says: “the obsession for victory is a state of mind that benefits the enemy”. And these wise words apply without any doubt to the world of forex trading. In the war with the markets nothing is more damaging to a trader than “the obsession with victory”.

There are many new traders that think they must never close a trade until it will turn into a profitable one; or think their predictions based on a particular indicator and technical analysis will always be right and the forex market will start behaving in the way they had predicted in any moment, no matter if the charts clearly indicate that it's not doing it and the margin of the account is getting depleted.

This is, in no way, a wise forex trading strategy; it is not a wise war strategy. With that behavior you will only be giving free money to the markets, i.e., you will be defeated by your own obsession with being profitable even if everything is going against you indicating you must close the trade or tighten your stops.

So, never fall for obsession when trading the forex markets. Nothing good can result from this behavior. You must always place your stops according to your tolerance level and be wise with your indicators. Remember they can fail you. They mostly tell probabilities and when dealing with probabilities there is always room for strange behaviors that won't agree with what you were expecting.

My recommendation: be wise, use your criteria and never ever obsess with a trade.

## 1.11. Deadly Forex Mistakes That Assure Failure

**B**efore venturing into your trading journey there are some things you need to be aware of, otherwise you could succeed on your trading adventure, and we don't want that to happen, do we? This Forex training guide will help you track the most costly mistakes Forex traders do.

First of all, make sure you don't have a trading system. Having a trading system might increase the odds of your success. If you have a system, you will have an objective way to get in and out the market. When traders create their trading systems they think objectively since there is no position to be taken at the moment. If there is no position to be taken, there is also no money at risk, if there is no money at risk, we do think objectively and are open to every possibility, thus we are able to find low risk trading opportunities. So make sure you don't have a system and trade based on a randomly approach.

If you have already created your system, then don't follow it, be undisciplined. If you follow your system, there is a possibility that you can profit from the Forex market based on the trading opportunities you have found. If you want to fail on your trading, be sure to be undisciplined.

Don't get educated. Most successful traders are very well educated in the market they trade (stocks, Forex, futures, etc.) If you get educated, you might acquire the knowledge and experience you require to master the Forex market. Don't read about the Forex market, don't enroll into Forex training programs and don't even look at historical charts.

Don't use any money management technique. The purpose of money management is to avoid the risk of ruin, but at the same time it helps you boost your profits, allowing them to grow geometrically. For instance, by using no money management techniques, there is a possibility that in losing 10 trades in a row you could empty your trading account. On the other hand, by applying simple money management techniques you can avoid it. So make sure, if you want to fail, don't even consider money management.

Forget about psychological issues. You need to get every trade to win. Successful traders know that they don't need to win every trade in order to profit from the market. This is one characteristic that is hard to understand and really apply. Why? Because we are taught, since kids, that any number below 70% is a bad number. In the Forex trading environment, this is not true.

Don't even consider using a Risk-reward (RR) ratio greater than 1-1. If you use a RR ratio of 1-2 (willing to make twice the amount risked in one trade) then you only need a system that is right around 50% to make money. If you use a RR ratio of 1-3 (willing to make three times the amount risked in one trade) then you will need a system that is right around 40% of the time to make money. So make sure to use a RR ratio below 1-1.

By applying every point outlined in this Forex training guide, you will almost assure your failure in your Forex trading journey. Do the opposite, and you will have the possibility to achieve what every trader is looking for: consistent profitable results.

## 1.12. How to Spot Forex Fraud

As the popularity of Forex increases so do the number of scam artists attempting to cash in on the Forex gravy train. Since Forex involves trading money internationally, often over the Internet, a whole new breed of scams has come about. Ironically many of these scam artists are finding their marks through newspaper, television or other print media advertisements.

While these scams are generally easily spotted by experienced traders, new speculators may have problems knowing the difference between what is real and what isn't. It is absolutely essential to thoroughly research Forex trading, and any potential companies you may trade with before making an initial investment. The last thing you need is to find out that the company you have invested with is under investigation by the SEC for fraud. In this type of circumstance it can often be impossible to retrieve your money as the claims from all fraud of participants will be higher than the total payouts the government can guarantee.

One way to spot a scam on Forex is when someone promoting a Forex system guarantees no risk. It is a fact that there is risk with Forex trading, and generally anyone who claims otherwise is a liar, or more likely a criminal. Trading in Forex successfully requires knowledge, discipline, and a trading strategy. But there is no magic software or no risk way to assure that you will make money.

Another red flag indicating a sure sign of a Forex scam is a web site that guarantees profits. Nobody can guarantee profits and Forex trading. It is up to you as an investor to perform. If it were possible to guarantee profits in Forex trading then nobody would need to start a business showing others how to make guaranteed profits. The profit potential for anyone who could guarantee profits would be so enormous in Forex trading, that they would quickly become a billionaire by trades. So why would they waste time teaching others?

Another common tactic of Forex scam artists is to promise employment opportunities for people using their system. This is usually a trick to get you to spend your money with them. They are fishing for people with capital who can fund their enterprise. They typically promise to offer firm money to people using their system. But why would they do this? Instead what happens is they lure people into their training systems and convince people that they have done so well in the training session that they should start using their real money in order to make a fortune.

All reputable Forex trading web sites will be a member of the CFTC or the NFA. Make sure to check the company's claims out and assure that they are members of one of these organizations before dealing with them.

Keep in mind that Forex is a relatively unregulated system of exchanging money. In many cases Forex scams can become highly technical, involving brokers manipulating prices in ways that cannot be tracked by the average trader. Because of this is essential that you not

become a mark for such brokers. In the United States the CFTC is the federal agency responsible for regulating the trade of Forex currency. If you suspect that you have been a victim of some type of fraud contact the CFTC. They have jurisdiction for investigating and enforcing the laws.

## **2. FOREX TRADER’S TOOLBOX - FIND THE BEST TOOLS FOR PROFITABLE FOREX TRADING**

## 2.1. Finding a Forex Broker

**Y**ou’ll need an experienced forex broker to help you put your money in the right place at the right time.

A forex broker with a cool head, preferably with a long list of satisfied clients and experience is the right guy. Once you’ve found the right forex broker, all that’s to be done is, keep a regular check on your investments and it is advised to do it independently to avoid scams, because one can never know. So, how to find the right forex broker, is that the question? Well, good news, this article was written just for you.

In a market where cash flows faster than the F1 circuit, scams should come as no surprise even with reputed names and it’s your responsibility to be aware of where the money is and keep a check on the movement and earnings. Different people prefer different levels of risk and depending on that factor you might like to check how different forex broker work and then select the one from them.

Even before you start the search, remember to strike down brokers promising windfalls, they are scams without doubt and same for brokers who are promising huge profits or no risk. Trading always involves some form of risk because of the nature of the market which you must be prepared to incur.

Make sure to check the spread of the forex broker as that’s where they earn their money, read their terms of service carefully and check the services offered. There might be a lot of services being offered upfront at no cost but you might be billed for them later on, so make sure to sign up only for the services that are required.

A forex broker is a long term partner for financial success, so make sure to research their background well. All that’s to be done is put in a little effort by checking the credibility of the forex broker or company upfront for peace of mind in long term.

Most traders find that it is necessary to utilize a broker when making transactions on the Forex exchange. A broker is a middleman that handles the actual buying and selling of orders for traders. The broker may be an individual or a company, they will often also offer advice and suggestions for their clients but they only execute orders based on the decision of the trader. Brokers earn their profit either through fees or commissions.

In the case of a Forex broker they must be associated with a large financial institution to have access to the necessary funds for margin trades. When looking for a broker in the U.S. you need to be sure that the broker is registered as a Futures Commission Merchant by the Commodity Futures Trading Commission. This will allow you to protect yourself from fraud and abusive trade practices.

To start trading in the Forex market you must open an account with a broker. There are a large, even overwhelming, number of brokers available on the internet. To pick the right broker yourself you need to be prepared to spend some time doing some research. This

will help you understand the different services available from various brokers as well as their fees and commission structures.

As with anything else there is no better way to find out the truth about a broker than to talk to someone who actually uses them. Talk to anyone you know that is involved in the Forex market and find out which broker they use. Then ask them what they like or dislike about their broker and any problems they may have had in dealing with them.

One way to test an online broker is to contact their help desk and see how quickly they respond to your questions and how helpful the answers are. Be sure to keep in mind thought that just as it is with many other things with Forex brokers you may find that the level of pre-sales help is significantly better than the level of help you receive after you sign up for your account.

While customer satisfaction and safety is of paramount importance they are just a couple of factors that you should pay attention to. Just as importantly is how fast the broker can execute a trade and what level of slippage you will experience with them. Any broker that is online should provide automatic execution and be able to describe their slippage policy. They should be able to provide you detailed information on how much slippage you can expect in both normal and fast moving markets.

Another vital factor is your costs. What is the broker’s spread? Is this spread fixed or can it vary. If you are looking at a mini-account do they use the same spread or do they have a higher spread. Are there any other fees or hidden costs involved? Be sure to keep in mind that the cheapest broker may not be the best one. The broker that has slightly higher spreads might provide extra services that more than compensate for higher costs.

Everyone needs a margin account to effectively trade in the Forex exchange, be sure to get the details of the broker's margin accounts and fully understand them before opening an account. What are the margin requirements? What method does the broker use to calculate margins? Does the margin vary depending on the day, the currency involved or event the account type? Many brokers have different margin policies for mini-accounts.

To be successful at trading Forex you need good trading software and you need to be comfortable with using that software. Most brokers will offer free practice accounts (demo, or demonstration) that function just like a real account and use the same software. Sign up for several of these and thoroughly test the software paying close attention to the reliability and speed especially when the market is moving quickly.

Some other things to look into are minimum balance requirements, interest on balances, and what currencies can be traded. You should ask about lot sizes and irregular lots and be sure to see if the client accounts are insured and to what level.

## 2.2. Forex Fundamental Analysis

Most Forex traders rely on analysis to make plan their trading strategy. This article will discuss *fundamental analysis*. The other common form of analysis is *technical analysis*. After reading this article you should have a better understanding of fundamental analysis and how to use it as part of your Forex strategy.

Political and economic changes are the basis of fundamental analysis. These can frequently affect currency prices. Traders that take advantage of fundamental analysis will gather their information from a variety of news sources. They are looking for information about unemployment forecasts, political ideologies, economic policies, inflation, and growth rates.

Fundamental analysis will provide you with an overview of currency movements and a broad picture of the economic conditions. Most traders then will combine their fundamental analysis with technical analysis to plot actual entrance and exit points as well as confirming the information provided by their fundamental analysis.

Just like most markets the Forex market is controlled by supply and demand. Many economic factors can affect the supply and demand but the two most critical ones are interest rates and the strength of the economy. The overall strength of the economy is affected by changes in the GDP, trade balances and the amount of foreign investment. There are many economic indicators released by government and academic sources. These indicators are usually released on a monthly basis but will sometimes be released weekly. These are pretty reliable measures of economic health and are closely followed by all traders.

There are many indicators that are released but some of the most important and commonly followed are: **interest rates, international trade, CPI, durable goods orders, PPI, PMI and retail orders.**

Interest Rates - can cause a currency to either strengthen or weaken depending on the direction of movement. In some cases high interest rates will attract foreign money, however high interest rates will frequently cause stock market investors to sell of their portfolios. They do this believing that the higher cost of borrowing money will adversely affect many companies. If enough investors sell of their holdings in can cause a downturn in the market and negatively affect the economy.

Which of these two affects will take place depends on many complex factors, but there is usually an agreement among economic observers as to how the current change in interest rates will affect the general economy and the price of the currency.

