

TRADERS MASTERMIND INTENSIVE



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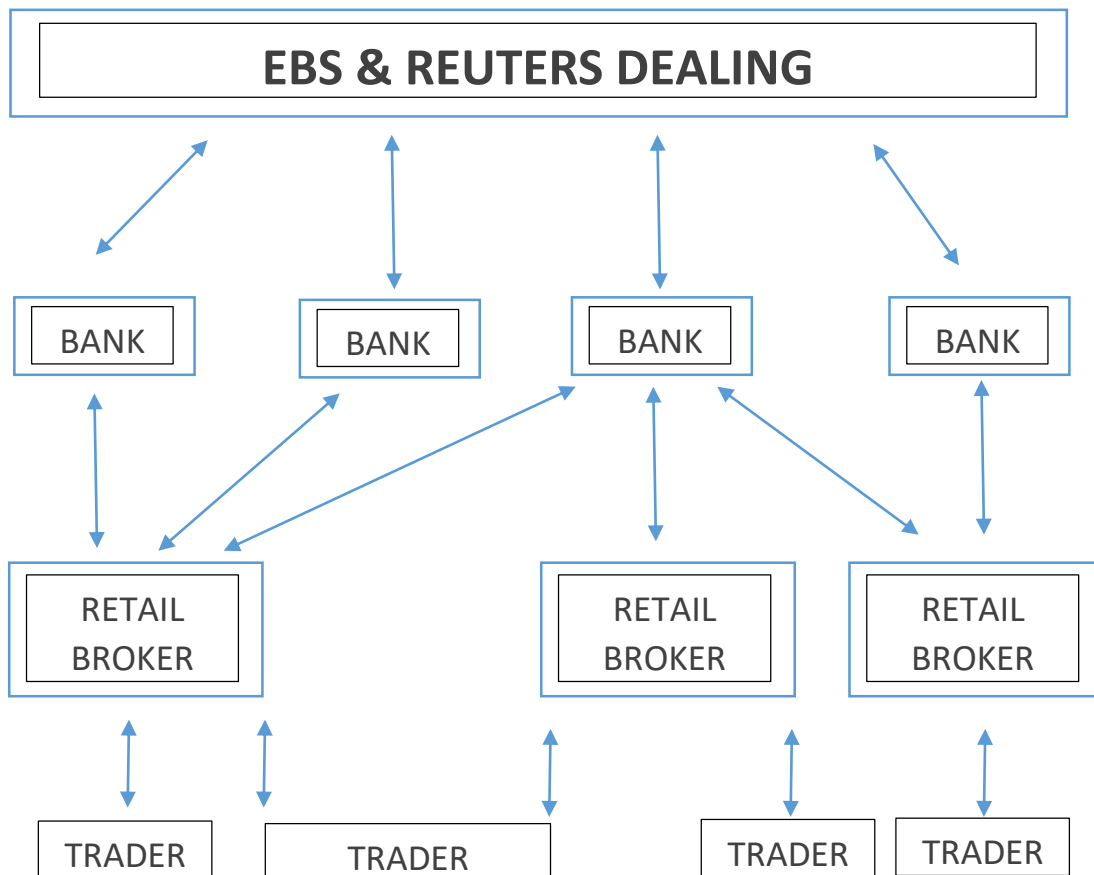
SECTION 1

INTRODUCTION TO FOREX TRADING

FOREIGN EXCHANGE

TRADERS CALL IT:

- The spot market
 - The cash market
- WORLDWIDE EXCHANGE OF CURRENCIES
 - COMPRISED OF OVER 4500 WORLD BANKS



WHAT IS THE DIFFERENCE BETWEEN THE FOREX AND THE STOCK MARKET?

STOCK MARKET:

- * Traders buy and sell stocks
- * Over 40,000 stocks
- * Limited buyers and sellers
- * Some stocks are hard to get rid of
- * Only trade during work hours

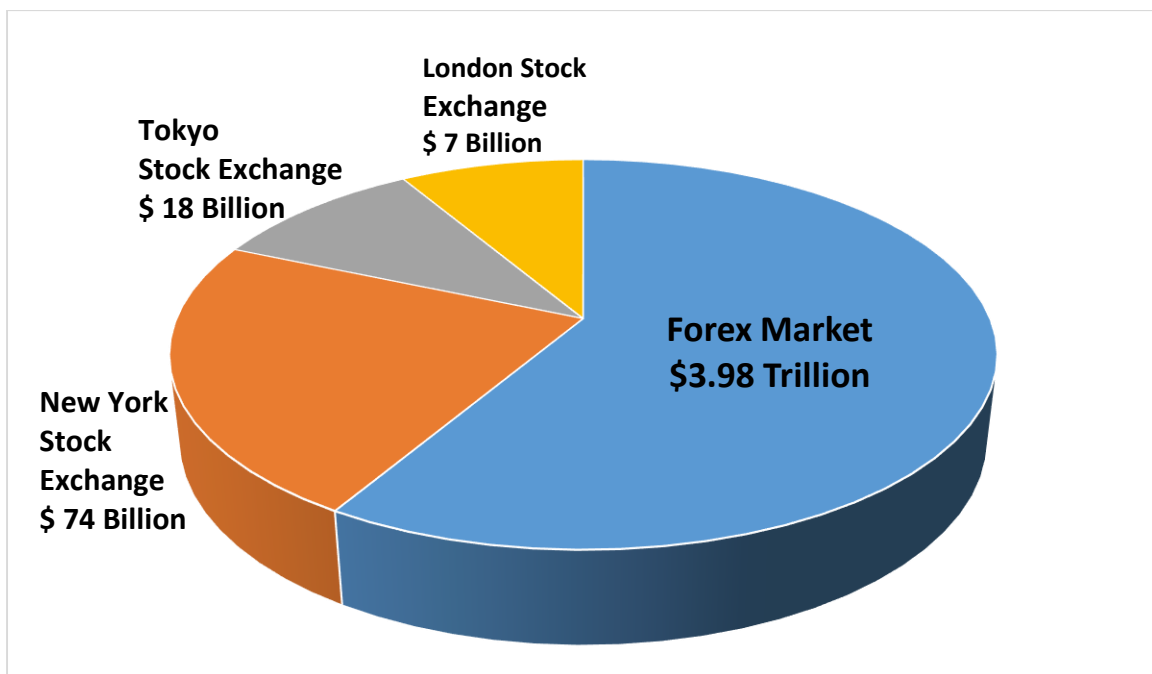
FOREX

- * Traders buy and sell currencies
- * 5 Major world currencies (focus)
- * Unlimited buyers and sellers
- * Easy to get rid of cash; everyone wants it
- * You can trade 24 hours a day



3 MAJOR MARKETS

THE VOLUME TRADED ON THE FOREX MARKET IS MORE THAN ALL THE OTHER WORLD MARKETS **COMBINED!**



THE FOREX MARKET HAS...

* \$ 4 TRILLION DAILY VOLUME

= UNLIMITED BUYERS & SELLERS

* 24 HOURS A DAY TRADING

= CONVENIENCE

THE FOREX MARKET OPENS APPROXIMATELY 10:00 PM GMT
ON SUNDAY EVENING AND CLOSSES FRIDAY AT 10:00 PM GMT



WHAT ARE WE TRADING IN THE MARKET?

STOCK MARKET:

- * Traders are buying and selling stock certificates
- * They trade them in blocks or round lots

FOREX

- * Traders are buying and selling currencies
- * They trade them in currency lots
 - * Mini lots are \$ 10,000 US
 - * Standard lots are \$ 100,000 US

HOW DO TRADERS GET PAID?

- * Traders get paid through the accumulation of pips when buying or selling a currency
- * Upon liquidation of your positive position, you will essentially be 'paid'.



**POINTS
&
PIPS**

TIME

CURRENCY TRADERS ATTEMPT TO CAPTURE PIPS

1 PIP = APPROXIMATELY \$ 10.00 PER LOT TRADED ON A \$ 10 000 ACCOUNT

(POINTS IN PERCENTAGE)

RISK = 1.2%

REWARD = 1 – 3 %

REMEMBER: CURRENCY TRADERS MAKE MONEY THROUGH THE ACCUMULATION OF PIPS BY HAVING A HEALTHY BALANCE OF RISK AND REWARD

(CAPITAL PRESERVATION)



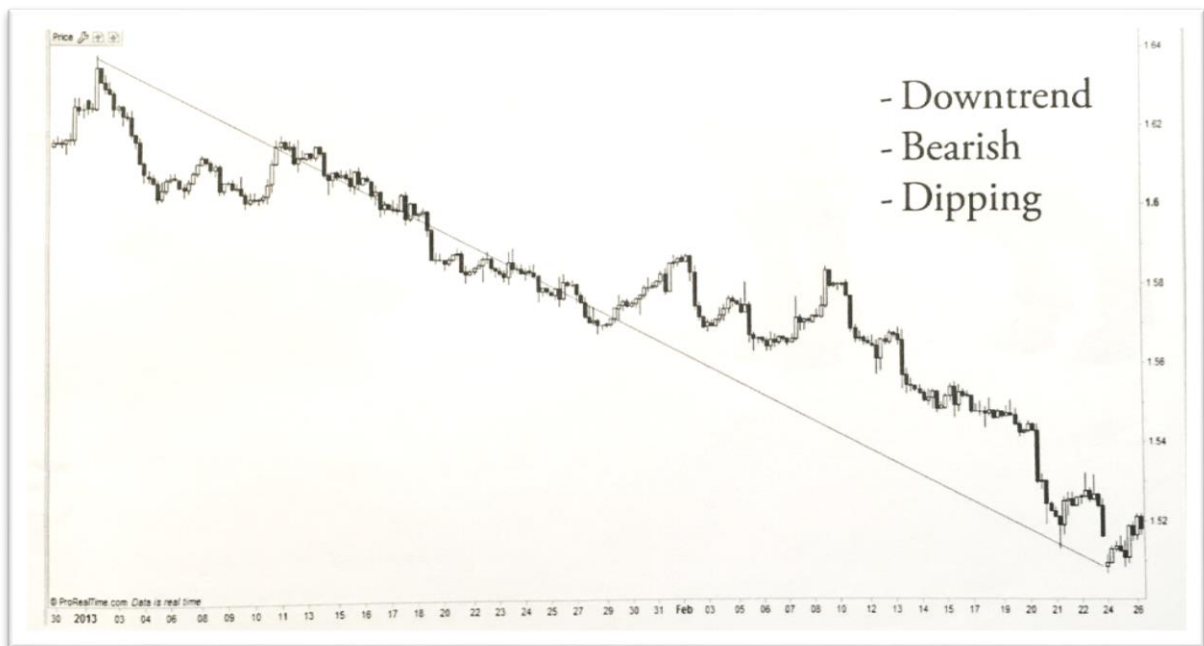
BROKERS GIVE THE TRADER THE RIGHT TO:

BE A **BULL** OR **BUY** FIRST – ENTER BUYING FIRST AND THEN EXIT SELLING SECOND. THE MARKET MOVEMENT IS “UP” OR “RALLYING”. YOUR POSITION IS “LONG” OR “BULLISH”.



BROKERS GIVE THE TRADER THE RIGHT TO:

BE A **BEAR** OR **SELL** FIRST – ENTER SELLING FIRST AND THEN EXIT BUYING SECOND. THE MARKET MOVEMENT IS “DOWN” OR “DIPPING”. YOUR POSITION IS “SHORT” OR “BEARISH”.

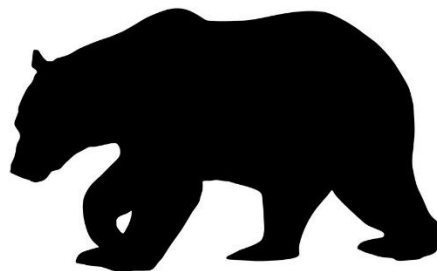


LET'S FOCUS IN ON CURRENCY TRADING AND DISCUSS HOW CURRENCY TRADING WORKS?

IT'S A FINANCIAL GAME BETWEEN BULLS AND BEARS WITH CLEAR OBJECTIVES.



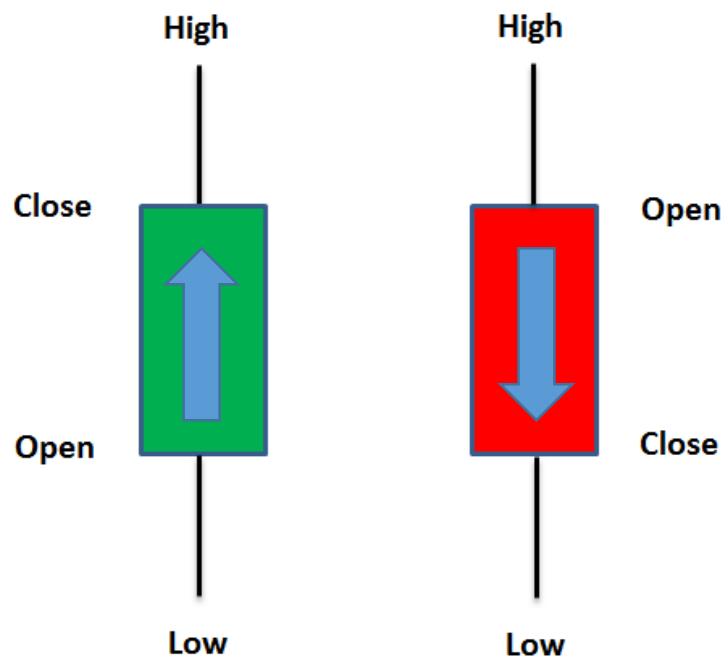
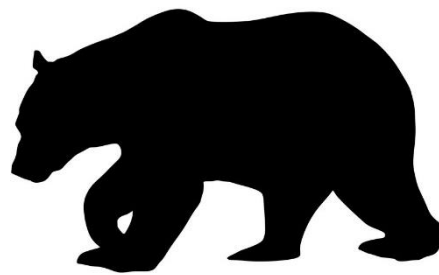
BULLS ARE TRYING TO SCORE POINTS AGAINST THE BEARS. BULLS SCORE POINTS WHEN THE MARKET MAKES NEW HIGHS OR HIGHER HIGHS AND HIGHER LOWS.