International Trade - if there is a trade deficit (more items imported than exported) it is usually considered a negative indicator. When there is a trade deficit it means that more money is leaving the country to buy foreign goods than is entering the country and this can have a devaluing effect on the currency. Usually though trade imbalances are already factored into the market consideration. If a country normally operates with a trade deficit

then there should not be an effect on the currency price. The currency price will normally only be effected by trade differences when the deficit is greater than the market expected. The measurement of the cost of living (CPI) and the cost of producing goods (PPI) are a couple of other important indicators. You should also watch the GDP which measures the value of all the goods produced in a country and the M2 Money Supply which measures the total amount of currency for a country.

In the US alone there are 28 major indicators - see the **Resources**; these can have a strong effect on the financial market and should be closely watched. This information can be also found in many places on the Internet and is provided by many brokers.

## 2.3. TA: The Art of Predicting the Future by Studying the Past

**T***echnical Analysis* is the easiest and most precise way of trading the Forex market known by the forex traders’ community. All available information on any particular currency, and its impact on traders, and the market, all are **already reflected in a currency's price**. The foreign exchange market is mostly composed of trends and is, therefore, a place where technical analysis can be used very effectively. Experience in trading has shown that history repeats itself - over time, certain chart patterns become consistent, predictable and very reliable. The problem is being able of spotting them. There's always more than meets the eye at first glance.

Prices move in trends; and the traders who don't know this fact obviously have no need to implement a trading methodology on technical analysis, they haven't even realized yet. But, over 100 years of research has shown that those who trade "with the trend", more often than not, greatly improve their chances of winning in the forex markets (i.e., making a profitable trade).

Many times finding the prevailing trend will help you become aware of the overall market direction and offer you better visibility--especially when shorter-term movements tend to clutter the picture. And many times following the trend will bail you out of an initially less than great entry point.

The main question you may be asking yourself by now is this: how does technical analysis help you to determine what the trend of the market is and how does it help your efforts to trade with the trend and not against the trend?

It is important to mention that no one is claiming technical analysis as the “magic bullet” of trading. And if you ask, which indicators are better in Forex trading? The answer is none - technical indicators should simply be components of your overall customized/personalized trading system and not systems in and of themselves. They are like tools in a tool kit, not the kit itself!

As a Forex Technical Trader, your goals are:

#1) Figure out the price action of the currency pair. Price is the main concern. If the EUR/USD is at 1.3226 and goes to 1.3219, 1.3112, 1.3008 - the market is in a down trend.

Despite what every technical indicator might predict, if the trend is down, stay with the trend. Indicators showing where price will go next or what it should be doing are useless. A trader need only be concerned with what the market is doing, not what the market might do. The price tells you what the market is doing.

#2) Always remember that technical indicators are only giving you confirmations based on what the market is telling you.

So listen and pay close attention to the market and let it dictate which method you will use and which tool you will pull out of your bag of strategies and techniques. For only by listening to the markets will you ever be able to conquer it successfully and become a profitable trader.

## 2.4. Why Technical Analysis Works Well in the Forex Market

The goal of performing technical analysis when currency trading is to predict profitable currency pair movements by analyzing price trends. The principles of technical analysis in the equity markets are the same as those in the Forex currency trading markets. In fact, the only real difference between the two is that the Forex market is open 24 hours a day while the equity markets are not.

This means that certain analytics that take time periods in consideration will need to be adjusted for Forex currency trading. Other than that, any of these common forms of equity technical analysis methodologies can be used when currency trading:

**Elliott Waves** -- Developed by Ralph Nelson Elliott, this methodology is based upon the theory that market performance can be predicted by studying wave patterns that develop over a period of time.

**Fibonacci Studies** -- Developed by 12th century mathematician Leonardo Fibonacci, this methodology is based upon the theory that changes in trends can be predicted based upon prices interacting with lines based upon certain sequences of numbers.

**Parabolic SAR** -- Developed by J. Wells Wilder, this methodology is based upon the examination of prices in comparison to "stop and reversal" (SAR) numbers that indicate entry and exit points for a trade.

**Pivot Points** -- A mathematical formula used to determine when to exit a trade based upon the numerical average of the high, low and closing prices.

As I mentioned earlier, the key difference between technical analysis in the equities market, and technical analysis in the Forex currency trading market, is the fact that it is possible to participate in Forex trading 24 hours a day, seven (actually five and half) days a week. That key difference is also the primary reason that **technical analysis works so well in currency trading**.

In order for technical analysis techniques to deliver maximum results, there needs to be extended periods of time available for patterns to develop and repeat. Because the Forex market never closes, and currency pairs are traded around the clock, definable patterns develop more quickly and the technical analyst has a plethora of Forex currency trading data available to work with.

Because more data means more accurate forecasting results, technical analysts can see better results, in quicker time, when combining technical analysis and Forex currency trading.

## 2.5. More about Technical Analysis and Some Indicators

**W**e’re focusing on technical analysis in this article with a description of some of the important indicators.

We could say, all wealthy traders use technical analysis (TA) but not all technical analysis traders are wealthy, although TA is the most precise way of trading the Forex market. It’s also useful note that fundamentals play their part in indicating whether a price will move up or down. It gives you the edge over other traders.

Technical Analysis is so powerful because of a few reasons it represents numbers. All information and its impact on the market and traders is represented in a currency’s price; it helps to predict trends and the foreign exchange market is very „trendy“; certain chart patterns are consistent, reliable and repeat themselves. TA helps us to see them.

We all know that prices move in trends. Research has shown that those that trade „with the trend“ greatly improve their chances of making a profitable trade. Trends help you become aware of the overall market direction and often rescue us from less than profitable entry points. Stay with the trend, follow the price. Find the price of the currency pair. If EUR/USD is 1.4224 and moves to 1.4180 then 1.4090 then the market is in a down trend. Concern yourself only with what the market IS doing not what it might do. Listen to the markets and the indicators will backup what they are telling you.

### **Moving Averages**

Tell you the price at a given point of time over a defined period of intervals. They are called moving because they give you the latest price while calculating the average based on the selected time measure.

They lag the market so to give you an indication of a change in trend, use a shorter average such as a 5 or 10 day moving average. By combining a shorter term and longer term M.A. you can detect a buy signal when the shorter term crosses the longer term moving average in the upward direction. Or a sell signal if it crosses in a downward direction. For example, you could use a 5 day versus a 20 day moving average or a 40 day versus a 200 day moving average.

There are simple moving averages, linearly-weighted, which gives more importance to the recent prices or exponentially weighted. The latter is a favorite because it considers all prices in a time period but emphasizes the importance of the most recent price changes.

### **MACD**

Based on moving averages, a MACD plots the difference between a 26 exponential moving average and a 12 day exponential moving average, with a 9 day used as a trigger line.

If a MACD turns positive when the market is still plummeting it could be a strong buy signal. The converse also works.

### **Bollinger Bands**

Prices tend to stay between the upper and lower bands. They widen and become narrower depending on the volatility of the market at the time. A sell signal would be when the moving average is above the Bollinger bands and vice versa for a buy signal.

Some traders use it in conjunction with RSI, MACD, CCI and Rate of Change.

### **Fibonacci Retracement**

Describe cycles found throughout nature and when applied to technical analysis can find shifts in the market trends. After a climb, prices often retrace a large portion, sometimes all of the original move.

Support and resistance levels often occur near the Fibonacci retracement levels.

### **RSI**

Relative Strength Index measures the market activity to see whether it’s overbought or oversold. This is a leading indicator so helps to indicate what the market is going to do (awesome!). A higher RSI number indicates overbought (so expect a bearish shift) and a lower number indicates oversold.

Successful traders will generally use 3 or 4 signals to provide a more conclusive signal before entering a trade.

Always remember, “If in doubt, stay out!” Technical analysis doesn’t factor in political news, a country’s economic profile or fundamental supply and demand.

Technical analysis helps us figure out how much money to risk on a trade - how and when to enter the market and how to exit the trade for profit or to minimize loss.

## 2.6. Four Main Types of Orders in Forex Market

**T**raders can place a number of orders to transact in the forex market and to make profit out of it. Here are some of most-often used forex orders:

### **Market Order**

The market order is the most simple and common kind of order. Here, the trader buys and sells the currency at the rate prevailing in the market at the time of placing the order. Due to the huge size of the market and the high volatility, trends can reverse any instant, so people prefer placing orders at the market price to guard themselves against any adverse trend.

### **Limit order**

In this case, the trader specifies a price at which he may wish to buy or sell the currency. Suppose a trader has bought GBP against the USD at 1.9710, then he can place a sell order at 1.9725, when the exchange will execute the order and he will profit from it. The order will get cancelled if the target price is not achieved during the day.

### **Stop loss order**

Due to the volatility, stop losses are essential. They determine the maximum loss a trader is willing to suffer. Suppose in the above instance, the risk-taking ability of the trader is low, then he may place a stop loss at 1.9705, at which level the exchange will book losses for him, and he won't be affected by any fall below 1.9705.

### **Entry order**

Such an order is filled only when certain conditions are met in the market, which the order specifies. The entry order can be a limit entry order or even a stop entry order.

### **Limit entry order**

As an example, let's assume that the current market price for GBP/USD is 1.9705-10. This implies that the trader can transact at these levels. Here, a trader can put a limit entry order to sell his holdings at a price more than the market price, say, 1.9715. His order would be executed only if that price is attained. In the similar manner, he can place an order for buying at a level of, say 1.9700, and his „buy“ order would remain pending till the price falls to that level.

### **Stop entry order**

Such an order is generally used when the trader has sufficient grounds to believe that the currency is trading in a fixed range and believes that it is on the verge of a breakout from that range. He might want to buy at a price higher than the market price or sell at a lower price than the market price. In the same example, the trader may go ahead and buy at 1.9720 or sell at 1.9690, where he believes that once these levels are attained, the currency will only go up or fall further, as the case may be. A trader exercises the stop entry order only when a trader has reasonable grounds to believe that there will be sharp movements in the currency rates in the forex market.

### 2.7. Learn by Hands on Forex Trading: Demo Accounts Vs Mini Accounts

If you are new to Forex, you are likely overwhelmed by the sheer amount of information you are finding about currency trading. Although the concept of trading the currency markets is simple to understand, the actual trading methodologies and understanding of how, why and when trades are executed can be hard concepts to grasp and fully understand. If you aren't aware by now, forex trading is not without substantial risks.

There are several schools of thought on how a new trader should progress from learning to actual live trading. In this article we will discuss the best ways for a new trader to learn how to trade the forex and make their first live trades.

To start out, I cannot stress enough the need for hands on trading. This is why you will often hear it recommended that new traders start trading with a demo account. What is a demo account? Many online forex brokers offer something known as a "demo account" which is a fake account that you can trade until you feel comfortable trading your own funds. Demo accounts behave just like real accounts, the only difference is that the money you are trading is not real and no actual trades are ever executed.

The purpose of using a demo account if you are new to Forex trading is to get you comfortable making trades and to help you become familiar with the brokers trading platform. You can cut your proverbial teeth so to speak without risking any of your own funds. This makes demo accounts good for a brand new trader who just wants to see how trading works. There are some drawbacks however to using demo accounts to learn Forex trading.

The biggest downside to using a demo account is that you will likely only be able to trade standard size accounts with a demo account. If you intend to trade mini accounts, as many beginning forex traders do, a standard size demo account is going to behave differently than a mini account. Your margins are very different for a standard account versus a mini account. If you become accustomed to trading a standard size account, your trading methodologies will show it. This is because the larger margins offered on standard size accounts allow you to take greater profits from smaller movements in currency prices.