BEARS ARE TRYING TO SCORE POINTS AGAINST THE BULLS. BEARS SCORE POINTS WHEN THE MARKET MAKES NEW LOWS OR LOWER LOWS AND LOWER HIGHS.

MOST TRADERS START OFF READING JAPANESE CANDLESTICKS

CANDLESTICKS MEASURE PRICE FLUCTUATIONS WITHIN A
CERTAIN TIMEFRAME



BELIEVE IT OR NOT!

THE MARKET IS GOVERNED BY NATURAL LAWS

THE WORLD IS GOVERNED BY NATURAL LAWS

Understand price swings with the Fibonacci numbers when using a chart:

LEANARDO DE PISA DE FIBONACCI



- Worked for the royal families in approximately 1170 A.D
- He wrote 'Libre Abaci' (Book of Calculations)
- Introduced the arithmetical numbers to the Romans versus Roman numerals

Fibonacci discovered the universal numerical sequence

$1 + 1 = 2$

$1 + 2 = 3$

$2 + 3 = 5$

$3 + 5 = 8$

$5 + 8 = 13$

$8 + 13 = 21$

$13 + 21 = 34$

$21 + 34 = 55$

$34 + 55 = 89$

$55 + 89 = 144$

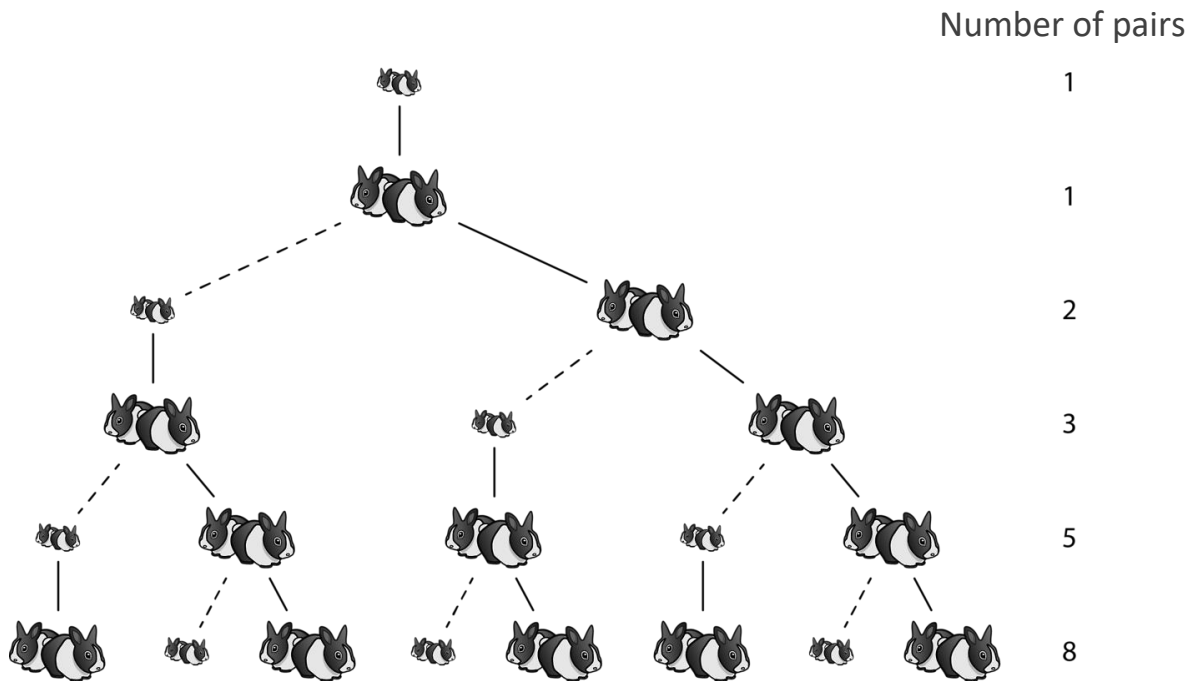
$89 + 144 = 233$

$144 + 233 = 377$

$233 + 377 = 610$

... and so on to infinity

Example of sequence in nature – Fibonacci and Rabbit Breeding



START DIVIDING THE NUMBERS AND WATCH WHAT HAPPENS...

$1 + 1 = 2$

$1 + 2 = 3$

$2 + 3 = 5$

$3 + 5 = 8$

$5 + 8 = 13$

$8 + 13 = 21$

$13 + 21 = 34$

$21 + 34 = 55$

$34 + 55 = 89$

$55 + 89 = 144$

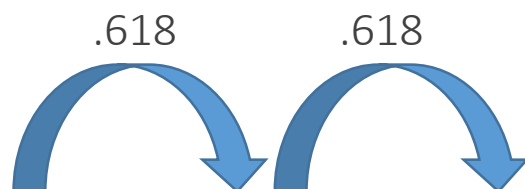
$89 + 144 = 233$

$144 + 233 = 377$

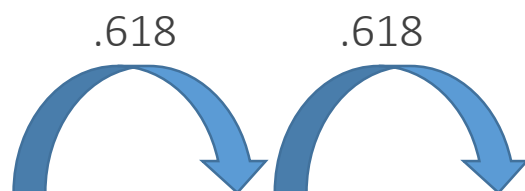
$233 + 377 = 610$

... and so on to infinity

RATIOS IN NUMBERS



$89 + 144 = 233$



$233 + 377 = 610$

34-55-89-144-233-377-610

A CHART IS A CHART IS A CHART

- CHART READING IS APPLICABLE TO ALL MARKETS AND ANYWHERE YOU CAN PULL UP A CHART
- ONCE YOU'VE BEEN EDUCATED ON HOW TO READ A CHART, YOU WILL START TO CONTROL YOUR FINANCIAL FUTURE IN THE MARKETS!
- KNOWLEDGE = **INCOME**

SECTION 2

What is forex and how to start trading it

WHAT IS FOREX?

The forex market began in the early 1970's after the fluctuation of various foreign currencies. The market is the arena where one country's monetary unit is traded for another country's. The general term for this is 'money market'.

The foreign Exchange Market consists of a group of about 4500 financial institutions, namely, international banks, government banks, investment companies and commercial businesses. There are three departments: Payments for export and import, as well as payments for the purchase and sales of assets. There is also a speculative department within the forex market. Companies with large financial exposure in foreign economies take part in forex trading to try and affect exchange rates.

In the past, smaller speculators were not allowed to take part in Forex. This was due to the minimum transactions value and strict financial regulations. Today there are companies who assist the small speculator with funds to trade in the market. Large banks trade in the blocks whereas the small speculator trades in lots.

Private Banks play two roles in the Forex market: (1) They facilitate transactions between two parties, like companies who want to trade currency (2) and they speculate by buying and selling monetary units. The banks buy or sell monetary units because they think it will increase or decrease in value. It is estimated that many international banks generate up to 70% of their income through forex trading. Other speculators include investment companies and private speculators, of which George Soros is considered the world's best.

The third category of the forex market include various countries' reserve banks such as the South African Reserve Bank. They take part in the forex market for the financial interest of their country. When a reserve bank buys or sells it's country's currency or that of another, it is in aid of stabilising its own monetary unit.

The Forex market is so large and has so many participants, that no individual or even Reserve Banks, can control the market. In comparison with the daily trade volume of the American Stock Exchange of \$100 Billion, the daily exchange volume of the forex market is well over \$4 Trillion.

The word 'market' is an incorrect term to explain forex trading because there is no central place whereof trading can be done. Trading takes place mainly over the telephone or computer terminals worldwide. The largest part of forex takes place between over 300 large international banks where transactions are done for companies, governments and their own accounts. These banks constantly supply prices for each other and the wider marketplace. The latest price which is received from the banks, is deemed the current price for the monetary unit. Various private information suppliers sets the "live" price available on the World Wide Web.

BENEFITS OF FOREX TRADING

1. **Liquidity:** There are always buyers and sellers in the Forex market. This allows to open or close any positions within 24 hours, because there are always buyers and sellers, you will never battle to sell or buy any position.
2. **Access:** The forex market is open 24 hours a day from 6:00 N.M to approximately 3:00 N.M on Fridays (USA Eastern time zone)
3. **Two-Way Market:** Monetary units are traded in pairs e.g. Dollar/Pound or Dollar/Euro.
4. **Buying Power:** The Forex Market is traded in monetary unit lots. Each lot is approximately \$100 000 worth in foreign monetary units. A 50:1 (and higher) buying offer is made available to the private speculant.
5. **Trading fees:** In relation to many other markets, the Forex Market has very low trading fee structure. Most of the companies enabling the private speculant to trade, do so commission-free.
6. **Trading Quality:** Because Forex has such a large volume, it is possible to trade at its current price where other markets are problematic with the current price e.g. Stock Exchange.
7. **Market Trends:** Over long and short historic periods, monetary units have demonstrated that they tend to result in certain trends, repeating the pattern over a period of time. Each monetary unit has got its own unique historic pattern and trend
8. **Focus:** Instead of battling with all the different types of shares in all the various markets, the Forex speculant focuses on 1 to 2 different monetary units of which the most common units are the British Pound. The Euro. Swiss Franc. and the Japanese Yen.



TRADING INFORMATION

A BATTLE BETWEEN THE BULLS AND THE BEARS

Bulls want to make higher highs, while bears want to make lower lows. How is a high and low determined?

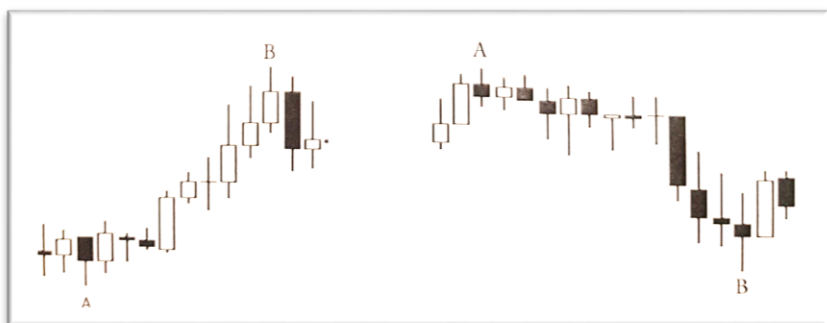
A high is made up out of five candles with two candles to the left, and two candles to the right, with a candle in the middle forming the highest point. (body or wick)



A low is also formed from five candles, with two candles to the left and two candles to the right, with a candle in the middle forming the lowest point. (body or wick)



AB (wave) is a visible movement between a HIGH and a LOW with a total of 11 candles or more, where a high and low may not be part of each other. At least one candle has to be between a high or low. Your low is marked with A and your high with B or vice versa.



Below is an example of a chart displaying the AB movements, the same one's you learnt about on the previous page. Take note of how one swing low or high can be both an A and a B for different waves.



BULLS AND BEARS TARGET HIGHS AND LOWS AND TAKE PROFIT

Trading is a game between the BULLS and the BEARS

Resistance: Is a price level where the demand to sell is strong enough to break upward momentum and to turn it around.

Support: Is a price level where the demand to buy is strong enough to break downward momentum and to turn it around (The shape of a low)



As soon as the bears pass a support (LOW) level and they take profit, the counteraction will cause a retracement, before the bear's new goal for the next resistance level is reached with the same counteraction (forming of and ABCD swing).



Bulls target Resistance (which is a High just higher than the current price to the left up).

Bears target Support (which is a Low just lower than the current price to the left down)

EXAMPLE OF SUPPORT AND RESISTANCE



From the current price, it moves up to the left one step and the results in your first high (Resistance 1), and a second step up for your second high (Resistance 2). Remember that this is also your A's but we will test if they are valid. Resistance is what Bulls target but the AB and ABCD's can look different and also has to be valid based on the ABCD rule.



From the current price, it moves down to the left one step and results in your first low (Support 1), and a second step down for your second low (Support 2). Remember upon each time period, you may have other support and resistance levels.



HOW TO GET AN AB, ABCD IN THE MARKET

Get the AB, ABCD for the trend. Take the current price on your chart and if it is the highest price on the chart, move one step down to the left for your first low. Then to the second low, join the first and second low (level) with a trendline and lengthen it forward. The first you will be you're A, and the second low (level) your A2, the B will be the high. Remember that your B has to be valid with two candles to the right. Wait for the market retrace for a possible C and then trade (buy) the possible C to a possible D (Extension) or the next Resistance (High).



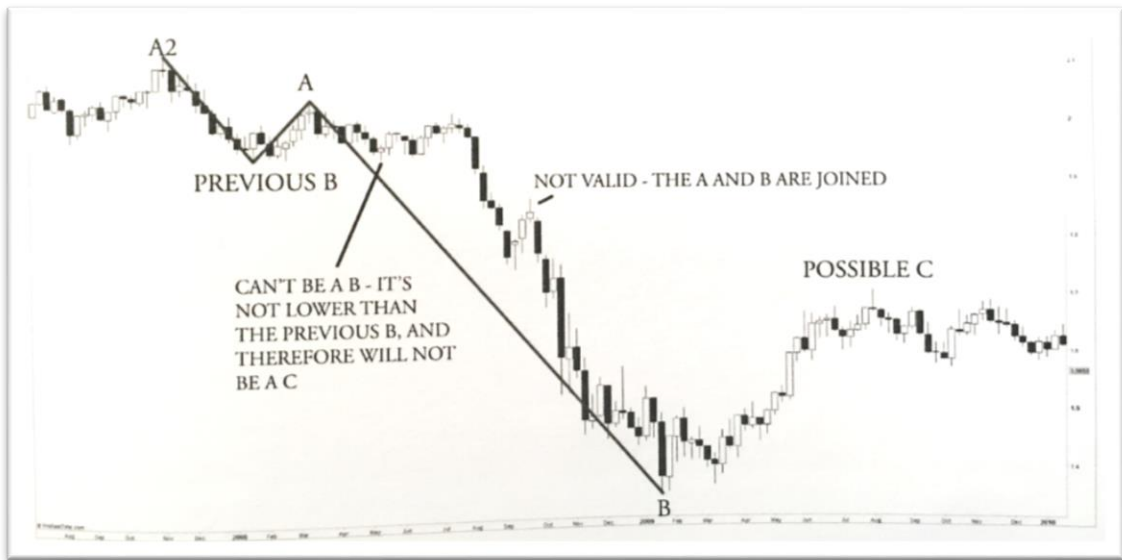
Take the current price on your chart and if it is the lowest price on the chart, move one step up to your left for your first high, and then the second high. Join the 1ste high and the 2nd

high with a trendline and prolong the trendline forward. The first high will be your A, and the 2nd high your A2. The low will be B, but remember that your B has to be valid (consisting of 5 candles). Wait for the market to retrace to a possible C and trade (sell) the possible C for a possible D (Extension) or the next support (low).



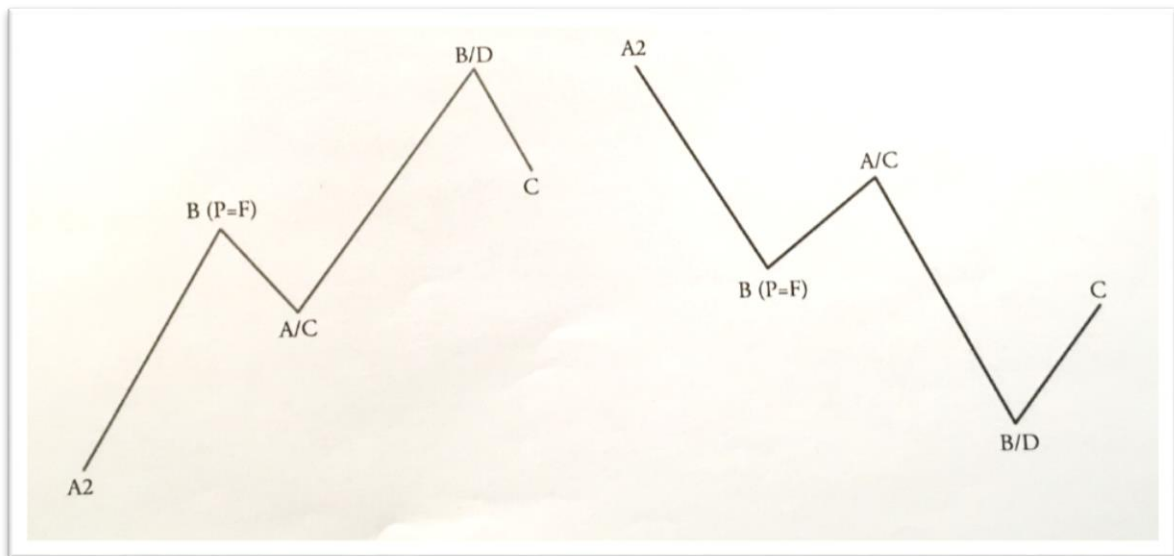
Remember to also test from your A2, to your previous B – the A2 and previous B must also be valid and not part of each other, as well as your previous B to A. If the previous B and A are part of each other, the A and the previous B will be invalid and the A2 will be A, and the B is valid – there are no two movements (ABCD) but just 1 (AB) between, and is considered 'noise'.

If your current candle that is busy forming is not your highest or lowest point on the chart, search for the highest point on the chart and the lowest point on the chart you can see in front of you – the one that is closer to the current candle between the highest point and the lowest point on your chart, you will make B. If it is the lowest point, then the highest point will also be an A (the A and the B are always valid). Now go up left or down left from your B, and find your first high or low and make that A – and make your A2 by going even further high or low as A3 – A4. Remember to test from your A2 to the right must not be part of each other and the ABCD must be valid and is made up of 23 candles or more. Always connect A and A2 with each other for your trendline. Your possible C will always be your highest or lowest point closest to your A in your AB swing.



Always draw a horizontal line on the A if you determine that the market went through it, indicating to you that the market has changed it's AB trend. The B which you had, now becomes A, and you find your B right up or down from the A and then trade the new AB's C – remember that the market can still stop on the A2 and original B and continue in that direction, and you can trade that possible level to the new AB possible C's.

Remember between A and B are everything sideways till a possible C holds and takes out the B or A, so the market could do whatever it wants inside the AB swing.



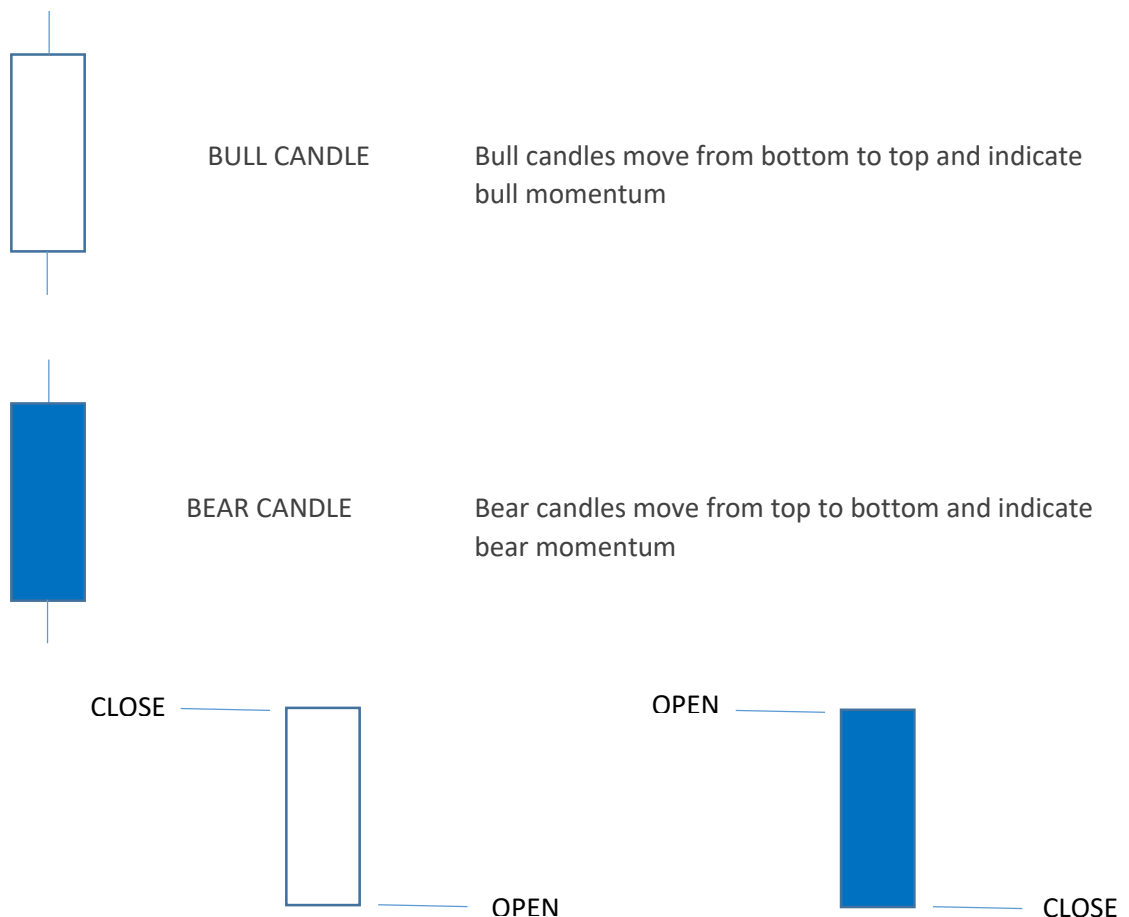
SECTION 3

Candlesticks & Formations

CANDLESTICKS

In the seventeenth century, the Japanese developed a method to analyse the price of rice contracts. The technique is known as “Candlesticks” analysis. Steven Nilson is credited for the widely accepted method of the candlestick chart analysis and is renowned worldwide as the leader thereof.

Candlestick charts show the price fluctuation of any given product. A candlestick can represent any time frame, and does not require and calculations of any kind. They merely show price movement within a certain time frame. Each candlestick displays 4 important points which shows how the price fluctuates within a period of time. Candlesticks show opening price and the closing price, as well as the highest and lowest point of that time frame.



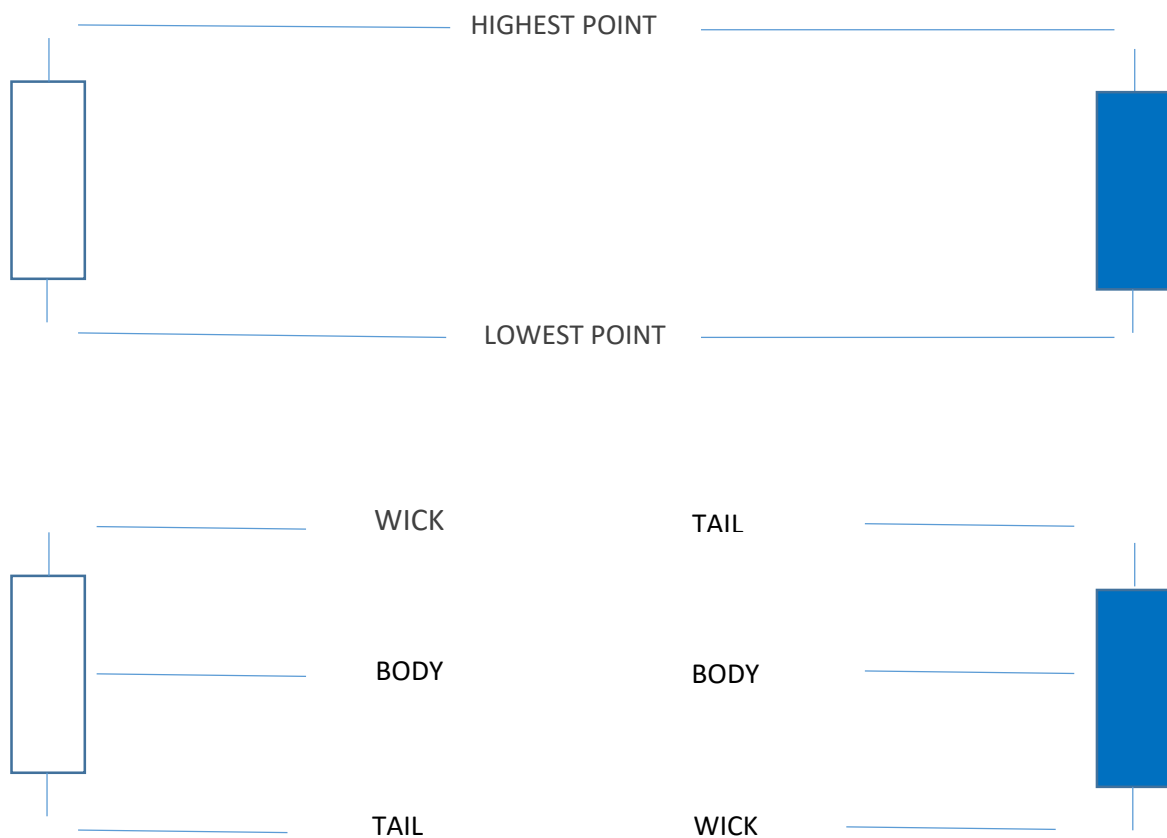
A black candle opens, moves down and closes (Bear Candle).

A white candle opens, moves up and closes (Bull Candle).

A candle opens and can move up or down. In the time frame of candle, it takes a certain amount of time to open and close. This all depends on the time selected to represent one candle (such as 1hour candles). During this time, price can move up or down, and close either Black (Bear) or White (Bull).

THE BULL CANDLE

THE BEAR CANDLE

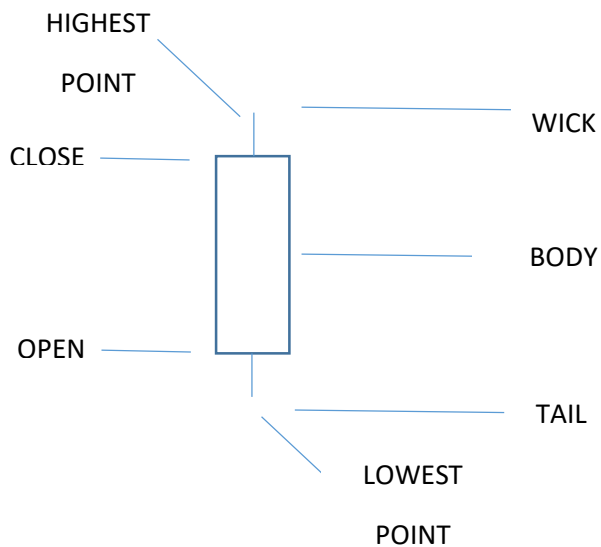


A candle's **highest** and **lowest** point is where the candle was within a certain time period physically e.g. the Bull Candle reached it's peak on 4 Hours at its wick's point and at its lowest at its tail's point.