The other major downside to trading with a demo account for learning forex is that as a trader, you need to carefully manage the emotional aspects of trading real money. Since a demo account is fake money, detachment is easy to come by. Once you start trading your actual funds, you might just find that your tolerance for risk is much more conservative. Ideally, as you are learning to trade you are also learning how to manage your risks most effectively.

So what is a beginning trader to do? What is the best way to learn to trade the Forex, hands on?

Once you have read, studied, and completed any courses on Forex trading that you may be taking, you are ready for probationary live trading. The single best way to trade the Forex is to just do it. Now, this does not mean to jump in and trade a full size account with real money, this would be an enormous risk for a new trader and not a very smart move indeed. What you can do is to find a broker that offers mini accounts. Mini accounts typically start at \$200 and typically give you 100:1 leverage (see the **Resources**).

For less than you paid for any of your books, courses or training materials, you can actually try live trading. You will be amazed at how after just a few trades, the stubborn concepts seem to start making sense and you begin to understand Forex trading.

Now, if you do decide to begin your trading with one of these tiny mini accounts, you should start by making several very small trades. You should also be trading with the same system or methodology that you are trying to perfect. Your profits will likely only be a few dollars since you are trading on a small margin. This is good, however because the reverse is true as well, you are only ever risking a few real dollars. If you happen to have a series of losing trades and wipe out the funds in your demo account, you can consider it the least expensive education you could possibly get in actual forex trading. It is much better than losing large sums of funds, and more realistic than trading a demo account. Just learn from the experience, and consider it a good deal on a valuable lesson.

Once you are comfortable trading your mini account, you can always have it converted to a regular account (with an additional deposit) if you choose. Overall, it can't be stressed enough, the best way to learn the Forex is to have experience with live hands on trading.

This article showed you ways that you can do this at a minimal cost and with the smallest amount of risk.

## 2.8. The Pros and Cons of Trading a Forex Trading Demonstration Account

**T**rading is a skill that takes time to learn. Think of it like boxing it’s also a skill that takes time to learn.

If you get into a professional boxing ring without any training, you’ll get beat up physically! If you get into the Forex ring without any training, you’ll get beat up financially!

The similarities are that both the examples are skills, and both require psychological preparation. The difference is that one is physical and the other is financial.

We can get over a physical beating usually in a few days or weeks, BUT a financial beating can be devastating and easily affect us for the rest of our lives, not only does it hurt our hip pocket but it can cause problems with our relationships and family. So when we get into the Forex ring we have to be prepared.

### **The professional Boxer**

When a professional boxer gets in the ring he has already been practicing in a safe environment usually for years, this safe environment is where he can make mistakes without having medical treatment. He can also spar with other opponents that have more skills and experience than he does and he learns from them. He also has someone there to watch him and give advice and guidance.

Then when he is ready, he gets into the ring and boxes for real, he’s accepted the risk and KNOWS that he can get hurt, but he’s also studied his opponent and done his home work, so he KNOWS he has a good chance. He can still lose this round but if he wins most of them he will take the money home.

BUT! What about the psychological side? Does he fear getting into the ring? Sometimes! But he’s aware of it and he can control how it affects him in a way that is beneficial. Will he be thinking about the money he’ll make? Or will he be thinking about the fight as it happens and planning his next moves during the breaks? He’ll be analyzing the results from the previous rounds and making changes in his strategy for the next round.

### **The professional Trader**

Can you see what’s coming next? If so than, you’ve learnt to analyze what you read and form a projection into the future. (A very valuable skill for the Forex Trader) A forex trader, like the professional boxer, will not get into the Forex trading ring without being prepared first. He might not spend years practicing in the Demonstration Account, but he will at least have spent a month or two or three, sparring with the Forex Market in a safe environment that he won’t get beat up in.

He’ll practice trading forex against all the other traders and learn from them, and he’ll also have someone watching him and giving advice, and guidance.

Then when he is ready, he’ll get into the Forex trading ring and trade forex for real, he’s accepted the risk and KNOWS that he can get hurt, but he’s also studied the Forex market and done his home work, so he KNOWS he has a good chance. He can still lose on this trade but if he wins most of the trades he will take the money home.

BUT! What about the psychological side? Does he fear getting into the forex trading ring? Sometimes! But he’s aware of this fear, but he can control how it affects him, in a way that is beneficial to his forex trading. Will he be thinking about the money he’ll make? Or will he be thinking about the things that are influencing the market as it happens and planning his next trades while he waits for the results? He’ll be analyzing the results from the previous trades and making changes in his strategy or continuing with the one that’s working, and planning for the next Forex trade.

So it's easy to see that trading with a Forex trading demonstration (demo) account is something everyone should do before getting into a live Forex trading account. The practice account will give the trader MOST of the skills necessary, to be able to trade profitably, giving them the training ring to spar in.

**BUT A BIG WARNING!!!**

Like the Boxer, the Forex trader has learnt to manage his emotions. This is often overlooked by new Forex traders. BUT is probably what separates the successful investor from the ones that keep getting beat up!

If you are considering getting into the Forex trading ring, then be sure to practice first, and find all the information you can about controlling your emotions.

Fear, greed, impatience, are the main culprits of financial bashings, so keep an eye out for them, and learn how to beat them before you get in the ring with them.

Understanding these emotions will enable you to use them to your advantage in understanding the market, the market is influenced by these emotions and if you understand them you can have them on your side, thus giving you an advantage.

## 2.9. Forex Software – Choosing the Best

**W**hen it comes to forex trading the forex software you choose is essential. There are so many forex trading companies all competing for your business that choosing the right forex software can be quite a difficult task.

Most of the forex software products available offers live online forex trading platforms but what other components are vital when it comes to your forex software.

### **Key Elements of Your Forex Software**

Before purchasing any forex software there are a few essential items that should be included. The most important is security and your online forex trading software should include a 128 bit SSL encryption which will prevent hackers from accessing any of your personal details and information such as your account balance, transaction history, etc.

Providing the best security for your forex trading will include a company that provides 24 hour technical server support for your forex software, 24 hour maintenance should anything go wrong, daily backups of all information, and a security system that has been designed to prevent any unauthorized access. Along with these security protocols there are also some forex trading companies that use smart cards and fingerprint scanners to ensure that only their employees can have access to their servers.

Another important factor when it comes to choosing your forex software is to check what the company’s downtime is like. When it comes to trading forex and particularly your online forex trading you need to ensure that the forex software you choose is reliable and available 24 hours a day. The forex software you choose for your forex trading should also have technical support available at all times should your session be cut short.

Ensuring that all the above features are listed in the forex software you choose will help to ensure your forex trading success. Anyway, a forex software is a must have if you want to earn money.

If you are looking to get started trading the Forex, you will find that there are numerous software programs available (both Web-based and desktop-based) for you to use in your trading. In fact, most brokers offer clients a software package for free or as part of their trading account. Usually the software that comes with your trading account is a very basic "bare bones" model. Sometimes, more features are available for a price. The software packages your broker provides can be an important consideration in choosing a broker. You may want to download and try some different packages using a demo account. This will give you a better idea of which software package you find most suitable to your unique style of trading.

Forex trading software comes in two basic flavors - desktop software, and web based software. Which one you choose to work with depends on your preference and other more technical factors. Obviously, the Forex market is very dynamic and you need to have the most reliable up to date connection to the data as possible. Your internet connection speed is a factor here, and if you can afford it, you really should be connecting via broadband.

Your internet connection speed is just one of the factors you should consider when selecting forex trading software. The biggest consideration should be one of security.

Generally speaking, web based forex software is more secure than a desktop based software package. Why is that? Well, with a desktop software, your information and data is stored on your hard drive thus making it vulnerable to numerous security issues. If your computer became infected by a virus, your personal data and the integrity of your trading system can become compromised. Likewise, in the event of hard drive failure, your important data can be lost. Then there is the threat of prying eyes accessing your trading systems.

Luckily, if you choose to go with a desktop-based software for your forex trading, you can do some things to limit the risks. For starters, a dedicated computer just for trading the forex would be a wise investment. Due to the popularity of forex trading, there are computers made specifically with forex traders needs in mind.

Even if you can’t afford a dedicated machine, you should still apply the following tips to your trading computer:

- Password protect your trading software and personal data
- Make regular backups of your trading data
- Use a anti-virus program and keep it up to date
- Update your trading software regularly
- 

If you choose to go with a web-based trading software, allot of the security and maintenance issues are handled by the provider. Online based forex systems are hosted on secure servers, the same type of servers credit card processing is handled on. This gives you a great deal of protection, as your data is encrypted. Also, backups and mirrors of your account data are made by your software provider to protect you from data loss.

Aside from the security considerations, you may find that an online-based trading software is simply more convenient. There is no software to download as the software runs in your regular web browser. This means that you always will have access to the latest versions and features. Also, if you travel you will certainly appreciate the ability to log in and trade from any computer with an internet connection.

As you can see, there are many options in forex trading software. You ultimately should choose to work with the software that you personally find easiest and most intuitive to use.

## 2.10. How to Read Forex Charts: 5 Things You Must Know

**L**earning the basic skills in forex, such as how to read forex charts, is really important.

This is because once you have this vital skill under your belt, it will be a lot easier and quicker when the time comes for you to learn and practice an actual forex trading system.

By the time you finish this article, you'll learn how to read forex charts, as well as know the pitfalls that can occur when reading them, especially if you haven't traded forex before.

Firstly, let's revise the basics of a forex trading as this relates directly to how to read forex charts.

Each currency pair is always quoted in the same way. For example, the EURUSD currency pair is always as EURUSD, with the EUR being the base currency, and the USD being the terms currency, not the other way round with the USD first. Therefore if the chart of the EURUSD shows that the current price is fluctuating around 1.2155, this means that 1 EURO will buy around 1.2155 US dollars.

And your trade size (face value) is the amount of base currency that you're trading. In this example, if you want to buy 100 000 EURUSD, you're buying 100 000 EUROS.

Now let's have a look at the 5 important steps on how to read a forex chart:

1. If you buy the currency pair, that is, you're **long**, realize that you're looking for the chart of that currency pair to go up, to make a profit on the trade. That is, you want the base currency to strengthen against the terms currency.

On the other hand if you sell the currency pair to **short** the position, then you're looking for the chart of that currency pair to go down, to make a profit. That is, you want the base currency to weaken against the other currency.

Pretty simple so far.

2. Always check **the time frame** displayed. Many trading systems will use multiple time frames to determine the entry of a trade. For example, a system may use a 4-hour and a 30-minute chart to determine the overall trend of the currency pair by using indicators such as MACD, momentum, or support and resistance lines, and then a 5-minute chart to look for a rise from a temporary dip to determine the actual entry.

So ensure that the chart you're looking at has the correct time frame for your analysis. The best way to do this is to set up your charts with the correct time frames and indicators on them for the system you're trading, and to save and reuse this layout.

3. On most forex charts, it is *the BID price* rather than the ask price that's displayed on the chart. Remember that a price is always quoted with *a bid* and *an ask* (or offer). For example, the current price of EURUSD may be 1.2055 bid and 1.2058 ask (or offer). When you buy, you buy at the ask, which is the higher of the two prices in the spread, and when you sell, you sell at the bid, which is the lower of the two prices.

If you use the chart price to determine an entry or exit, realize that when you place an order to sell when the chart price is say 1.330, then this is the price that you'll sell at assuming no slippage.

If on the other hand, you place an order to buy when the chart price is the same price, then you'll actually buy at 1.3333. A forex system will often determine whether your orders will be placed simply according to the chart price or whether you need to add a buffer when buying or selling.