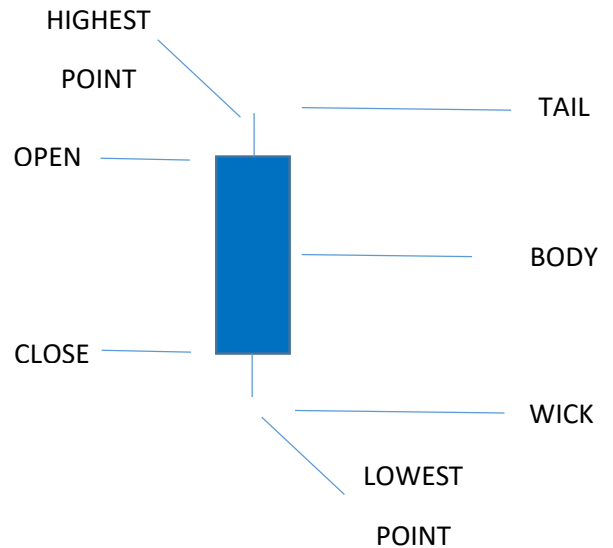
Body indicates the momentum of the market.

Wick and Tail are points where the market was physically.

THE BULL CANDLE



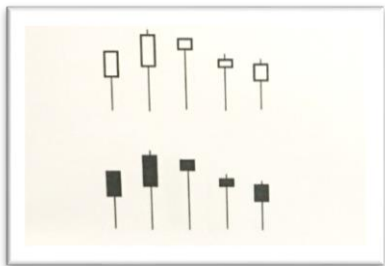
THE BEAR CANDLE



BULLISH CANDLESTICK FORMATIONS

HAMMER

One candle formation. The hammer is a bullish pattern (Buying). It occurs after a significant downtrend. A small body and a long wick to the south side. It could be bullish or bearish.



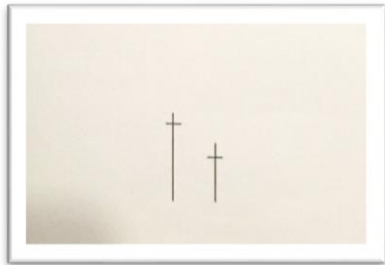
TWEEZER BOTTOM

This bullish pattern. It can consist of two candles or more (Hammers). Bodies can be bullish / bearish or both. At least 2 candles must have a long equal wicks. The long wick on the south side of the body must be a minimum of 60% of the total candle.



DRAGONFLY DOJI

This candle signifies a turning point. It occurs when the open and close are the same, and the low is significantly lower than the open, high and close prices. Could also be seen as a Hammer.



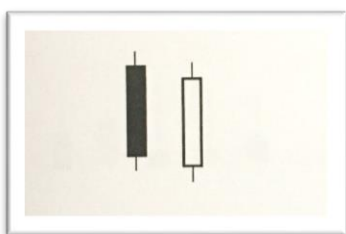
BULLISH ENGULFING

This pattern is strongly bullish. It occurs after a significant downtrend. The bullish candle must open lower than the bearish candle's close and close higher than the bearish candle open. It could also be a small bearish candle that is engulfed by a large bullish candle.



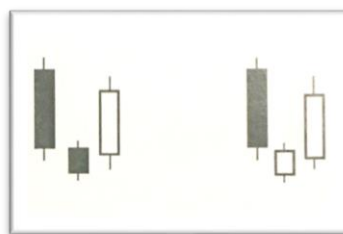
PIERCING LINE

This is a bullish pattern. The first candle is long bearish candle followed by a long bullish candle. The bullish candle opens lower than the bearish low but closes more than halfway (60%) above the middle of the bearish candle body.



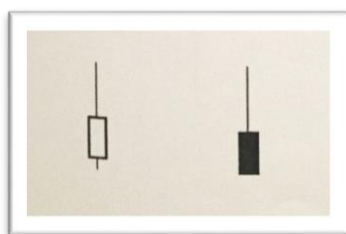
MORNING STAR

This is a bullish pattern that signifies a potential bottom. The star indicates a possible reversal and the bullish candle or candles confirm this. The star can be bullish or a bearish candle (Middle Candle). Close of the bullish candle must be beyond a 60% U-turn. It is very significant if the candles don't touch each other (Close and Open).



INVERTED HAMMER

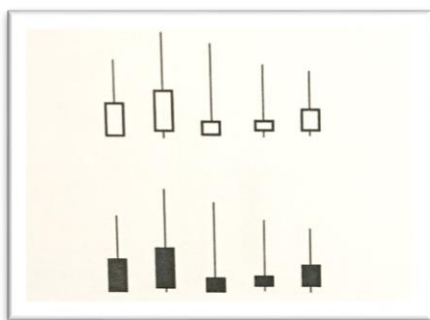
This pattern is bullish. It occurs after a significant downtrend. An inverted Hammer is identified by a small candle body and a long upper wick to the north side. Can be seen as a Shooting Star after a downtrend and not an uptrend.



BEARISH CANDLESTICK FORMATIONS

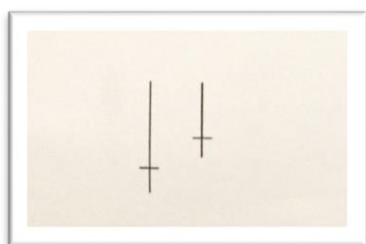
SHOOTING STAR

This pattern suggest a reversal when it appears after an uptrend. The star's body must appear near the low price and the candle should have a long upper wick to the north side. It could be bearish or bullish candle.



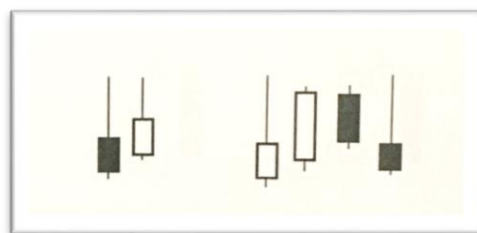
GRAVESTONE DOJI

This candle signifies a turning point. It occurs when the open and close are the same, and the high is significantly higher than the open, high and close prices. Could also be seen as a Shooting Star.



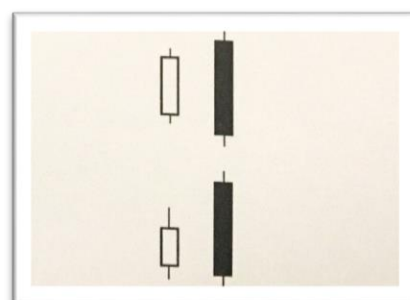
TWEEZER TOPS

This is a bearish pattern. It can consist of two candles or more (Shooting Stars). Bodies can be bullish / bearish or both. At least 2 candles must have long equal wicks. The long wick on the north side of the body must be a minimum of 60% of the total candle.



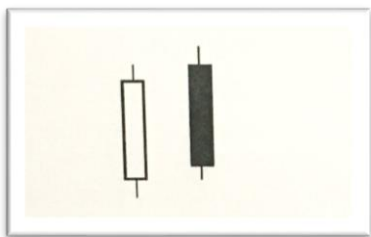
BEARISH ENGULFING

This pattern is strongly bearish. It occurs after a significant uptrend. It occurs when a small bullish candle is engulfed by a larger bearish candle. Remember the bearish candle must open higher than the bullish candles must open higher than bullish candles close and close lower than the bullish candle open.



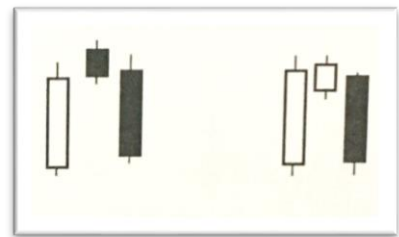
DARK CLOUD COVER

This is a bearish pattern. The pattern is significant if the second candle's body is below the centre of the bullish candle's body (60%). Just remember the bearish candle must open higher than the bullish candle close.



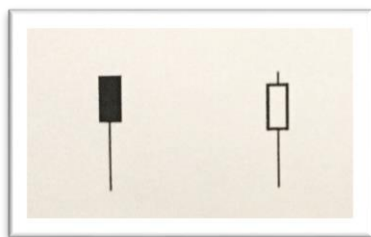
EVENING STAR

This is a bearish pattern that signifies a potential top. The star indicates a possible reversal and the bearish candle or candles confirm this. The star can be a bullish or a bearish candle (Middle Candle). Close of the bearish candle must be beyond a 60% U-turn. It is very significant if the candles don't touch each other (Close and Open).



HANGING MAN

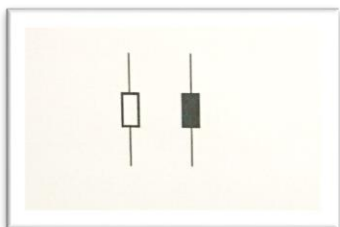
This pattern is bearish. It occurs after a significant uptrend. A hanging man is identified by a small candle body and a long lower wick to the south side. Can be seen as a Shooting Star after an uptrend and not a downtrend.



NEUTRAL CANDLESTICK FORMATIONS

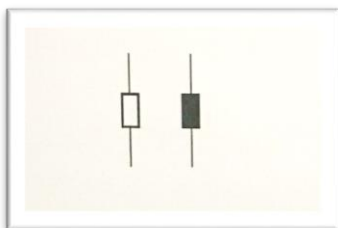
SPINNING TOP

This is a neutral pattern that occurs when the distance between the high and low, and the distance between the open and close, are relatively small. Candles could be bullish or bearish. Sometimes the middle candle of a Morning Star or Evening Star.



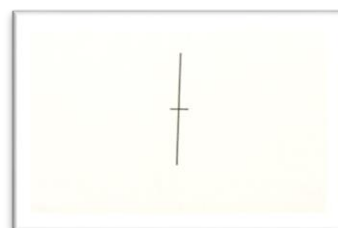
DOUBLE DOJI

This candle (two doji candles) implies that a forceful move will follow a breakout from the current indecision.



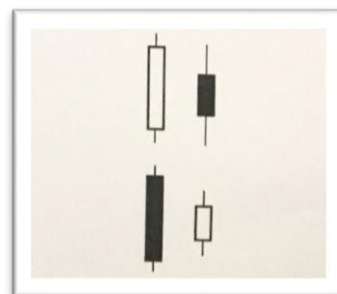
DOJI

This candle implies indecision. The open and close are the same. Sometimes the middle candle of a Morning Star or Evening Star.



HARAMI

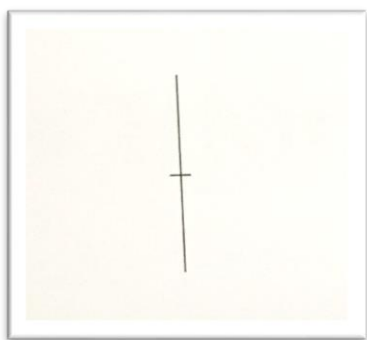
This pattern indicates a decrease in momentum. It occurs when a candle with a small body falls within the area of a larger body. A bullish candle with a large body is followed by a small bearish candle. This implies a decrease in the bullish momentum, or other way around.



REVERSAL CANDLESTICK FORMATIONS

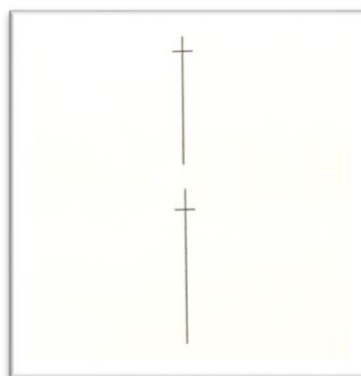
LONG-LEGGED DOJI

This candle often signifies a turning point. It occurs when the open and close are the same, and the range between the high and the low is relatively large.



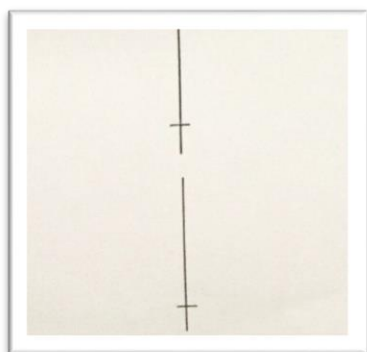
DRAGONFLY DOJI

This candle also signifies a turning point. It occurs when the open and close are the same and the tail to the south is significantly lower than the open, high and closing prices (Hammer).



GRAVESTONE DOJI

This candle also signifies a turning point. It occurs when the open, close and low prices are the same and the tail is significantly higher than the open, close and low prices



SECTION 4

Fibonacci & Technical Patterns

WHAT IS FIBONACCI

The whole world and any market, is managed by natural rules. Leanardi de Pisa de Fibonacci worked for the royal families in 900 B.C, and wrote the book Libre Abaci (The book of Calculation) as well as introduced the Arabic numbers to the Romans.

Fibonacci worked out the Universal numeric sequence:

$$1 + 1 = 2$$

$$1 + 2 = 3$$

$$2 + 3 = 5$$

$$3 + 5 = 8$$

Now take the total of the first two, add them together and it is equal to the 3rd one's total. So also the 3rd and the 4th is equal to the 5th one – and so the pattern repeats itself constantly.