Also note that on many platforms, when you're placing stop orders (to buy if the price rises above a certain price, or sell when the price falls below a certain price) you can select either “stop if bid” or “stop if offered”.

4. Realize that the times shown on the bottom of forex charts are set to the particular time zone that the forex provider's charts are set to, be it GMT, New York time, or other time zones.

It's handy to have a world clock available on your computer desktop in order to convert the different time zones. This is important when you're trading major economic announcements.

You'll need to convert the time of an announcement to your local time, and the chart time, so you'll know when the announcement is going to happen, and therefore when you need to trade.

5. Finally, check whether the times on your forex charts corresponds to when the candle opens or when the candle closes. Your charting software may be different to someone else's in this way.

The reason I mention this, is that if you need to trade major economic announcements, either by entering a trade based on the movements that happen after the announcement, or to exit a trade before the announcement in avoid getting stopped out during it, then you need to be precise (to the minute!) as these trades are performed according to what happens at the 1 minute immediately after the announcement, not the candle afterwards!

You now have the 5 essential keys to how to properly read forex charts, which will help you to avoid the common mistakes which many forex beginners make when looking at charts, and which will speed up your progress when you're looking at forex charting packages, and forex trading systems that you want to trade!

As you read forex charts, remember that the two fundamental approaches for online forex trading: *fundamental analysis* and *technical analysis*.

Fundamental analysis doesn’t rely on forex charts. It scrutinizes political and economic indicators to determine trades. Charts here are deployed as used as a secondary reference. Technical analysis on the other hand, attempts to predict price swings by analysis of historical price activity. Those who use technical analysis study the relationship between price and time.

The most actively traded pair of currencies is the Euro and the US dollar, so we will use them in our example. The dollar is on the right hand side of the chart and the Euro is on the left hand side. The currencies are expressed in relationship to each other in pairing. Forex charges will always display how much of the currency on the right hand side is necessary to buy a unit of the currency on the left side. Looking at the typical EU-USD, chart you will notice the last price displayed per given date. This number is always emphasized. The time is tabbed horizontally across the bottom of a chart and the price scale is displayed vertically along the right hand edge of the chart. The time and the price are set in all caps to help the trader remember that technical analysis rests upon the relationship between time and price.

The trader observes the price and time movement on a chart. These include **bars, lines, point and figure, and Japanese candle sticks** -- the most favored method.

With the candlestick method there is a large, red section that is the body of the candlestick. Lines protrude from the top and bottom and they are the upper and lower wicks. When you look at all the candles on a chart it is apparent that bodies come by difference sizes. Sometimes no body exists at all.

The same is true with wicks. Candle wicks come by many difference sizes; there may be no wick at all. The length of the body and the length of the wick are determined by the price range for the candle. Longer candles will have had more price movement during the time that they were open. The top of a candle wick is the highest price for that currency while the wick’s bottom is the lowest price. A currency is bullish when the close of the candle is higher than the open. In simple terms this means that there were more buyers than there were sales during the opening time period. Sometimes the candles will not have wicks. The price opened and it dropped off until it closed.

Forex charts don’t offer bullet proof trading hints, but they can help a trader. Past trends do have their place in forex trading as most traders will admit, and using the charts to track historical trends can assist a trader in making a snap decision.

The online investor typically joins a service that provides real-time charts that updates on currency activity. Charts can be checked on a minute to minute basis. For those who primarily do their trading based on historical accuracy this can ease the burden of prediction.

Most forex traders however use a combination of fundamental and technical analysis. They may chart historical trends, but they will also pay close attention to political, cultural and economic indicators within a region. They might use charts and other techniques to check correlation between political climate and currency fluctuations. But even the most sophisticated technical analysis software or tool has its limitations. A trader must be prepared to take risks and invest money that is not needed for the immediate future.

## 2.11. Paper Trading and the Transition to Real Money Trading

Paper trading is widely discussed regarding its merits, and whether it is of value to a trader as they try to make the transition to real money trader. One viewpoint is that since paper trading is not real, the profits are meaningless, and are no indication of real money profitability. An opposite viewpoint would state that paper trading is an important step in the trader’s learning progression, and regardless of whether it is real, if the trader cannot „properly“ paper trade, then they will not be able to real money trade. I began trading in early 1995, with the intentions of becoming an options trader; my first trading education was through an OEX options teaching service. Besides options training, the service included „tape“ reading, trade management AND SP500 index futures trading – also included in the service was the prevalent attitude that paper trading was for „sissies“.

### Paper Trading Viewpoints

Consider: simulator fill prices are not real and won’t be attainable with real money. Even if this is correct, is it really an issue unless the trader intends to be a scalper, trading for very small profits, and thus each tick is critical? Granted, but shouldn’t a beginning trader be very selective, focusing on learning their method and the „best“ setups that method provides? This would be my viewpoint, and in this capacity paper trading fill prices are not an issue.

Consider: the trades are being done with no risk. No, there isn’t any financial risk in paper trading, but I actually haven’t met nearly as many profitable paper traders as one might expect. Why would this be the case if being able to trade without risk was such an easy thing to do? As well, what about self-esteem risk, and an attitude like - how can I be so bad that I can’t even paper trade? The risk feelings like these are probably greater than that of financial risk, and if they are going to surface, you would want to encounter them before trading real money. As well, even if the issue was only one of financial risk – wouldn’t you want to begin with the confidence of knowing that you were paper trading profitable? It would be hard to imagine a losing paper trading being able to profitably trade real money.

Consider: there is no emotion involved with paper trading. I was in our chat room watching a paper trader post their trades in order for me to give them feedback, and I noticed that one of their specific plan setups wasn’t done. When I asked why, the trader told me that they were ahead for the day and didn’t want to risk those profits. But the profits aren’t real – how can you not take a „base“ method setup when paper trading – isn’t that the point? Would you be in agreement, that if paper trading profits could be viewed in this fashion, that it has the ability to become very real and thus emotional to the trader? I would suggest that this is related to paper trading really not being „so easy“, and as mentioned above, self-esteem risk can be very emotional.

Besides examples like this, *emotions* can be added to the paper trading process. Throw away your simulator, and then go into a chat room and post all of your trades – no „youknowwhating“ around where you wait to see if the trade was profitable before you post it, like a number of traders that I have seen. What’s the point, and when you consider

the underlying implications of „needing“ to do this – the issue certainly isn’t about whether paper trading is of value or not, but certainly best to find out before trading real money. You must post immediately and without lag, giving your direction and entry price, along with subsequent posts of any partial profits, and of course your exit, which ultimately is the determinant of whether the trade was profitable. There is no need to make any comments, or answer any questions regarding your trades – simply post the particulars as fast and real time as possible AND see if you feel any emotions doing this in front of the rest of the room while you go through a series of losses. Do you want to add even more emotions? Go through the same posting process, but do so where the rest of the room actually knows the method that you are trading, and what the trades „should“ be. You will quickly find out just how emotional paper trading can be – actually a very valuable exercise for the paper trader to do.

### **Paper Trading And Making It Further Beneficial**

I have two predominant problems with paper trading, but this is with the trader’s approach, and not with paper trading by definition: (1) the trader does „things“ paper trading that they would-could not do with real money (2) the trader views paper trading profitability, instead of paper trading proficiency, as the guideline of whether they are ready to begin trading real money.

I have seen too many paper traders, continuously and knowingly, over trade „non-plan“ trades, with trading size that is greater than they could afford the margin for in a real account – let alone accept the risk of loss, while also holding trades for risk amounts that they would not accept with real money. Viewing paper trading as a „step“ in the learning progression and transition to real money trading, it is critical that the paper trader only trades exactly what, and how they would trade with real money.

Don’t allow yourself to turn paper trading into a game, supposedly because there is no risk – the risk of making bad habits that you can’t correct is tremendous, and will circumvent any attempt to trade real money. This is the time to learn YOUR basic trading setups, and make necessary adjustments to them and your entry-exit timing, in order to then make money trading them – this is NOT the time to turn your simulator into a pinball machine flipping at any ball that comes near you.

There is a problem with focusing on trading profitability vs. trading proficiency. To begin with, profitability places the focus on money instead of on plan. And what is profitability – if you take 10 trades and make \$75 are you profitable? Technically, if you are net ahead you are profitable, but what if those same 10 trades had a potential of \$1,500, and you only made \$75 – are you really profitable? This is what I am referring to when I think of trading proficiency. Instead of focusing on the common metrics, such as win:loss or win size:loss size ratios, I am most concerned with the win size:potential win size ratio, and want to maximize this percentage to the extent that is possible. For instance, when a trader asks about adding trading size, taking the attitude that if they can make \$100 trading 3 contracts, then they can make \$1,000 by trading 30 contracts, the first thing I ask them is what is their proficiency ratio – why increase contract size and the corresponding trading risk, if you „should“ be able to make more money from smaller size? This is especially

important for the paper trader, where they should not regard simple profitability as an indication of readiness to trade real money, but consider proficiency – for instance, begin trading real money when you are 60-70 percent proficient with your paper trades.

### **So What Is Your Viewpoint Regarding Paper Trading?**

I never thought that I would ever make a dime trading, let alone be able to trade for a living or become involved with trying to teach others to trade – was this simply a function of starting over and paper trading? Granted that is too simplistic, however, I do know that it would have certainly changed the beginnings that I had, while very much shortening my learning curve, and reducing a lot of pain.

Clearly, I am on the „side“ that believes that paper trading is not only beneficial, but that paper trading is also necessary – however the value received will be dependent upon the trader’s approach and attitude.

Needless to say, paper trading as described is something that I have always strongly recommended.

### 2.12. Having a Mentor Can Help You Succeed at Forex Trading - Part I

Forex trading is getting a considerable amount of press as an attractive alternative to trading on the stock exchange. Among the reasons of Forex trading becoming a popular alternative is that Forex provides a 24-hour market, lower transaction fees, and no one entity can corner the market because of its sheer vastness. The drawback is that it is not easy to learn Forex trading on your own. While it can be done, the lessons can be relatively expensive.

A Forex mentor will help you learn the ropes of Forex currency trading. With so many people out there offering the same service with different methods of delivery, how do you determine which method of learning is best for you?

With all the e-courses, videos, books, and seminars that are easily available online and offline for a price, it is difficult for you as the consumer to guess which one will be the one that clicks for you. You have to examine several options before purchasing one that works and some people go through several methods and never find one that actually helps them learn Forex trading. While this is not rocket science, it can be quite confusing and a little knowledge can be more dangerous and expensive than a true education.

I’m not saying that a four-year degree is necessary, nor are college courses in Forex trading, but a proper education is never a bad idea, especially when you’re putting your money on the line. Investing in books, videos and seminars is a great plan if those things work for you and you feel that you are prepared properly and adequately for Forex trading once you’ve completed the material. If this is the case, then it is money well spent. Most people, however, end up with more questions from these sources than answers.

This is why I suggest a mentor to assist you in the process of learning Forex. A mentor is a teacher, guide and companion on your journey. A Forex mentor is someone who will use his experiences in Forex trading to teach you the necessary skills to be successful. He will use his past successes and failures as examples to help you get started. He will help you identify your best method of learning and choose materials that will assist you according to what you need. A mentor will save you countless hours of research that will not help you as well as thousands of dollars purchasing ineffective material. You are also likely to find that you are making profitable currency trades much sooner than you would have been without utilizing the services of a mentor.

### 2.13. Having a Mentor Can Help You Succeed at Forex Trading - Part II

A Forex mentor is by far the best way to go when attempting to learn Forex trading. This particular type of trading is becoming increasingly popular and there are many sources of help and information widely available. Some of this information is contradictory so it is understandable that a novice would have a hard time sifting through it all in order to find what will work best for him and how he should go about getting started in the fine art of Forex trading.