To get Fibonacci's levels (Retracement), take the first 2 totals and divide them with each other:

$$(2 / 3 = 0.618) (8 / 13 = 0.618)$$

.618 is a Fibonacci level (Retracement)

All the Fibonacci levels are the following:

.382	=	38%	}	Retracement
.50	=	50%		
0.618	=	62%		
.786	=	79%		
.86	=	86%	}	Extension
1.18	=	118%		
1.27	=	127%		
1.618	=	162%		

If the market retraces up to .382-.618 then the market extends up to 1.618

If the market retraces up to .786 then the market extends up to 1.27

If the market retraces up to .86 then the market extends up to 1.18

Determining the buy and sell levels are done easily through the Fibonacci levels – without those level lines trading would have been very difficult.

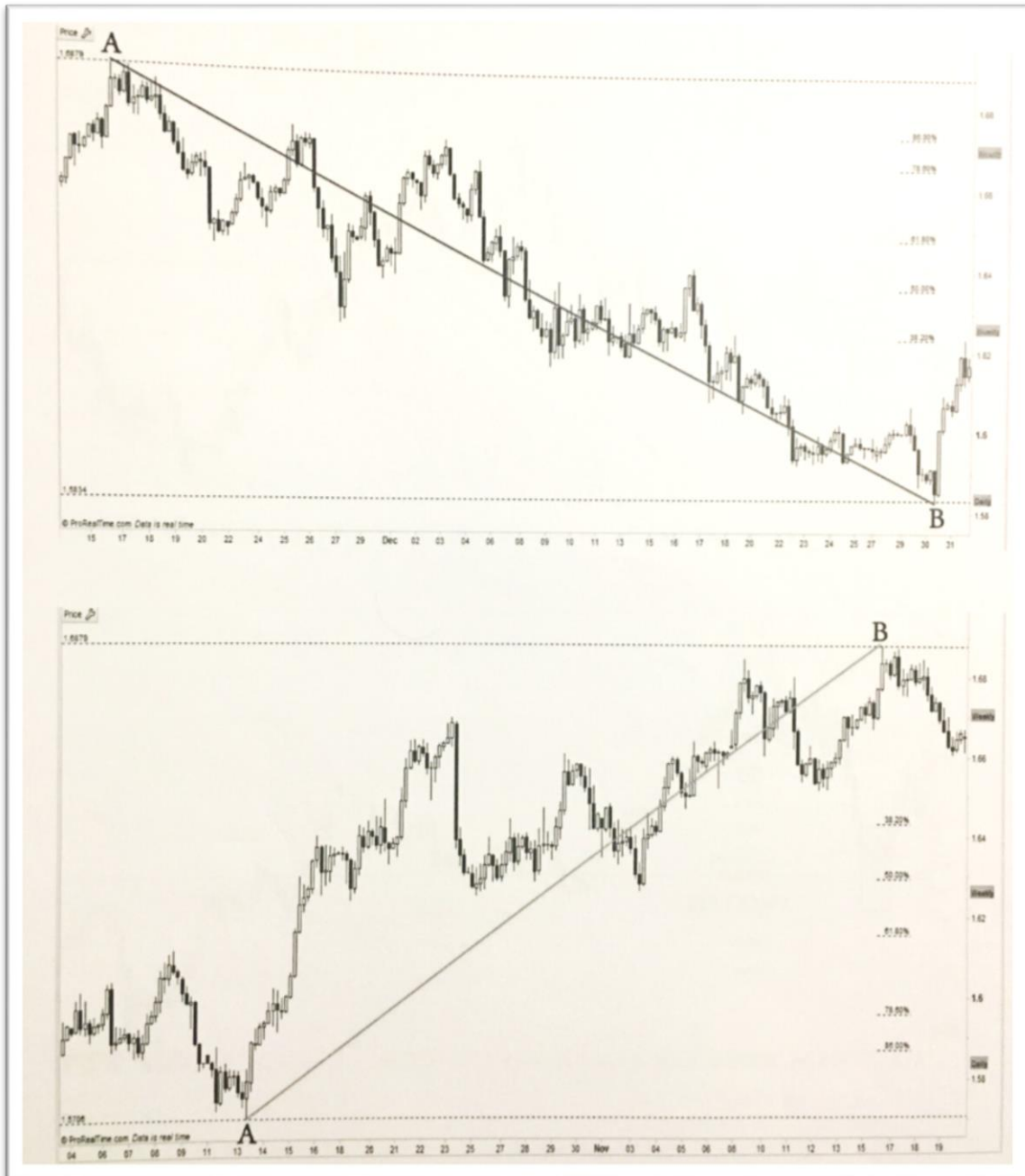
Always draw your Fib from a valid A to valid B (valid high/lows that are still in play, not been taken out by the market)

STRATEGY 2 – FIB RESTRUCTURE

1. Draw Structure Correctly (include rectangle 50 – 61.8)
2. Watch Signal Candles upon
3. Enter within 61,8 region on the Candle (Retracement Candle)
4. Stop loss (use risk Calculator)
5. Step $\frac{1}{4}$ above 61.8
6. Set inside 0% structure

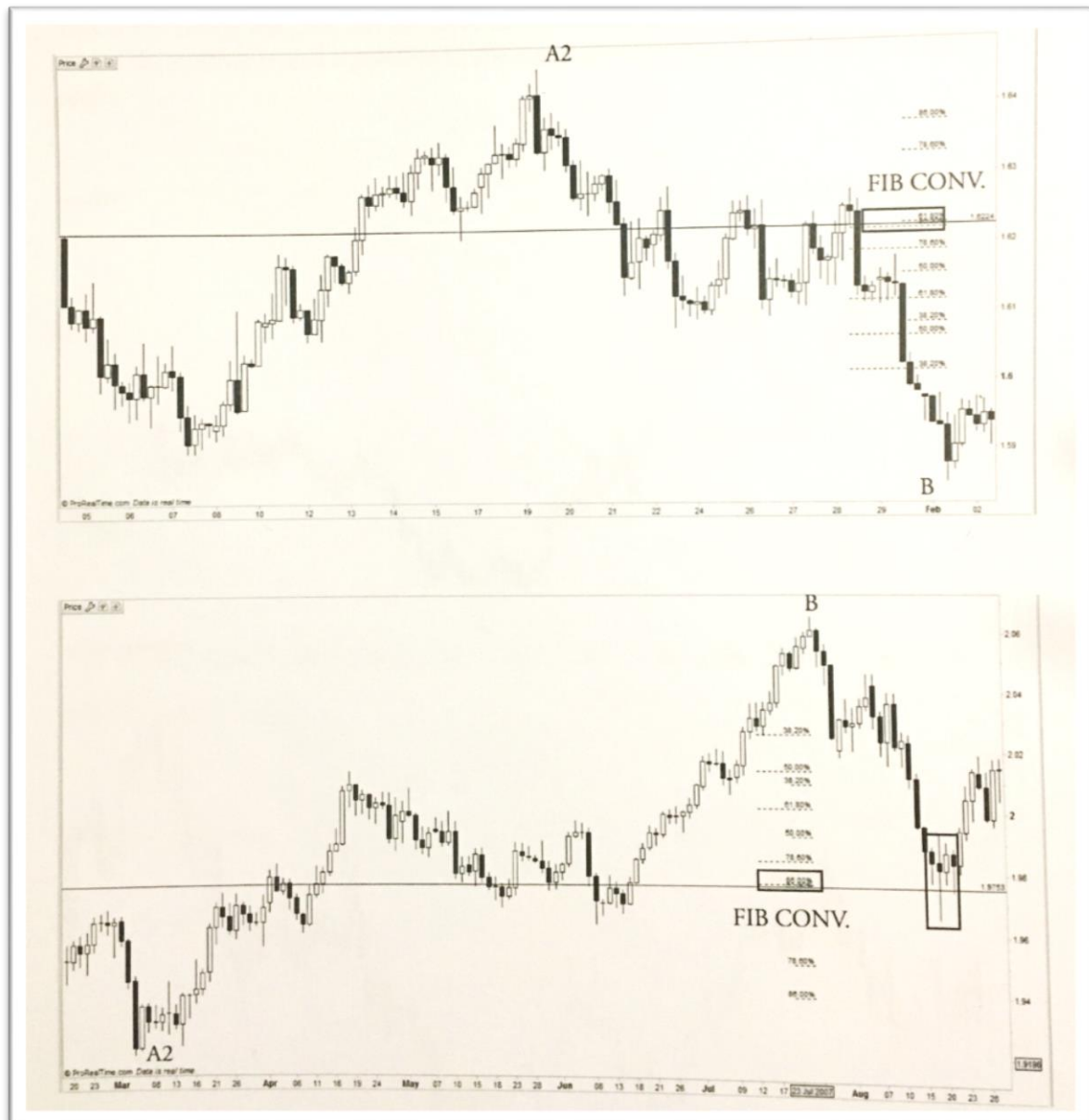
HOW TO DRAW IN FIB LEVELS

Connect valid A to B with Fibonacci tool to find optimal retracement area for potential swing trade. Valid highs and lows still in play = valid A and B



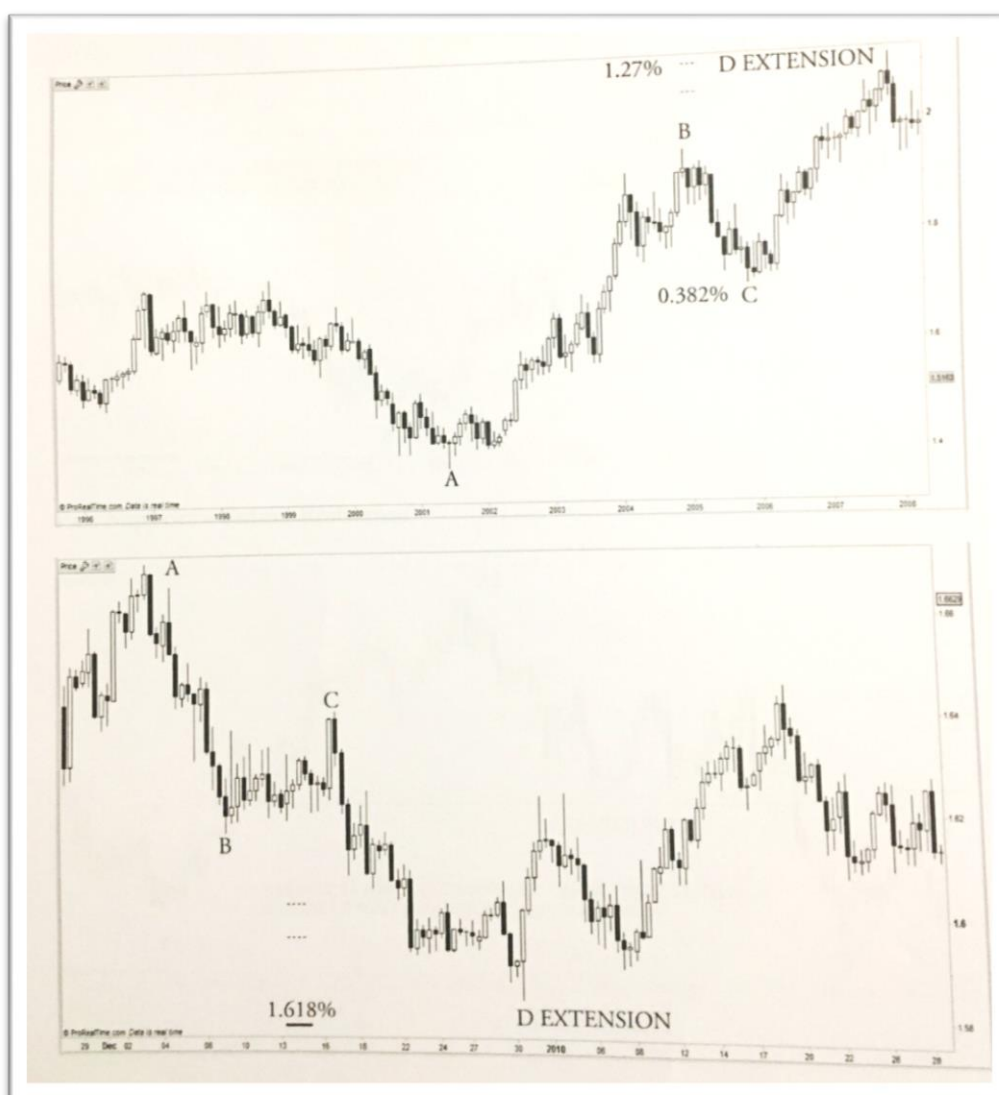
FIBONACCI CONVERGENCE

When a price level has more than one fib level from different swings we have Fibonacci convergence.