By engaging the services of a Forex trading mentor rather than purchasing a one-size fits all course, you are providing yourself with a jump-start to your Forex trading education. If your overall goal is to learn Forex trading, a mentor is a great way to go, mentors have years of their own trading experiences to share with you in addition to methods of learning that may deviate from the general courses that are marketed to mass audiences. Even better, mentors teach and guide you as an individual rather than one of the masses. They want you to succeed and will present the information over and over until it clicks with you.

Learning Forex doesn’t have to be a lesson in futility. Employing a mentor can make the learning process go so much faster and provide you with real life experiences, good and bad, in the market. In the end, you will find that by utilizing the services of a mentor, if you take what you learn to heart, the money will be well spent. Take what your mentor teaches you and it will serve you well. With a mentor, you aren’t getting a black and white instruction sheet, rather you are receiving real life examples of what to do, not to do and why these things do or do not work.

All of this is great, but perhaps the best thing about having a mentor rather than signing up for a typical study course is that you have feedback from a real person who has actually been there and done that rather than someone with a script at the other end of an internet connection. You get a flesh and bones person with real experience in trading rather than a telemarketer trying to sell you the next generation of courses. You have someone who will answer your questions and take the time to explain the why’s and why not’s.

While we all have different methods of learning that work best for us, I’m sure there are very few who would not benefit from the services a mentor has to offer no matter which learning style best suits them. I believe that you will find a mentor well worth every penny and many more.

### 2.14. Introduction to Fibonacci Retracement Trading

Fibonacci, actually named Leonardo of Pisa, was born in Pisa, Italy about 1175 A.D. Today, he is recognized as the greatest European mathematician of the middle ages. Fibonacci is credited with introducing the Arabic-Hindu numeral system to Europe. He also introduced the decimal system. Both became the basis of mathematics we use today. Enough background for now...

Although Fibonacci covered an entire realm of mathematics, the main numbers used in trading are actually percentages. The percentages are 38.2%, 50%, and 61.8%. These areas are viewed as trend retracement points.

The most commonly held theory is that a 38.2% retracement of a trend is a failed reversal and the overall trend should continue. A retracement to the 61.8% mark signals that the retracement is the beginning of a new trend. The 50% level is used for different strategies if confirmed by several other signals

The use of Fibonacci numbers in trading has become increasingly popular in recent years. It does not take long when looking at charts to see several examples of Fibonacci retracements. On numerous occasions I have watched analysts making market predictions on T.V. shows. I will often check the charts about what they discussed. Some of the predictions for new price levels are dead on Fibonacci retracement numbers.

Fibonacci numbers, as with all technical indicators should not be used by themselves.

They should be combined with other indicators to make a complete system to trade with. I do believe that Fibonacci numbers should be a part every traders list of indicators. They do seem to be extremely accurate. This could possibly be due to a *self-fulfilling prophecy*. If enough people believe it, they will cause it to hold true.

In any case, if you do not currently use them, you may want to look into it.

### 2.15. Forex and Some Important Facts about Bollinger Bands

Forex trading is nowadays one of the most looked after occupation for many persons of all ages around the world. This is due to its great advantages over other capital markets and its high profitability potential; among these advantages you will find that is extremely easy to access a trading platform from the best forex broker firms thanks to the internet; and also you will notice that Forex has a high liquidity along with a high leverage.

But having a good broker firm and great trading platform is only one part of what you need in order to make your forex trading career a winning and profitable one. You need to have the right knowledge and techniques in order to forecast with the best accuracy what the market will do next. One of the techniques used to predict the Forex market behavior is that based on Bollinger Bands.

These Bollinger Bands are what is called a technical trading tool and they are widely used in the capital markets (including Forex) and were created by John Bollinger in the early 1980s. These bands technique was formulated based on the need for adaptive trading bands and the discovery that the volatility of the markets was a dynamic phenomenon, not a static one as was widely believed at the time.

Bollinger Bands consist of a chart of three curves drawn in relation to currency pair prices. The band situated in the middle is a measure of the intermediate-term trend and is usually a simple moving average that serves as the base for the upper and lower bands. The interval between the upper, lower and the middle bands is determined by the volatility of the market, typically the standard deviation of the same data that were used for the moving average. The default parameter is 20 periods and two standard deviations above and below the middle band; of course this may be adjusted to suit your needs.

In short, the purpose of Bollinger Bands is to provide a relative definition of high and low price. By definition prices are considered high when touching the upper band and low when they touch the lower band. This relative definition can be used by the Forex trader to compare price actions and as a very useful indicator when the purpose of the trader is to arrive at rigorous buy and sell decisions.

### 2.16. The Advantages of Automated Forex Trading Software

Automation is perhaps the greatest influence today on the future growth of the forex market, as it brings with it more advantages than disadvantages. Manual systems trying to operate in a fast paced and volatile environment bring with them several losses.

A simple time delay in buying and selling may cause a row of losses in a manual system and thus cause the trader immense frustration.

*Automated forex trading* allows trade to be conducted anywhere in the world, in real time, and eliminates the losses seen in manual systems.

Operating in a wide range of different currency markets at the same time, without worrying about the time zones of the places concerned, is another advantage that automated forex trading brings. Sitting in New York at 2 o’clock in the morning, one can conduct business with traders in different countries on the other side of the globe, simultaneously and with great ease. All thanks to automated forex trading.

*Risk management* is often a source of worry for traders, but this is significantly reduced with automated forex trading. *Payments* can now be *synchronized in real time* and this leaves traders satisfied, as opposed to manual trading where there is always uncertainty about payment being made after completion of trade. The automated trading system is developing progressively, and that brings with it hopes that the settlement system will be updated and markets risks will soon cease to exist.

If there is one technology that has advanced by leaps and bounds over the past few years, it is computer technology. Indeed, one hopes that it will continue to grow for many years to come. Most importantly, advances in computer technology spell good for traders who wish to access the best forex automated trading.

Access to technology easily and cheaply from the comfort of the traders’ homes means they can manage their own investments with ease. Automated forex day trading will thus come as a welcome addition to a fully empowered investment vehicle for those in the currency-trading world.

## 2.17. Choosing the Right Automated Forex Trading Software

As I described above, automated forex trading has a number of advantages.

**A**With a right automated forex trading software, all you have to do is follow trade signals that are generated and if you are able to execute them with discipline and if your system is logical, then you can easily pile up gains.

Before looking at the various ways you can gain profit through these software, let’s take a look at what not to do.

Many traders find *forex robots* online and buy them. But you must keep in mind that most of these are – unfortunately - pieces of junk and have never been traded in real time.

Of course, they do make money for the vendor; they get the sale of the software and the trader gets spanked in the market. No one gets 100k annual income for a hundred bucks. ... You will never make any money with these stimulated systems so try and steer clear of them. Whenever you consider buying a software, take a look at the track record and then at the disclaimer. It is probably hypothetical or stimulated and that is no sure indication of future results. Very often they are quite expensive...

Let’s now take a look at how automated forex trading is done in the proper way and discuss the options.

**Buy a system with a track record that has been audited over two years.** These may not be cheap but they can pay for themselves many times over. Make sure that you understand and agree with the logic *before* you begin to use it.

**Try the *free* systems.** Look up our other articles and Resources to know more about them - this is a great place to begin your automated forex trading career.

**Build Your Own Forex Trading System.** Go ahead and *build your own forex trading system!* This is easier than it sounds. It is also a better way of trading because if you build and customize the system, you will gain more confidence and you will be able to trade with discipline, even during periods of loss.

If you do decide to build yourself a system, the best way to go is to trade breakouts, to new highs or lows, have momentum indicators to time your moves and focus on long-term trends. The simpler your forex trading strategy is the better. This will enable it to face the ever changing market condition. Packing it with too many indicators might break it down.

Once you are in possession of a system, get hold of a forex software package, program the rules and you are all set.

## MARY CALA – AN INSIDER’S GUIDE TO FOREX TRADING

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Keep in mind that all forex trading systems, including the best ones will suffer losses that can continue for a long period of time. You need to continue trading until you hit a home run and because of this discipline and money management is necessary.

If your system does between 50-100% compounded annually, you are a part of the best automated forex trading software and you can trade markets and enjoy currency trading success. You may even consider selling your system at [Clickbank](#) or [Paydotcom](#).

**3. FOREX TRADING SYSTEMS AND STRATEGIES - FIND THE HOLY  
GRAIL OF FOREX TRADING**

### 3.1. What to Look for in the Perfect Forex Trading System

Trading the Forex market has become very popular in the last few years. But how difficult is it to achieve success in the Forex trading arena? Or let me rephrase this question, how many traders achieve consistent profitable results trading the Forex market? Unfortunately very few, only 5% of traders achieve this goal.

One of the main reasons of this is because Forex traders focus in the wrong information to make their trading decisions and totally forget about the most important factor: Price behavior.

Most Forex trading systems are made off technical indicators (a moving average (MA) crossover, overbought/oversold conditions in an oscillator, etc.) But what are technical indicators? They are just a series of data points plotted in a chart; these points are derived from a mathematical formula applied to the price of any given currency pair. In other words, it is a chart of price plotted in a different way that helps us see other aspects of price.

There is an important implication on this definition of technical indicators - the fact that the readings obtained from them are based on price action. Take for instance a long MA crossover signal. The price has gone up enough to make the short period MA crossover the long period MA generating a long signal. Most traders see it as “the MA crossover made the price go up,” but it happened the other way around, the MA crossover signal occurred because the price went up. Where I’m trying to get here is that at the end, price behavior dictates how an indicator will act, and this should be taken into consideration on any trading decision made.

Trading decisions based on technical indicators without taking price action into consideration will give us less accurate results. For example, again a long signal generated by a MA crossover as the market approaches an important resistance level. If the price suddenly starts to bounce back off that important level there is no point on taking this signal, price action is telling us the market doesn’t want to go up. Most of the time, under this circumstances, the market will continue to fall down, disregarding the MA crossover. Don’t get me wrong here; technical indicators are a very important aspect of trading. They help us see certain conditions that are otherwise difficult to see by watching pure price action. But when it comes to pull the trigger, price action incorporation into our Forex trading system will definitely put the odds in our favor, it will generate higher probability trades.

So, how to create a perfect Forex trading system?

First of all, you need to make sure your trading system fits your trading personality; otherwise you will find it hard to follow it. Every trader has different needs and goals, thus there is no system that perfectly fits all traders. You need to make your own research on various trading styles and technical indicators until you find a concept that perfectly works for you.

Make sure you know the nature of whatever technical indicator used.

Secondly, incorporate price action into your system. So you only take long signals if the price behavior tells you the market wants to go up, and short signals if the market gives you indication that it will go down.

Third, and most importantly, you need to have the discipline to follow your Forex trading system rigorously. Try it first on a demo account, then move on to a small account and finally when feeling comfortably and being consistent profitable apply your system in a regular account.

## 3.2. Forex Trading Systems - Discretionary Vs. Mechanical Systems

There are basically two types of Forex trading systems, mechanical and discretionary systems. The trading signals that come out of mechanical systems are mainly based off technical analysis applied in a systematic way. On the other hand, discretionary systems use experience, intuition or judgment on entries and exits. But which one produces better results? Or more importantly, which one fits better your trading style?

These are the answers we will try to answer on this article.

We will first analyze the pros and cons about each system approach.

### **Mechanical systems**

#### Advantages

This kind of system can be automated and back-tested efficiently.

It has very rigid rules. Either, there is a trade or there isn't.

Mechanical traders are less susceptible to emotions than discretionary traders.