FIBONACCI EXTENSIONS

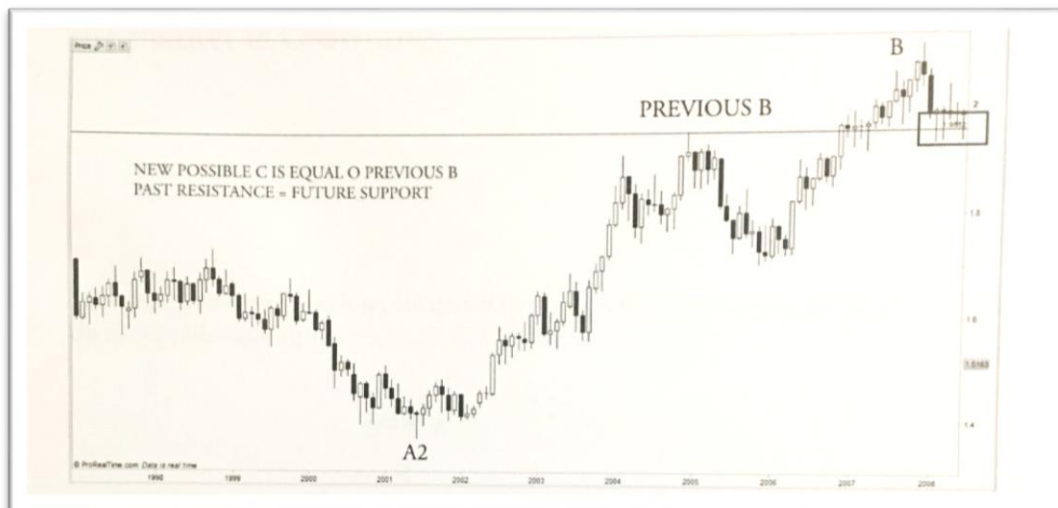
As we learnt with Fibonacci, if the market bounced on the 0.618% on the AB, it can obviously go to the 1.618% of that movement – we say that the market came from B to C and went up past B on its way to its D. D can be formed on the Extension of the AB – thus we can watch this for a possible sell with C – info and will probably be the B. This is not always the case, but the D of the new B can be on an Extension and also be traded there. If we traded a possible C, the extension could also be our possible goal for profit.



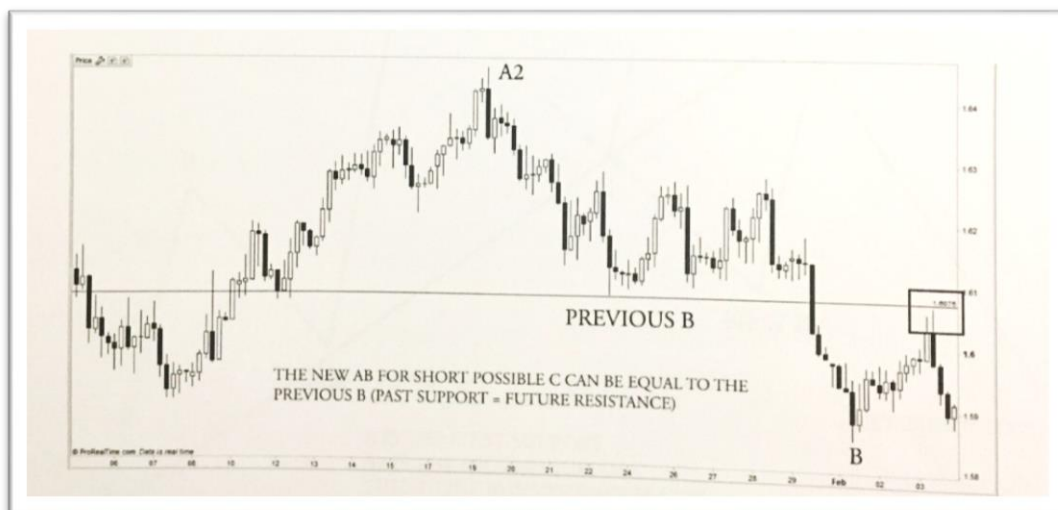
PAST = FUTURE

When the market sits on previous highs, we have Past Resistance = Future Support. When market hangs off previous low, we have Past Support = Future Resistance.

Past Resistance = Future Support



Past Support = Future Resistance

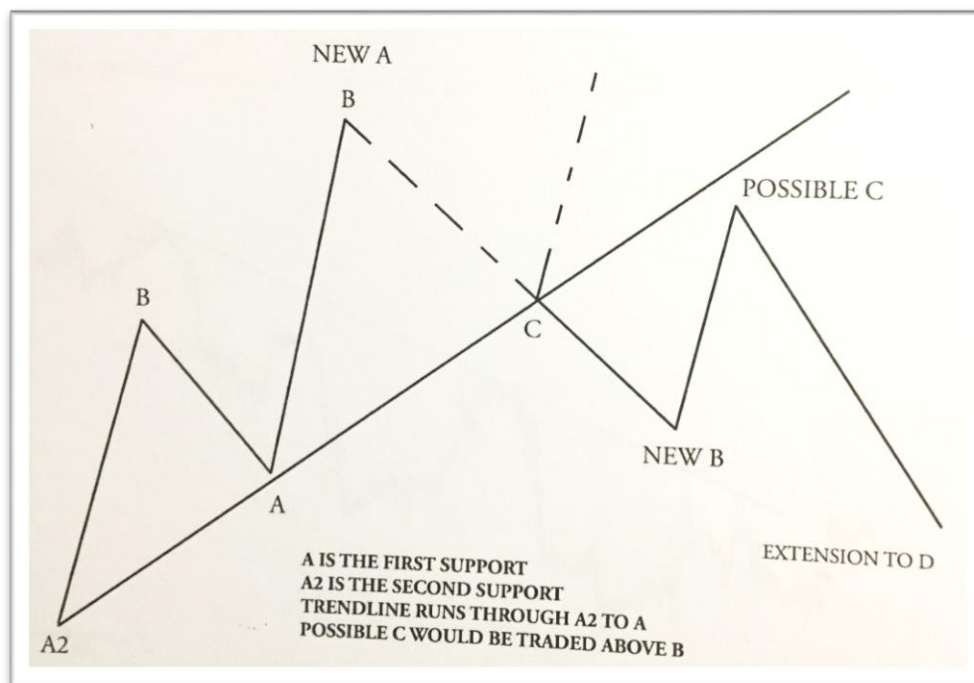


CROWN

A Crown is when the market trends change ...

After significant trend the market could turn the other way by forming and ABCD set up in the opposite direction. Then we say the market is Crowning.

Take note that new trend lines are drawn in through the new A to the possible C (Centre tip to possible right tip).

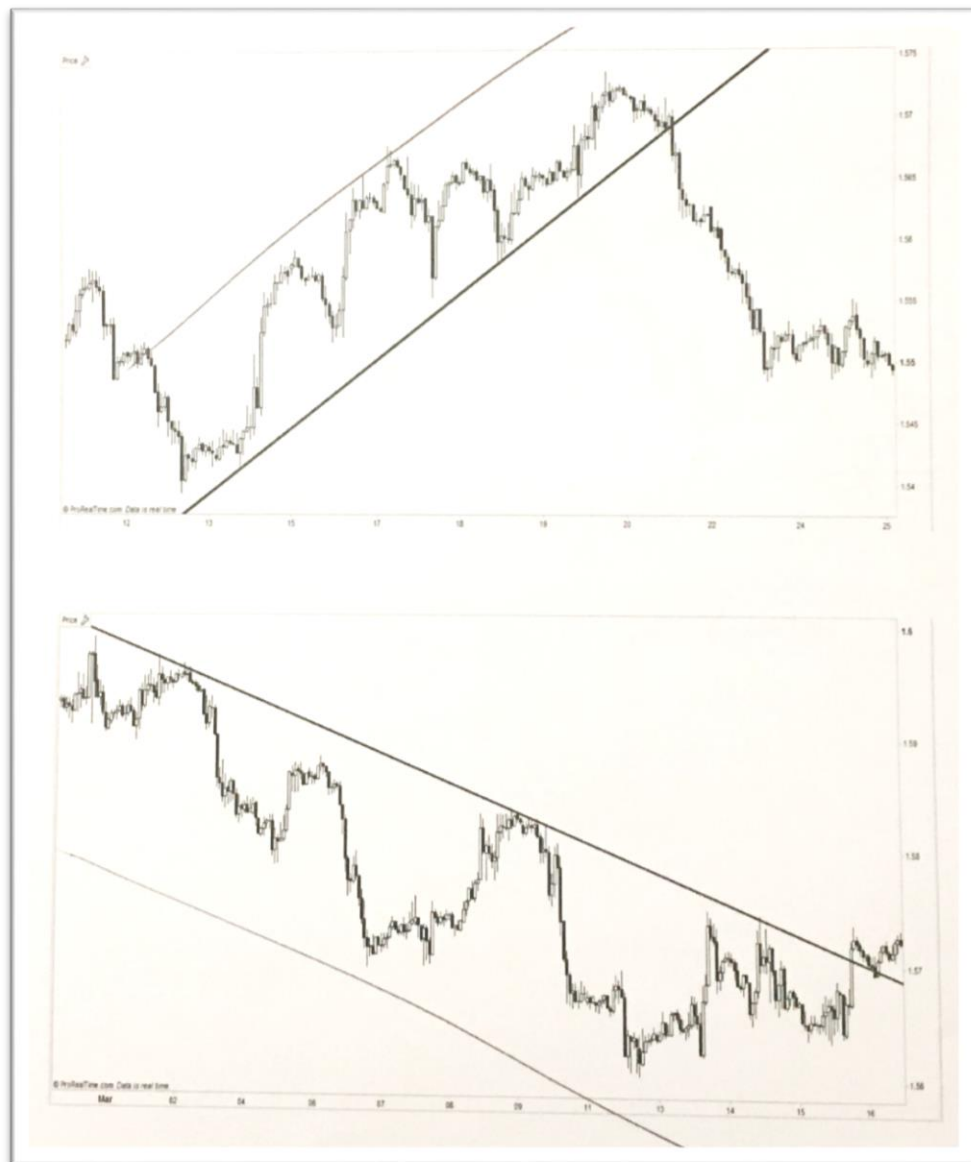


Crown formation / Strategy:

1. Identify Crown C – D
2. Each closest to known resistance or support
3. Set stop why, but beyond support on resistance

TRENDLINES

Trend lines can be placed under the highs and lows the market is making when a clear trend is in action. As long as this trend line holds we could assume the trend will continue, if a trend line is broken a new trend may form and thus signal a potential reversal of trend.



GARTLEY

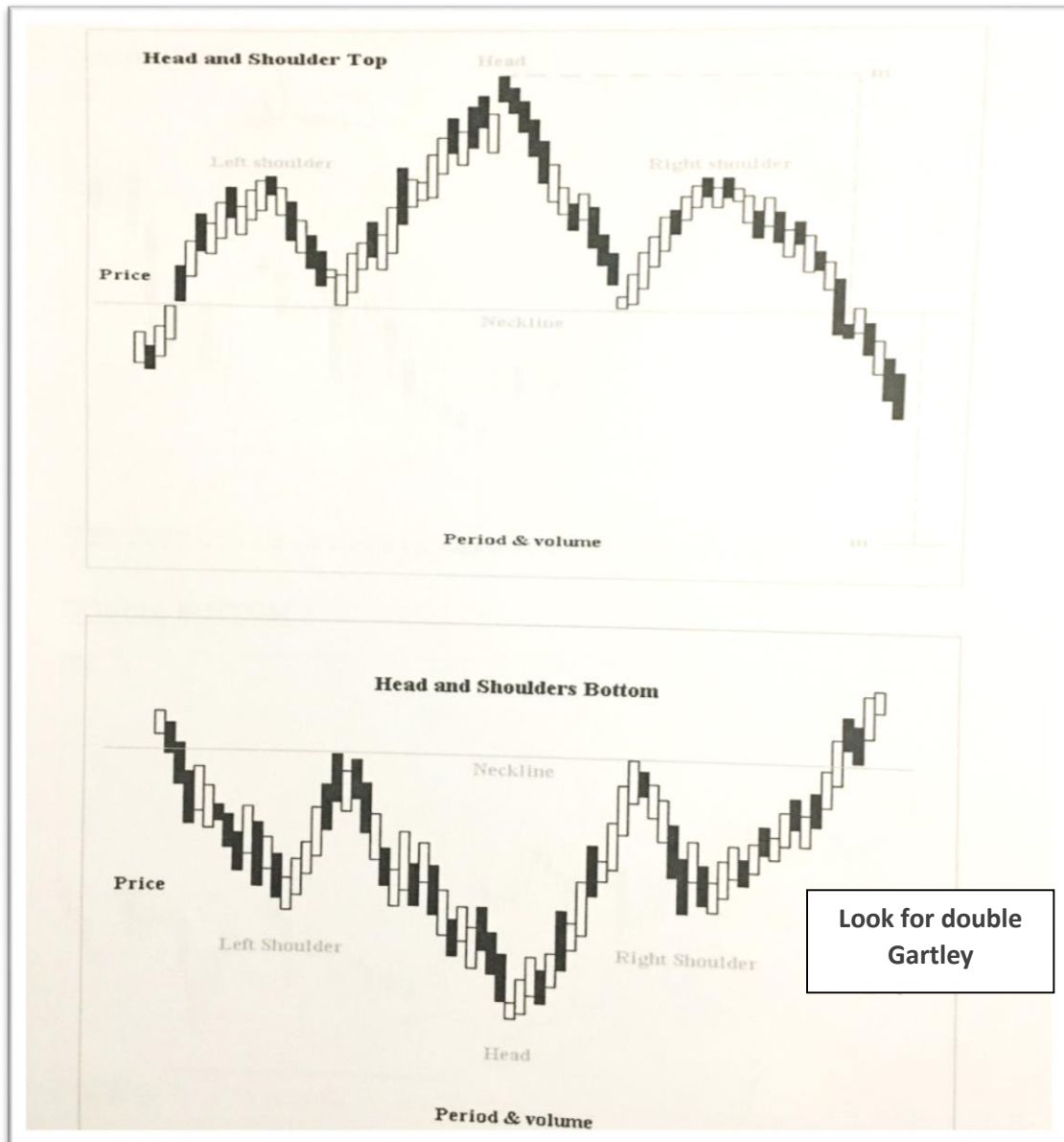
After the market makes a new low/high and the market retraces to the previous low/high which now acts as support/resistance we have a potential Gartley on our hands. Classic case of Past Resistance = Future Support or Past Support = Future Resistance.



1. Identify the B – C at Gartley
2. Check for points to enter
3. Check for re-test AC
4. Check Stochastic
5. Check Fib
6. Check Candle Sticks
7. Take profit set at B

HEAD AND SHOULDERS

Market has three highs or lows with the centre high/low being proud, the head and the two side highs/lows being equal, the shoulders, the neck lining is preceding highs/lows that are also equal. This is a potential reversal pattern.



DOUBLE TOPS & BOTTOMS

Double Tops and Double Bottoms represent a particular price level which the market can't break thru even after more than one attempt.



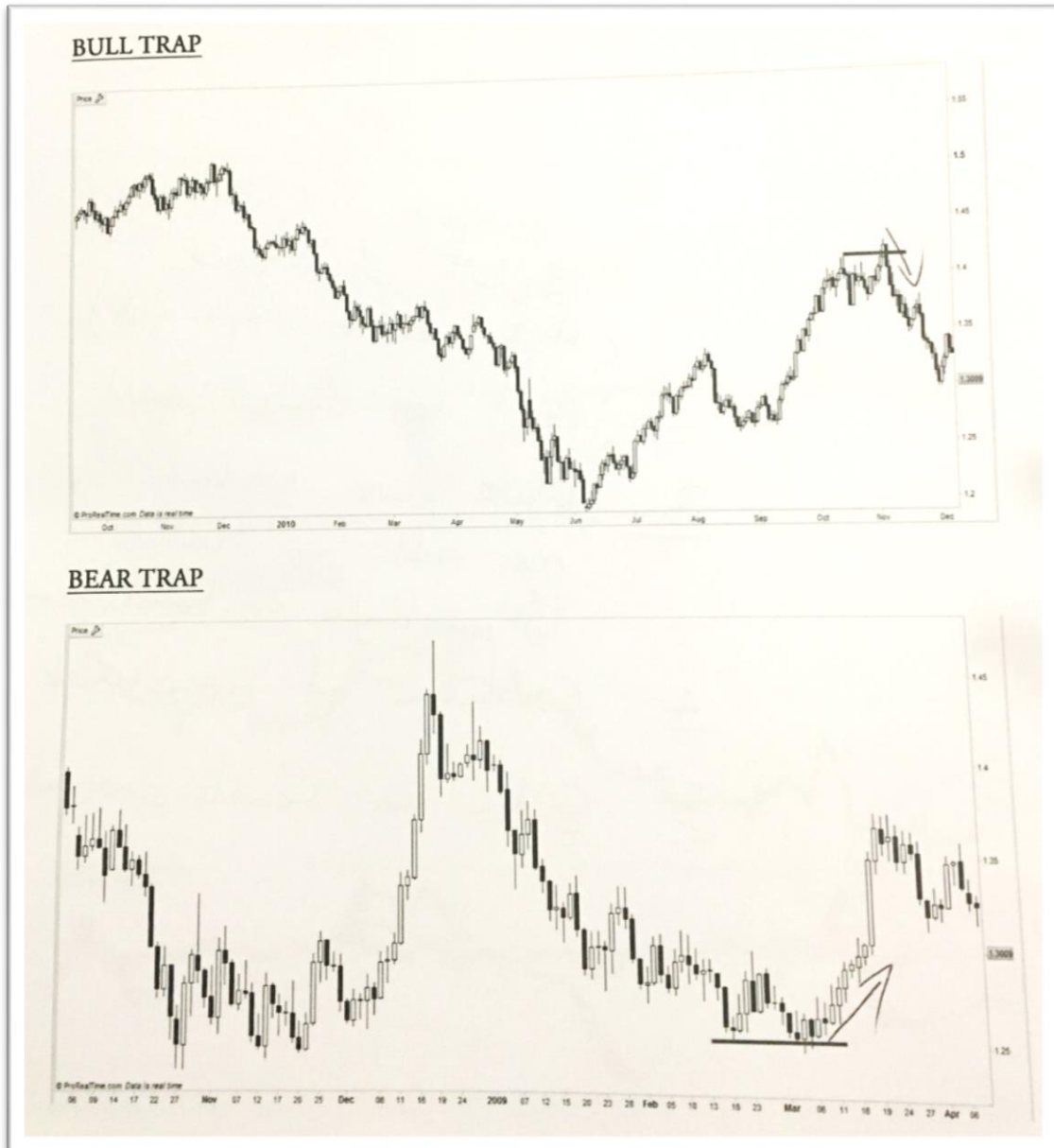
TRIPLE TOPS & BOTTOMS

Triple Tops and Triple Bottoms represent a particular price level which the market can't break thru even after more than one attempt.



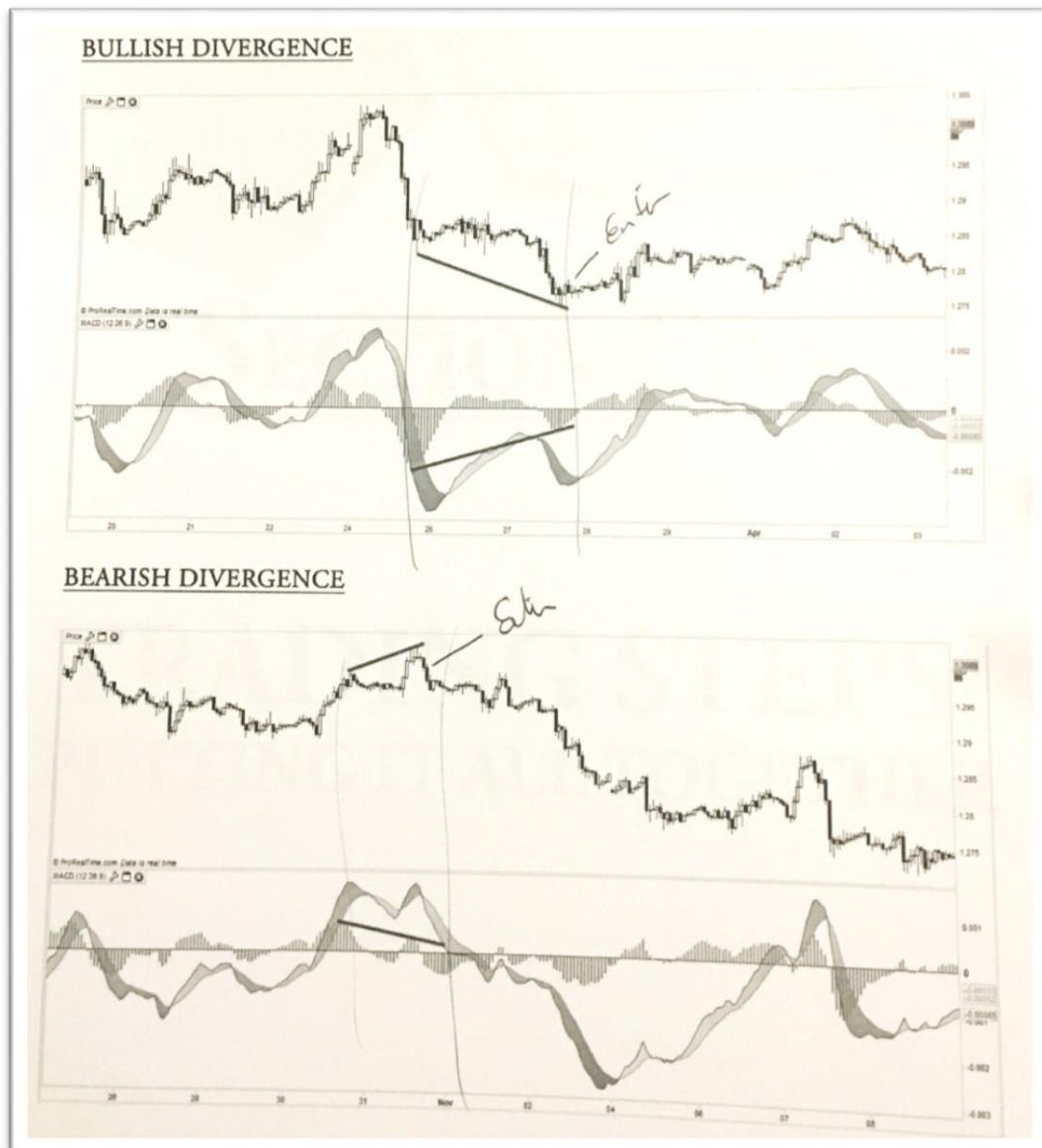
FALSE BREAK

When the market takes out a previous high/low only slightly but sends the price action the opposite way. A false break of a low is called a Bear Trap and a false break of high is a Bull Trap.



DIVERGENCE

When price action differs from an oscillator's direction ie MACD or a Momentum Indicator. ie MACD histogram bars are making lower highs but price action on the charts are making new highs, thus indicating a possible trend reversal.



SECTION 5

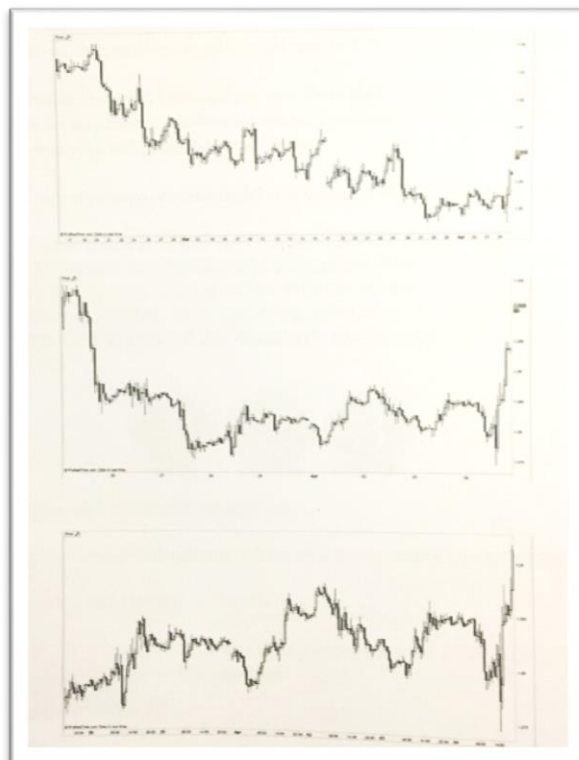
Trading Steps: Putting it all together

CHARTS AND TIMEFRAMES

Please analyse monthly/weekly/daily charts on a regular basis. Look at previous highs and lows for potential support / resistance areas for potential long term trades. Also use Fibonacci levels to determine potential long term buy and sell levels. Daily chart candle information ideal confirmation of potential long term trade. Also follow steps in this section before entry.

When using 5min, 15 min, 1h, 4h chart to determine entry points it's important to trade in the direction of the overall trend as per analyses of the daily/weekly/monthly charts. The direction of the daily chart is usually a strong indication of overall trend. Follow steps in this section before entry.

When using the 1 and 5 minute chart it is important to trade in the direction of current market trend, as indicated by the current movements you see on 1 and 4 hour chart. Follow the steps in this section before entry.



TRADING STEPS

1. Determine a trend, a direction to trade in:
Is the market making new high and higher lows for a potential buy or is the market making new lows and lower highs for potential sell?
2. Support / Resistance: Has the market found support sitting on or over a previous high for a potential buy, or has the market found resistance hanging off or under a previous low for a potential sell.
3. Determine if the potential trade price is on a Fibonacci level.
4. Wait for candle stick information to support your potential trade.
5. Does the market have any technical patterns that might support your trade? ie Trend lines, false breaks, crowns, Gartleys, double / triple tops or bottoms, divergence patterns.
6. Does the market have any technical patterns that might obstruct your trade? ie Broken trend lines, false breaks, crowns, Gartleys, double/triple tops or bottoms, divergence patterns that now is against you, rather than in your favour.
7. Does the indicators support your trade? ie Stochastic, MACD, moving averages etc.

WHEN ALL THE ABOVE STEPS HAVE BEEN CONSIDERED YOU WILL BE IN A POSITION TO MAKE AN INFORMED DECISION WHETHER TO ENTER THE TRADE OR NOT. AT LEAST 3 OF THESE STEPS NEEDS TO BE IN YOUR FAVOUR BEFORE CONSIDERING A TRADE. THE GREATER VOLUME OF THESE STEPS IN YOUR FAVOUR THE GREATER THE PROBABILITY FACTOR OF YOUR TRADE SUCCEEDING.