#### Disadvantages

Most traders back-test Forex trading systems incorrectly. In order to produce accurate results you need tick data.

The Forex market is always changing. The Forex market (and all markets) has a random component. The market conditions may look similar, but they are never the same.

A system that worked successfully the past year doesn't necessarily mean it will work this year.

### **Discretionary systems**

#### Advantages

Discretionary systems are easily adaptable to new market conditions.

Trading decisions are based on experience. Traders learn to see which trading signals have higher probability of success.

#### Disadvantages

They cannot be back-tested or automated, since there is always a thought decision to be made.

It takes time to develop the experience required to trade successfully and track trades in a discretionary way. At early stages this can be dangerous.

Now, which approach is better for Forex traders? The one that fits better your personality. For instance, if you are a trader that finds it hard to follow your trading signals, then you

are better off using a mechanical system, where your judgment won’t play an important role in your system. You only take the trades that your system signals.

If the psychological barriers that affect every trader (fear, greed, anger, etc.) puts you in unwanted scenarios, you are also better off trading mechanical systems, because you only need to follow what your system is telling you, go short, go long, close a trade. No other decision has to be made.

On the other hand, if you are a disciplined trader, then you are better off using a discretionary system, because discretionary systems adapt to the market conditions and you are able to change your trading conditions as the market changes. For instance, you have a target of 60 pips on a long trade. But the market suddenly starts trending up pretty strongly, then you could move your target to say 100 pips.

Does it mean that trading a discretionary system has no rules? This is absolutely incorrect. Trading discretionary systems means that once a trader finds his/her setup, the trader then decides what to do. But every trader still needs certain rules that need to be followed, such as the size of the position, conditions that have to be met before thinking to get in the market, and so on.

Whether you choose to be a discretionary or a mechanical trader there are some important points you should take in consideration:

- You need to make sure the Forex trading system you are using totally fits your **personality**. Otherwise you will find yourself outguessing your system.
- You also need to have some **rules** and most importantly have the **discipline** to follow them.

Take your **time** to build the perfect system for you. It’s not easy and requires time and hard work, but at the end, if done correctly, it will give you consistent profitable results.

Before going live, **try it on a demo account** or even on a small account (I will go for the second option, since psychological barriers will be present.)

### 3.3. Recognize ‘The Force’ and Trade the Trend

You may have heard the saying „A Trend is your Friend until it Bends“. Technical Analysis helps us to identify a trend so we can jump on and ride it until it changes. Since the Forex market has very strong trends, technical analysis is a very effective technique.

Some traders still persist on trading against the trend, they argue with it even though price movements are obviously in a trend. Buying when the currency is in a basic downtrend or selling when it’s in an uptrend, instead of buying.

Our primary purpose is to identify the major trend, intermediate trend and the short term trends and place trades in that direction. We then hold position until our calculations suggest otherwise.

Here’s a quote from Jesse Livermore, a tenacious, flamboyant and profitable Forex trader, "We know that prices move up and down. They always have and they always will. My theory is that behind these major movements is an irresistible force. That is all one needs to know. It is not well to be too curious about all the reasons behind price movements. You risk the danger of clouding your mind with non-essentials. Just recognize that the movement is there and take advantage of it by steering your speculative ship along with the tide. Do not argue with the condition, and most of all, do not try to combat it." There’s gold in these words. If the market action shows your analysis to be correct, the successful traders stay with the market and maximize profit according to his or her equity management rules.

If the market turns, the smart trader will get out and collect profits.

Watch the market and listen to what it tells you about upcoming trends and most importantly don’t ask for reasons for what it does, focus on the essentials.

There are often repeating patterns in price changes. Once established. They become the most probable way to predict price changes.

These can be categorized into two types of markets, trending and trend-less. Trending markets have up and down trends; these are typically less than 45° and are steady movers with occasional pauses or profit-taking periods.

Trendless markets have very steep movement of more than 45° that most often can’t be sustained. Although price movements can shift a considerable number of pips in a short time period they often don’t produce much net profit.

Choppy markets often produce stop outs and the sideways market, with minimal price movements makes it very difficult to predict which way the price will move.

For these reasons, our objective is to get into a trending market and meet our trading objectives.

The underlying message here is, “Be a **good friend to the trend**”, a simple concept but powerful indeed.

## 3.4. Currency Trading Profits – A Simple System Making Millions

**H**ere we will reveal a system for currency trading profits, which has a logic that is so simple, ANY trader will see why it works, and why it will continue to work, as well as how they could be making big currency trading profits too!

If you use this system in currency trading, you will have the potential to catch EVERY major currency trend.

We have all heard this investment wisdom: “To make money buy low sell high”  
However there is a better way to make big currency trading profits and the wisdom here is: “Buy high and sell higher”

This will become clear with some explanation:

### **Ignore traditional investment wisdom if you want the Big Profits!**

If you want to “buy low and sell high” you have to guess where a market is going to bottom and this is not easy. You are trying to PREDICT where a trend might start - this very often means the market goes lower and you lose.

Investors and traders are taught to “buy low and sell high” but when a huge move starts they watch and wait for the pullback - it never comes, the market simply goes higher, and they never get in.

The problem with this traditional investment wisdom is you end up trying to pick market bottoms, and try to get in on pullbacks, but when a market trades higher quickly, you miss the move.

This sees traders lose on trying to pick bottoms – they don’t make the profits they could have made from the big moves.

### **Breakout Systems are the Best for Catching the Big Profits**

A breakout system does not try to predict a market bottom - it waits for CONFIRMATION.

It will wait for a market to break above a recent high, (resistance) or break below a market low, (support) if these levels are broken, a move will start, and astute traders ONLY trade the break - they don’t try to predict.

You can make big profits on these breaks - look at any currency you like: Japanese yen, Swiss Franc, British Pound, etc. and you will see huge moves from breakouts.

### **The Best Risk Reward**

The breakout point provides the best risk to reward, to enter the trade.  
Why? Let’s take a hypothetical example:

The British Pound has traded up and tested resistance at 1.85 several times, and is currently trading at 1.70. The market rapidly trades up to 1.85, and immediately breaks to the upside, and quickly goes to 1.95

What has Actually Happened?

When the critical 1.85 area gives way, traders with stops on their short positions, start to cover, and new traders enter the long side of the trade. This causes a huge surge in price - as the area of resistance is so important.

If you are positioned to get in as the breakout occurs, your risk is low, and reward high. Many traders don't want to do this - they feel they are "chasing" the move, and want a pullback - it never comes, and they miss the big profits.

Keep in mind the old saying: "**A trend in motion is more likely to continue than reverse**".

### **Check Your Charts**

Most of the big currency moves in history have started with breakouts on the chart, then a huge quick move to the upside - with no PULLBACK

Big Currency Trading Profits can be yours!

Here we have looked at the concept, and why it's successful, and you can see how uncomfortable it is to do - and that's exactly the reason it's so profitable!

### **Breakout Trading is Simple**

All you need to use to trade breakouts, are traditional charts - and have some confirmation signals, to help you filter "true" from "false" breakouts - such indicators as RSI and Bollinger bands, are examples.

Astute traders are making huge profits every day from this simple method and you can too.

## 3.5. Forex trading - Exiting Positions at a Right Time

This article covers one of the most important aspects of trading in general and Forex trading in particular – *managing of orders and positions*. This includes choosing entry points, making decisions about exit points, stop-loss and take-profit of the trader. I hope this article will help new traders, who just began to work with Forex, and also to experienced traders who trade regularly and regularly make or lose their money to the market.

When I started to trade Forex and made my first big losses and profits I began to notice when very important thing about the whole trading process. While the right time to enter a position was rarely a problem for myself (nearly 80% of all my open positions had gone into the “green” profit zone), the problem was hidden in the determining the right exit point for that position. Not only was it important to cut my risk on the potential losses with stop-loss orders, but to limit my greediness and take profit when I can take it and make it as high as I can.

There are many known guidelines and ways to enter a right position at a right time – like major economic news releases, global world events, technical indicators combinations, etc. But while the entering into a position is optional and trade can decide to miss as many good/bad entry point moments as they wish, this is untrue if we talk about exiting a position. Margin trading makes it impossible to wait too long with an open position. More than that, every open position in a certain way limits trader’s ability to trade.

Choosing the good exit points for positions could be an easy task if only the Forex market wasn’t so chaotic and volatile. In my opinion (backed by my trading experience) exit orders for every position should be toggled constantly with time and as the new market data (technical and fundamental) appear.

Let’s say, you took a short position on EUR/USD at 1.2563, at the time you are taking this position the support/resistance level is 1.2500/1.2620. You set your stop-loss order to 1.2625 and your take-profit order to 1.2505. So now, this position can be considered as an intraday or 2-3 days term position. This means that you must close it before it’s “term” is over, or it will become a very unpredictable position (because market will differ greatly from what it was at the time you have entered this position). After the position is taken and initial exit orders are set, you need to follow the market events and technical indicators to adjust your exit orders. The most important rule is to tighten the loss/profit limit as time goes by. Usually if I take a middle term position (2-4 days) I try to lower the stop and target order by 10-25 pips every day. I also monitor global events, trying to lower my stop-losses when very important news can hurt my position. If the profit is already quite high, I try to move my stop-loss the entry point, making a sure-win position.

The main idea here is to find an equilibrium point between greed and caution. But as your position gets older the profit should be more limited and losses cut. Also, trader should always remember that if the market began to act unexpectedly, they need to be even more cautious with exit order, even if the position is still showing profits.

## 3.6. Five Tips to Make Money Fast in Forex Trading

Are you dreaming about becoming rich fast? Read on as we’re going to give you some alternatives to conventional investment wisdom. Why? - Because most traders in Forex follow the norm and make average gains - while this article is about making spectacular gains from Forex trading and making money fast!

### The Aim

Here we are going to assume you know how to trade, and you have a methodology for Forex trading you are happy with, and can apply with discipline.

What we are going to show you here, is how to change your system from making average gains, to making spectacular gains, with simple changes in trade selection, money management, and mindset.

Forex trading offers the opportunity to make money fast - so let’s see how it can be done.

### 1. Accept Volatility and Risk Cheerfully

All good Forex trading systems incorporate volatility. You can't have a profitable Forex trading method without taking calculated risks, and taking losses - if you can't accept risk, then don't trade.

Many traders back away from a market because it’s too risky - however, risk also means reward! If you are a trader who doesn’t like volatility, then go and find something else to do. Draw-downs are part of trading; it’s volatile markets that make Forex trading fun and highly profitable. To the well-informed Forex trader, a draw-down is not something to fear, but something to enjoy. Remember: volatility = big opportunity!

### 2. Trade Infrequently

Many traders trade frequently and always like to be in the market. They think that in Forex trading if they are not in the market, they will miss a move, or that by trading more frequently, they will make money - wrong!

The big moves in Forex trading, with the best risk to reward, come a few times a year, and you should trade infrequently. Focus on the trades that make the really big gains.

### 3. Don’t Diversify

Diversification is an accepted wisdom, believed by most investors in Forex trading, but it won’t make you money fast - it will do the exact opposite.

### 4. Money Management

So far, you may think that we are being a little rash, but this is not the case. We are focusing on the BIG opportunities that allow us to make meaningful gains, and this is actually, where money management becomes so important.

If you are taking risk, you need to control it - risk as much as 10% per trade, but increase your chances of success by:

- Buying options at or in the money, to give you staying power - and prevent yourself from getting stopped out.  
Many traders lose, not because they were wrong in market direction - they just were stopped out by a volatile counter move - and options will give you staying power.
- Many traders start trailing their stops to close, they then get stopped out – but the trade runs on to make spectacular gains. Don’t fall into this trap - keep your stop in its original position - until the move is well in profit, before moving it up.

You’re looking to make money fast, and you’re trading selectively - so have the guts to go for a trade when it looks good - and milk it for all it’s worth.

### **5. Understand the Power of Compound Growth**

In Forex trading the way to make money fast, is to understand the power of compound growth. For example, if you target 50% a year in your trading, you can grow an initial \$20,000 account, to over a million dollars, in under 10 years.

## 3.7. Forex Trading Profits from Calendar Patterns

Most traders have heard of seasonal patterns, something which is mostly associated with commodities. The foreign exchange market also has calendar patterns which influence trading, and just like in commodities, traders can take advantage of them to improve their odds for success and profits.

### Monthly Patterns

Nearly all currency pairs have one or more months during which they have a directional tendency. There are three pairs in particular which have traded in the same direction during a particular month at least seven years in a row. AUD/JPY has risen in January, while USD/CAD has fallen in June and USD/JPY has dropped in August. In each case, the moves have been significant. Let’s take a look at USD/JPY as an example.

On average, USD/JPY has declined over 325 points each year since 1999 in the month of August, which translates to 2.80%. While the percentage does not seem extraordinary, when one takes leverage in to consideration, it is a different story. Had one shorted 100,000 USD/JPY at the start of each August and closed that position out at the end of the month, the total profit would have been in excess of \$20,000 (not taking in to account interest carry). That is an outstanding return considering the margin requirement for a position like that is only \$2,000. And this does not even consider compounding!

### Weekday Patterns

For the short-term trader, there are also patterns of behavior which are based on weekdays. It is a little more complicated, however, than just saying buy or sell on Monday, for example. A secondary condition must be applied, which can be accomplished using the month. The result is patterns which take place on certain weekdays during a given month. An example of this kind of pattern is GBP/USD on Mondays in December. The pound has risen 73% of the time on Monday during the last month of the year since 1999 (31 observations). The average move has been 40 pips. Assuming a 5 pip spread, a trader who entered traded this pattern over the last seven years would have booked over 1000 pips in profits, which translates to more than \$10,000 if one took positions of 100,000 GBP/USD each time.

### Trading the Patterns

The examples outlined above are just a couple of the patterns which can be found in the forex market. There are many worth incorporating in to one’s trading. Obviously, one strategy which could be employed is a simple enter-and-hold based on the pattern for a given month or weekday. That, however, does leave one open to the both in-trade draw downs, some of which can be substantial, and the simple fact that patterns do not always repeat every time, and sometimes change.

An alternative to enter-and-hold is to use calendar patterns to bias one’s trading. For example, a day trader could look for opportunities to buy in to weakness in GBP/USD on Mondays in December. Similarly, a swing trader could use short-term breakdowns to enter in to short trades in USD/JPY during August.

The trader looking to employ forex calendar patterns must utilize the same good risk procedures as are always necessary. This applies regardless of the strategy employed.

## 3.8. The Three Trendline Strategy

**T**rendlines are an important tool for trend identification and confirmation in technical analysis. It is a straight line that connects two or more price points and then extends into the future to guide you.

There will be lines drawn across significant lows in an uptrend, and significant highs in a downtrend. To roughly classify trend lines, we can divide them into three as short-term trendlines, medium-term trendlines and long-term trendlines.

### **Short-Term Trendlines**

Draw these lines across the most recent two lows for an uptrend or across most recent two highs for a downtrend. Best observations are found on a smaller time frame such as a 15-minute or 30-minute chart.

### **Medium-Term Trendlines**

These are best observed on a higher time frame like a 60-minute chart. It either connects the nearest significant low to current price action to the previous significant low in an uptrend or the nearest significant high to current price action to the previous significant high in a downtrend.

### **Long-Term Trendlines**

It uses higher time frames such as the 4-hour chart or the daily chart to draw long-term trendlines using the same method of medium-term trendlines. The long-term trendline is considered as an effective forex trading tool. The daily chart is used mostly by traders of big institutions who do not usually engage in small moves on an intra-day level.

By drawing a trendline on a daily chart you can graphically analyze where price is and where it is likely to bounce. But employ trendlines as a forex trading tool with caution and discretion. Covering your charts with every trendline possible will result in confusion and blurry analysis.

It is not a good idea to rely completely on a short-time trendline. They merely give you a defined picture of current price action. These are broken often during the course of a day. Their main use is to give you a clear, instantly recognizable graphical representation of current price behavior.

If you notice price coming back to test a trendline on the higher time frames, look at other factors. Draw in horizontal lines to mark key support and resistance using previous highs and lows. Draw **Fibonacci retracement and extension levels**. Calculate **the daily pivot points** and put them on your chart. Have **the 200 EMA (Exponential Moving Average)** shown on your charts.

## 3.9. The Correct Timing in Forex Trading

When you sense a trading opportunity, the deciding factor is to know exactly when to buy. Unfortunately this is the very point at which most lose the plot by timing their entry levels improperly. But here are some basic guidelines to help you at those crucial moments:

### **Making Proper Use of Support and Resistance**

Here is a rather surprising, but very important warning. If you try and use the fundamental rule of the share market – “buy *low*, sell *high*” – in forex trading, you’ll actually **lose** money! To understand you need to know how the system of support and resistance works.

A support price is a historically tested price at which traders intervene and buy, so as to “support the market”. The more times this price is tested, the more bankable the support price will be.

Inversely, a resistance level is defined as a level at which “prices were resisted from moving any higher”. Here too the more times this level is tested, the more reliable it becomes.

The reason why this traditional wisdom is *counterproductive* in forex trading is that if you actually wait for prices to fall, you’re going to end up missing some of the best opportunities for making money. Consider: when a currency starts to pick up, what are the chances of its pulling back? What if it doesn’t and steadies out? If you keep waiting for a pullback, you could end up never getting in on the trade because most of the changes in currencies occur from new market highs and without any pullback.

So if you plan to focus your forex trade strategy on waiting for an entry at support prices, wake up! You stand to lose out on the most profitable trades.

What your forex trading strategy should target is rather, to “buy *high and sell higher*” – i.e. you should try and do quite the reverse of what the general crowd is doing. Try and keep a lookout for any breakthroughs in support and resistance, and then sell and buy correspondingly.

### **It Takes Guts - But It Makes Money**

The policy of *going against the crowd* takes courage to practice. But think over the strategy with a cool head and you shall find it is the most logical thing to do. How often have you heard of traders buying into support, but the market continuing its freefall, breaking the support?

And again, haven’t you heard tell of the price continuing to soar and never getting to support, thereby making the trader miss the chance to capitalize on the trend?

So rather than be traditional and lose money, it is easier to adopt the breakouts policy: you won't be comfortable on entry but you will be making money. The trick is to break away from the pattern that the losing majority sets and to do what is productive and logical considering the common and predictable response.

**4. HOW TO WIN WITH FOREX: THE FINAL THOUGHTS**

**W**hen 95% of traders lose money, what makes you think you can win? Apart from needing a trading edge, you also have to understand ways and reasons of it leading you to success. Let’s look at this in detail.

### Success Comes From Within - Discipline & Losses

Simply put, trading with discipline is what successful forex trading is about.

You need to know what you are doing to trade with discipline. This translates into having **confidence**, which you definitely don't get from someone telling you what to do. You get confidence by from your own **knowledge** and **experience**.

As you have to keep executing trading signals through losing periods, discipline is hard. This has to be continued till you hit a home run, even when the market is fooling you and taking your money.

### Find Your Trading Edge

If you have **a proven, working forex trading system**, then it will clearly separate you from the **95%** losers that don’t have your trading edge. But you don’t have one if you don't know what it is...

So ask yourself what your **trading edge** is and if you can answer what it is, it will help you build your confidence and your trading results.

Your forex trading system doesn’t have to be complicated. In fact, the simpler looking forex trading, the better.

The following elements should be present in the winning forex trading strategy:

- Solid grounding in **the basics** of forex trading
- **Confidence** and **discipline** to stick with the plan
- Feeling of **exclusive responsibility** of the trader for their forex trading success

### Success Is In YOUR Hands

In summary, if you want to be a successful forex trader, you have to stand alone, be confident of your actions and be disciplined to follow your plan in forex trading.

Sounds simple, however it is actually depends on your approach to forex trading - with the right mindset and getting right education. The trader beats himself, rather than the market beating the trader in forex trading.

Learn the basic fundamentals, get a suitable system, become confident, get an edge and be disciplined. Do all of these to enjoy currency trading success.

**Happy Forex Trading!**

Mary Cala



## **ADDENDUM - RECOMMENDED RESOURCES FOR FOREX TRADERS**

Recommended Forex Trading Tools That Work



**#1 Recommended FOREX ROBOT!**

CLICK HERE:

<http://tinyurl.com/czonzhn>

FAP TURBO is the only automated forex income solution that doubles real monetary deposits in under 30 days. No backtests tricks. The best performing forex product on the PLANET, period. I highly recommend it.



**#2 Recommended FOREX ROBOT!**

GO HERE: <http://tinyurl.com/cq5v8z4>

Forex MegaDroid Robot Is An Automatic, 100% Hands-Free Forex Robot Uses RCPTA Technology And Breaks All Records.



**#3 Trading Software That Will Skyrocket Your Forex Earnings!**

FOLLOW THIS LINK:

<http://bit.ly/bdw8ot>

XTREME PIP POACHER™ - Automatically Trade Your Way To Five Figure Pay Days. Dreams Can Become A Reality With This Forex Software. Good Luck!

## Free Forex Ebooks

Download these excellent **ebooks on forex** that I’ve carefully selected for you – especially those on *the psychology of trading, discipline trading, capital management*, etc.

You’ve got some real gems here, with classics from **Jesse Livermore** and **Van Tharp**. Also, don’t miss *the MetaTrader4 introduction* to the best (FREE!) trading platform. You will also find here a number of very popular *forex trading systems* (e.g., **THV** and **ICWR**), *forex trading manuals* (tutorials) – including two very useful ones – one on **Japanese candlesticks** and another one – on **economic indicators** (great for trading news!). Finally, I also selected for you a few ebooks with *tips from very successful forex traders*.

Just this list alone is worth dozens of dollars and each ebook is worth at least \$7.77 - \$27.97, some obviously much more (great content, some are over 100 pages long). I’m offering them to you **FOR FREE** - as my bonus and my gratitude for reading this intro report and for becoming my subscriber. If you stay on my mailing list, you will be getting such treasures every week!

To make it easier for you, I prepared the ebooks in both **PDF** and **ZIP** files. To read the PDF files, you will need **Adobe Acrobat Reader** (most probably you have it already on your computer, but if not - download it here – [free Adobe Acrobat Reader download](#)). To read the zipped files, you’ll have to **unzip** them first. I recommend the following **free unzipping programs – 7-Zip** (download – use 32-bit version if not sure) or **WinRAR** (download).

By the way, do you know how to save on paper and printer cartridges? I save about 75% (well, at least 30%) with **FinePrint...** [Download FinePrint](#). I usually print the ebooks I download double-sided, with 4 pages on one side (yes, it’s still easy to read) and I get 77% savings on paper and probably similar savings on cartridges/toners, etc. **Very few** people know about this, but it’s so easy to implement and the savings are just colossal...