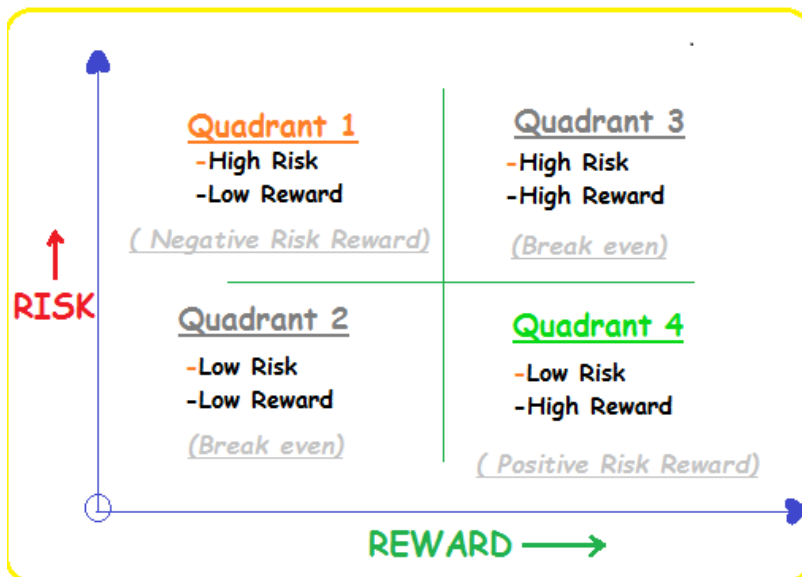
PLEASE ALSO TAKE NOTE OF THE FOLLOWING STEPS:

8. Follow proper money management: please refer to our money management section to follow.
9. Keep an eye on news reports

10. Be patient. Wait for proper set ups to appear as per point 1 – 7 on this list before considering taking a trade. Patience will be rewarded.

RISK MANAGEMENT

The most successful traders risk at the most 2% of their capital when trading. Beginners normally start risking 1% of their capital when trading. It is advisable to spread your risk percentage if entering more than one trade at a time, so never have more than 2% or 1% of your capital exposed even though you might be in multiple trades.



As you can see, this is a Risk to Reward Quadrant.

By the Illustration within each quadrant, you can deduce that the optimal square is located at the bottom right, which indicates a Low Risk, High Reward scenario.

Managing your money is an extremely important part for your sustainable success as a trader. When risking a certain amount you need to cover at least that amount with the amount in profit you take. We call that a 1-1 ratio, ie your risk 2% to make at least 2%. When market conditions are ideal, clearly trending in a direction going for a 2-1 or 3-1 ratio could be very profitable, so now you are making more money than what you risked, ie risking 2% to make 4% (2-1 ratio) or risking 2% to make 6% (3-1 ratio).

PROFIT TAKING

Previous highs when buying or previous lows when selling is a good profit targets, ie you buy at a higher low and then target the previous high for profit taking, or you sell at a lower high and target the previous low for profit taking.

For long term trading you will move your stop up a level every time the market makes a new high when buying or new low, when selling. Effectively trailing your stop, thus ensuring some profit is locked in if the market turns against your direction.



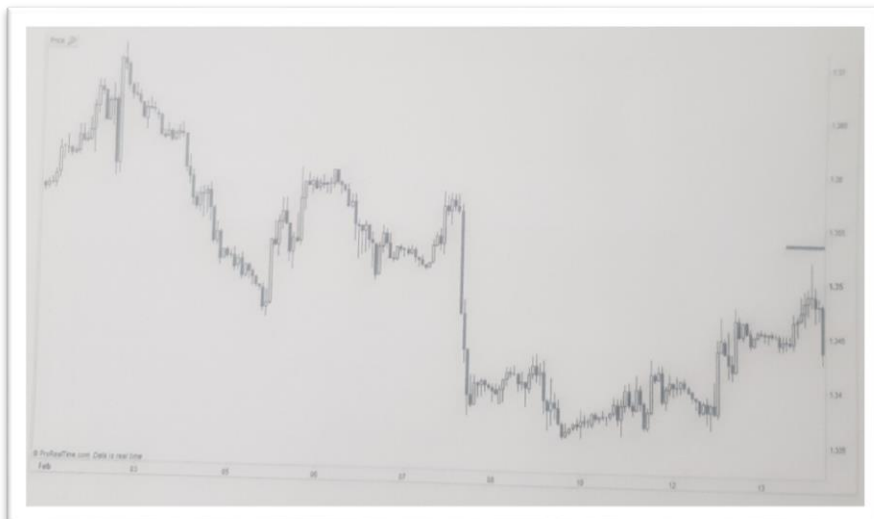
RISK STRUCTURE

Place stops-loss orders above a recent high when selling and under a recent low when buying.

STOPLOSS PLACEMENT EXAMPLE FOR LONG:



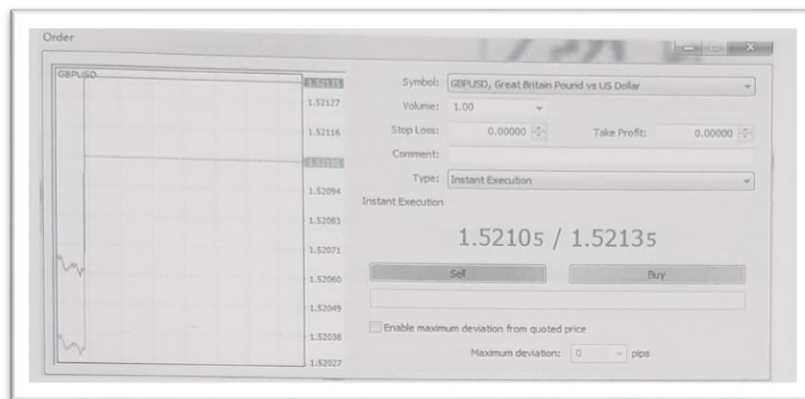
STOPLOSS PLACEMENT EXAMPLE FOR SHORT:



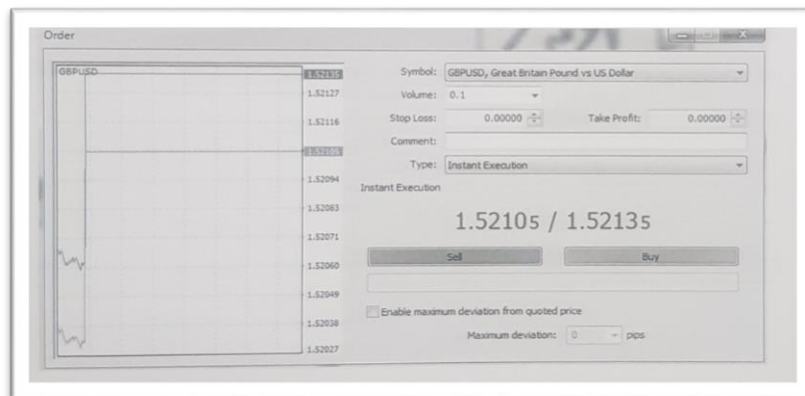
RISK STRUCTURE (CONT.)

VOLUME SETTINGS FOR META-TRADER:

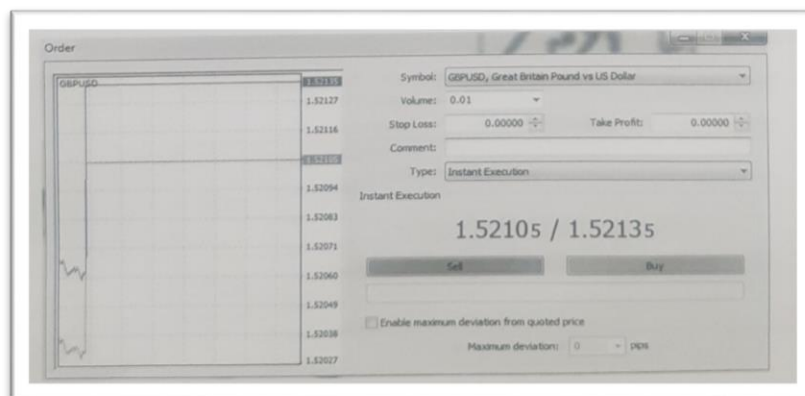
1.0 Volume = 1 Lot = \$10 per pip



0.1 Volume = 1 Mini Lot = \$1 per pip



0.01 Volume = 1 Micro Lot = \$0.10 per pip



STOP-LOSS POINTS

When placing a trade on the 1 and 5 minute charts, place your stop-loss order 5 pips + your spread above the recent high when selling or 5 pips below recent low when buying.

TIMEFRAME	STOPLOSS	STOPLOSS
	When Buying	When Selling
1 Minute	5	5
5 Minute	5	5

When placing a trade on the 15,30 minute and 1 hour charts, place your stop-loss order 17 pips above the recent high when selling or 12 pips below recent low when buying.

TIMEFRAME	STOPLOSS	STOPLOSS
	When Buying	When Selling
15 Minute	12	17
30 Minute	12	17
1 Hour	12	17

When placing a trade on the 4 hour, daily, weekly or monthly charts, place your stop-loss order 27 pips above the recent high when selling or 22 pips below recent low when buying.

TIMEFRAME	STOPLOSS	STOPLOSS
	When Buying	When Selling
4 Hour	22	27
Daily	22	27
Weekly	22	27
Monthly	22	27

FORMULA FOR RISK/VOLUME

2% (or 1% for beginners) of capital = x

Difference between entry price and stop-loss price = y

X divide by y = amount per pip you can trade divide by 10 = volume to be entered in Meta-trader new order window volume block.

FOR EXAMPLE: With capital \$1000 times 2% = \$20 = x, 50 pips for stop-loss (difference between your entry and stop-loss price) = y :

\$20 (x) divide by 50 pips (y) = \$0.40 per pip you can trade divide by 10 = 0.04 volume.

If the market moves 50 pips in your favour you would have made 50 times \$0.40 which = \$20 in profit. If the market moved 50 pips against you, you would have been stopped out with a \$20 loss.

CONSISTENTLY TAKING TRADES WITH HIGH PROBABILITY FACTORS (AS PER TRADING STEPS 1 – 7 IN YOUR FAVOUR) = SUSTAINABLE SUCCESS!

5 GOLDEN RULES!!

1. KEEP IT SIMPLE

2. REMEMBER IT'S JUST EXCHANGING OUR CURRENCY FOR ANOTHER

3. JUST DO WHAT THE CHARTS SAY YOU MUST DO

4. YOU ARE NOT GOING TO BE RIGHT ALL THE TIME

5. THE PATIENT TRADER WILL BE RICHLY REWARDED

SECTION 6

Emotional phases of a trader's development journey

1. THIS IS EXCITING – I'M GOING TO BE RICH!
2. I'M STARTING TO GET THIS! AND I UNDERSTAND IT'S NOT GOING TO BE EASY!
3. I'M NOT GETTING THIS...AM I EVER GOING TO GET IT?
4. I'M GETTING IT, BUT I'VE GOT LOTS MORE TO LEARN AND DEVELOP

**TRADING IS A SKILL
AND AN ART**

MY DAILY REPORT

Day: _____

1. Mindset (Before and After Trading):

Before: _____

After: _____

2. Sleep/Meditation: _____

3. Routine (Trade preparation):

4. Trades: (Symbol/Instrument) SL (Stop Loss) EN (Entry) TP (Take Profit/Target)

5. Rules: (Reason for entry/exit) (Confirmation/Analysis) (Trend/reversal) (News) (Execution)

6. Trade Review: (Attach pic of your analysis) (SL/EN/TP) (Bias) (Rules) (Mindset)

7. Growth Mindset: (What have I learnt from today's trades?)

MY DAILY JOURNAL

Month: _____

Week 1	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly NET
Daily Trades						
Risk : Reward						
Win : Loss						
Daily NET						

Week 2	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly NET
Daily Trades						
Risk : Reward						
Win : Loss						
Daily NET						

Week 3	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly NET
Daily Trades						
Risk : Reward						
Win : Loss						
Daily NET						

Week 4	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly NET
Daily Trades						
Risk : Reward						
Win : Loss						
Daily NET						

Week 5	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly NET
Daily Trades						
Risk : Reward						
Win : Loss						
Daily NET						

Monthly NET _____ % Export to tradervue.com OR Link account to myfxbook.com

MY PLAYBOOK

Personal Trading Plan

(I will only trade within the following rules!!!!!!!!!!!!!!)

Psychology:

Analysis:

Watch List:

Routine:

Scaling in and out of trades:

Learning Plan

My strategies with an EDGE:

Strategy 1: _____ Time Frames: _____

Risk to reward: _____ Win to loss Ratio: _____

Indicators: _____

Analysis:

Entry:

Exit:

Scaling in and out + hedge:

Strategy 2: _____ **Time Frames:** _____

Risk to reward: _____ **Win to loss Ratio:** _____

Indicators: _____

Analysis:

Entry:

Exit:

Scaling in and out + hedge:

Strategy 3: _____ **Time Frames:** _____

Risk to reward: _____ **Win to loss Ratio:** _____

Indicators: _____

Analysis:

Entry:

Exit:

Scaling in and out + hedge:

Trading is a zero sum game!
For one person to win one person must lose!
It's a numbers game!
Your goal is to get to a 70% WIN Rate!

Free Resources:

www.myfxbook.com	Account analysis
www.tradingview.com	Charting
www.babypips.com	Learning
www.forexfactory.com	News, markets and report dates/day/times
www.investing.com	News
www.marketwatch.com	News
www.dataroma.com	Hedge fund public holdings
www.wsj.com	News
https://www.youtube.com/channel/UCA1t06NYWwkYJTtOaDqIfg	Room 2 Learn Youtube
www.facebook.com/groups/326185338097365/	Room 2 Learn Private Facebook Group

Must Reads:

Trading For a Living - DR Alexander Elder
Naked Forex
Market Wizards
Playbook
One good Trade

Must watch movies:

Wolf of wall street

Rogue Trader

The Big Short

Margin Call

Wall Street, I and II

Inside Job

Trading Places

Barbarians at the Gate

Boilerroom

Wall street Warriors

Billions(Series)

Study HARD!!!

Never stop learning!

Rome wasn't built in a day

Trading is not the highest paid skill in the world for no reason

A doctor does not proceed with open brain surgery on his fist day at the job!

**An Accountant, an Attorney, a Doctor did not get their degree in one year
and so the same for a Trader!**