**Forex Manual** – introductory resource for the beginning traders to all the on essential aspects of foreign exchange in a practical manner. A source of best answers on the typical questions as why are currencies being traded, who are the traders, what currencies do they trade, what makes rates move, what instruments are used for the trade, how a currency behavior can be forecasted and where the pertinent information may be obtained from. Mastering the content of an appropriate section the user will be able to make his/her own decisions, test them, and ultimately use recommended tools and approaches for his/her own benefit – [PDF](#) - [ZIP](#)

**Quick Guide To Trading Forex** – lots of good info on trading currencies; use it as a refresher of what you’ve learned about forex – [PDF](#) - [ZIP](#)

**Hitchhiker Guide to Forex** – what are the keys for successful forex trading. If you use them properly, you can unlock the door to success. – [PDF](#) - [ZIP](#)

**Recession Proof Business** - the author might be right saying that “Forex trading is perhaps the 21st century world’s cleanest, simplest way to actually create wealth, virtually from scratch with the right trading strategies!” I strongly agree... – [PDF](#) - [ZIP](#)

**Secrets of MetaTrader4** – how to make the best use of the best forex trading software that you can get for free! - [PDF](#) – [ZIP](#)

**Pocketbook Of Economic Indicators** – you need this if you trade news – [PDF](#) - [ZIP](#)

**Chris Lee: Introduction to Candlesticks** - great introductory resource on Japanese candlesticks and candlestick analysis techniques. Does anybody trade forex without candlesticks? – [PDF](#) - [ZIP](#)

**Gap Trading The Forex** - how to profit from a forgotten trading strategy that is “RIGHT” 89.1% of the time – [PDF](#) - [ZIP](#)

**1-2-3 Trading System** – a VERY SIMPLE forex trading system (can be used in other trading too). Learn this pattern that always gives a lot of opportunities and a great risk/reward ratio. Once you grasp the basic fundamentals behind it, you’ll be able to see it at work all the time – [PDF](#) - [ZIP](#)

**ICWR Forex Trading Strategy** - Learn how to trade EUR/USD, USD/CAD, GBP/USD or any other major currency pair by mastering a system that combines top level mathematics with the fundamental principles of human behavior – simplified in such a way that even a high school dropout can quickly start profiting from it. Fantastic resource! – [PDF](#) - [ZIP](#)

**THV ManualV3** – one of the most popular forex trading systems on the Internet, considered to be the best by many traders; needs some experience to use, though – [PDF](#) - [ZIP](#)

**Jesse Livermore: Reminiscences of Stock Operator** – Absolute classic! Just google about it... Get it for free here – [PDF](#) - [ZIP](#)

**Van K Tharp: Trade Your Way to Financial Freedom** – possibly the most important item here, a must to read! Read and find your Holy Grail of forex trading! – [PDF](#) - [ZIP](#)

**Miracle Of Discipline** – intro by Rob Booker on one of the most important aspects of trading forex – [PDF](#) - [ZIP](#)

**Your Personality and Successful Trading** – you just have to learn how to deal with psychological problems encountered while trading forex and how to avoid the emotional traps that destroy most traders’ equity. – [PDF](#) - [ZIP](#)

**Stop Losses Are For Sissies** – Rob Booker’s interesting take on stop losses – [PDF](#) - [ZIP](#) \_\_\_\_\_

### Recommended Forex Trading Platform

**MetaTrader 4** – the ultimate solution for *online trading, technical analysis and automated trading*. It’s **FREE!** With MetaTrader 4, you get everything you need to boost your trading. With the MetaTrader 4 Automated Trading System you can increase your trading opportunities. You can trade faster using **Expert Advisors, EAs**. MetaTrader 4 can monitor the market for you second by second and automatically handle all your trades.

Free download:

<http://bit.ly/cWrFMJ>

## Recommended Forex Trading Systems and Robots

**Forex Rebellion** – 3-phase strategy that revolutionized forex trading and kicks out money like a cash register. **The system is mechanical. It is a well known fact that one of the most highly prized trading methods in forex is a mechanical system, which this is.**  
<http://tinyurl.com/c9cfblo>

**Forex Over Drive** – a reliable forex trading robot that generates extraordinary returns while you sleep. Easy to setup, anyone can use it, requires no knowledge of the forex industry. Start with as little as \$150.  
<http://tinyurl.com/bs2mw54>

**IvyBot #1 Forex Trading Robot** - revolutionary technology using the power of 4 robots. This automated forex trading system that was created by graduates of the world’s leading mathematical schools.  
<http://tinyurl.com/cr55th9>

**Vladimir’s sRs Trend Rider** - New!!! Vladimir's best kept secret strategy for extracting profits from the forex market, with a push of a button. A hybrid strategy which includes manual as well as automated components, aided by the proprietary sRs indicator, alert, template and a robot  
<http://tinyurl.com/dxyy6tm>

**L-M-T Forex Formula** - trade forex with less than 15 minutes a day and catch trades of up to 2000 pips.  
<http://tinyurl.com/ccquvoy>

**Forex Autopilot** - robots trading the forex market. Automated forex autotrader and forex charting software. Generates profits by analyzing forex trends.  
<http://tinyurl.com/cwdgggy>

**Forex Crescendo** – a powerful and efficient automated trading robot that can be installed in 60 seconds! Average monthly gain for the last 8 months has been 17.02% per month. The average daily gain is 0.57% per day and on average it makes 60 pips per day!  
<http://tinyurl.com/c46pr8m>

## Recommended Forex Trading Signal Services

**PipHut** – FREE forex signals and analysis provided by members of a thriving trader community.

<http://bit.ly/9HEsdf>

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**Sniper Forex Signals Service** – get lucrative trading opportunities sent directly to your PC or mobile phone with a system averaging 500 pips a day.

<http://tinyurl.com/c48uv9a>

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**Forex Ambush 2.0** - 100% accurate forex signals. Never seen before and totally unheard Of 100% accurate Artificial Intelligence forex trading signals.

<http://tinyurl.com/c3q8y5h>

### Recommended Forex Expert Advisors

**Probability EA 7.1.1** - the latest development of a very successful Forex Expert Advisor, able to analyze the market trends and repeatedly predict the direction of the market using a pyramiding technique, consistently capitalizing on profitable trades.

<http://tinyurl.com/d9rcwhq>

**Forex Megabot EA** - a unique fully Automated Expert Advisor Robot designed specifically for both new and experienced forex investors to trade safely on the USD/CAD pair, with the end result providing an extremely high rate of success.

<http://tinyurl.com/bupdjji>

**Forex Hippo Expert Advisor** - utilizes a unique and extremely profitable trading strategy, and enables the user to make money even while sleeping, by opening, managing, and closing all trades 100% automatically. Forex Hippo works on all currency pairs on the 1- hour timeframe and trades 24 hours a day, 5 days a week.

<http://tinyurl.com/caxukyv>

# MARY CALA – AN INSIDER’S GUIDE TO FOREX TRADING

## Recommended Forex Courses and Webinars

**QuantumFX Pro** - FX Course by Master Trader Kishore M. He was interviewed by BBC, Bloomberg & Channel News Asia. Massive value packed inside the package (videos, audios, manuals).

<http://tinyurl.com/bsxdw8c>

**Forex Candlesticks Made Easy!** Identify the profitable trading market signals. This has been what 99% of retail traders are missing out on - the ability to accurately pinpoint EXACT market entry and exit areas for maximum profits.

<http://tinyurl.com/d7yvpp2>

**Fast Track To Forex** - A Step-by-Step Comprehensive Video Guide by Frank Paul that takes you through the essential elements of forex trading.

<http://bit.ly/axFznw>

**A Working Man's Forex Position Trading System** - by Alan Benefield; teaches you the Daily 3 Stochastic System, a simple strategy to trade the Forex successfully while keeping your day job.

<http://bit.ly/9nbpDx>

**Mastering MetaTrader 4 in 90 Minutes** - by Alan Benefield. Everything you need to harness the power of MetaTrader 4, the popular breakthrough feature-rich forex trading software for the active trader.

<http://bit.ly/bhglGm>

**Forex Scalping Course** - by Chris Lori and Vic Noble. Teaches you everything you need to know to scalp the Forex market safely and consistently. BONUS: scalping trade examples.

<http://bit.ly/bgv13e>

**Psychology and Risk of Institutional Traders and Understanding Forex Institutional Deal Flow and Market Structure** - by Chris Lori. A webinar that discusses the direct correlation between psychology and risk in the marketplace and the importance of developing and maintaining psychological prowess for long-term success. It shows you how to develop your trading model and your psychological profile in a controlled risk environment.

<http://bit.ly/amFrlX>

**ForexMentor: How To Trade Currencies Like The Big Dogs Course** - Professional trader and author Peter Bain's Video Forex Course demonstrates simple yet powerful pivot currency trading systems used by professional traders.

<http://bit.ly/bm7zNV>

**The Top 20 Killer Trader Mistakes and the Coach's Remedies** - by Vic Noble. Designed for anyone who is still struggling to get their trading results off the ground. Learn to think the way the winners think and how to avoid the mistakes that unsuccessful traders continually make.

<http://bit.ly/b2UV2W>

**Optimal Trade Entry and Position Management** - by Chris Lori. A webinar that will help you to understand how, where and why to find an optimal entry point and effectively manage your trades once you are in the position. You will gain the knowledge you need to enter and manage your trades like a professional, vastly increasing your chance to profit from each and every trade.

<http://bit.ly/bwPZfS>

## Recommended Forex Brokers

I’ve been trading currencies with two *forex brokers* – **FXCM** and **OANDA**. They differ significantly from each other, but I must say that I’m very satisfied with the services of both of them and would recommend them to other potential forex traders (I’m *not compensated in any way for this testimonial*).

- **FXCM** - <http://budurl.com/fxcm>
- **OANDA** - <http://budurl.com/oanda> - support for trades and accounts of any size; immediate execution with no requites; by-the-second interest calculations, eliminating the need for costly rollover swaps; fractional pips so we can narrow spreads more than other dealers, a mobile trading app for the game-changing iPad device; true price transparency – the only market maker to publish graphical spread statistics.

I know that it’s hard to gather a trading capital for trading forex. For that reason I’m listing here also a number of brokers that will allow you to start trading forex with very little money – with \$100 or even less!

It’s not that I would recommend doing it myself, but you may try that if you feel really excited about being able to get involved in trading currencies. It will let you – although to only a certain extent - if your trading capital is so low, to get the feeling of what that forex is.

Maybe even more importantly, you will be able to see for yourself if forex trading is a convenient way for you to replace your income, to become your own boss or at least if it has any potential to supplement your bi-weekly cheque...

- **eToro** - <http://bit.ly/9e2Muh> - easy start with \$50!
- **Alpari** - <http://budurl.com/alpari>
- **GTF** - <http://budurl.com/gftforex>
- **LiteForex** - <http://bit.ly/azcHcX> - offers mini and micro accounts with record-breaking low deposit level (\$1!) helping traders to gain real forex trading experience with the minimal risk.
- **Interbank FX** - <http://budurl.com/ibfx>
- **FXDD** - <http://budurl.com/globalfxdd>

**REMEMBER: Use ONLY the capital that you can afford to lose** – not the money that you need to pay with your hydro bill, etc. – you know what I mean...

## Recommended Forex Forums

I highly recommend participating in at least some of the following forums for the forex traders. You will learn there a lot about trading currencies and may even get some valuable tips and trading signals. They are free to join and participate.

- **Forex-TSD** – <http://budurl.com/forextdforum>
- **Baby Pips** - <http://budurl.com/babypipsforum>
- **Daily FX** - <http://budurl.com/dailyfxforum>
- **Forex Factory** - <http://budurl.com/forexfactoryforum>
- **Mataf** - <http://budurl.com/mataforum>
- **Oanda** - <http://budurl.com/oandaforum>
- **Forex Broker Guide** - <http://budurl.com/fxbrokguideforum>
- **Go Forex** – <http://budurl.com/goforexforum>