241 FOREX

Trading Systems Built to Change and Adapt to the Trader

<u>NOTICE</u>

Disclaimer
No claim is being made by the author that the methods taught in this book will result in profits and will not result in losses. Trading Foreign Exchange markets (Forex) may not be suitable to the recipient of this publication. The thoughts expressed in this manual are not guaranteed to produce profits. Past performance is no guarantee of future performance. Trading of any kind involves risk. Trading on margin magnifies profits as well as losses.

Hypothetical or simulated performance results have certain limitations. Unlike an actual performance record: simulated results do not represent actual trading. Also since the trades have not actually been executed the results may have under or overcompensated for the impact, if any, of certain market factors such as lack of liquidity. Simulated trading programs are in general, also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those disclosed in this publication.
In accordance with NASD Rule 2361 and NFA guidelines, you should consider the following points before engaging in day trading activities:

"HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER- OR OVER-COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN."

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INTRODUCTION

Welcome to the 241 Forex trading manual. We want to start off by telling people that we

suggest you paper trade any system you buy, including this one. The beauty with forex is

most brokers will give you a free demo account to paper trade with, where you will get

quotes, charts and news. This is where you should become familiar with the trading

system. You'll notice the manual is quite short. It was done so on purpose. We didn't feel

the need to mess it up with "filler" to try and justify the price as many others do.

We try to get to the point. Below are the two systems and their explanations, rules etc.

USEFUL LINKS YOU SHOULD VISIT

For those new to forex and don't know what a pip is we suggest you visit the one of the
following links;

http://www.futuresknowledge.com/forex/intro_to_forex.asp (left hand column)

http://www.forex.com/history_forex.html

http://www.forex.com/forex_vs_futures.html

We have no affiliation with any broker so we won't list any. If anyone wants to ask us

our thoughts of a certain broker we will be glad to give our opinion.

We don't want to be biased in any way, just want to give folks the information as we see

it.

SWING TRADE EQUATION

INTRODUCTION

While most trading systems claim to be perfect, we realize there are many different types of people who trade and each a have a different personal situation, each have a different risk tolerance, and each have different amounts of risk capital.

This system is probably the most unique you will come across. Not because of it's sophistication, but because it tries to adapt to fit each individuals personal unique trading situation. You will also learn how to tweak the system to increase/decrease risk depending on your personal situation and too meet your own trading style and goals.

SYSTEM BACKGROUND

This system is used much the same way pivot points are…only more effectively and with actual entry points. It uses market data from previous days that reveals entry points.

As you know pivot points are used religiously in trading every type of financial instrument, WHY, because they are simple and effective. This system is considered an improvement on pivot points. The Cadillac of calculations if you will.

We are introducing a system in a very unique way. We expect those who have bought it will sink their teeth into it, learn it, tweak it and actually improve on it to fit their own trading situation. We include ways to tweak the system so it suits your own style and trading needs.

We realize that not all traders' situations are the same so why would we explain a system for only one type of trader. We will explain 3 different levels of traders and we will give them different exits and stops accordingly.

CURRENCY PAIRS

We suggest most people trade the EUR/USD; it has the most consistent volatility day in, day out. Below is a list pairs that have the most volatility and that is what we need in order to trade successfully.

EUR/USD
EUR/CHF
EUR/GBP
USD/CHF
USD/CAD
GBP/USD

SYSTEM BASICS

We will start out with the system basics.

The system is based on following the trend. It uses a simple but effective equation to calculate the direction of the trend as well as calculate the entry.

Tools for Calculation

1. First you will need to get the data for the currency pair you plan on trading. We recommend going to http://www.refcofx.com/financechartdania.htm to get this data.

Once here you choose display data…under View. This will show the Open, High, Low, Close data you are looking for by moving your cursor over each day. If you have your own charting data that you prefer to use, that is fine. The key is to have the OHLC from Monday to Friday, this will be explained later.
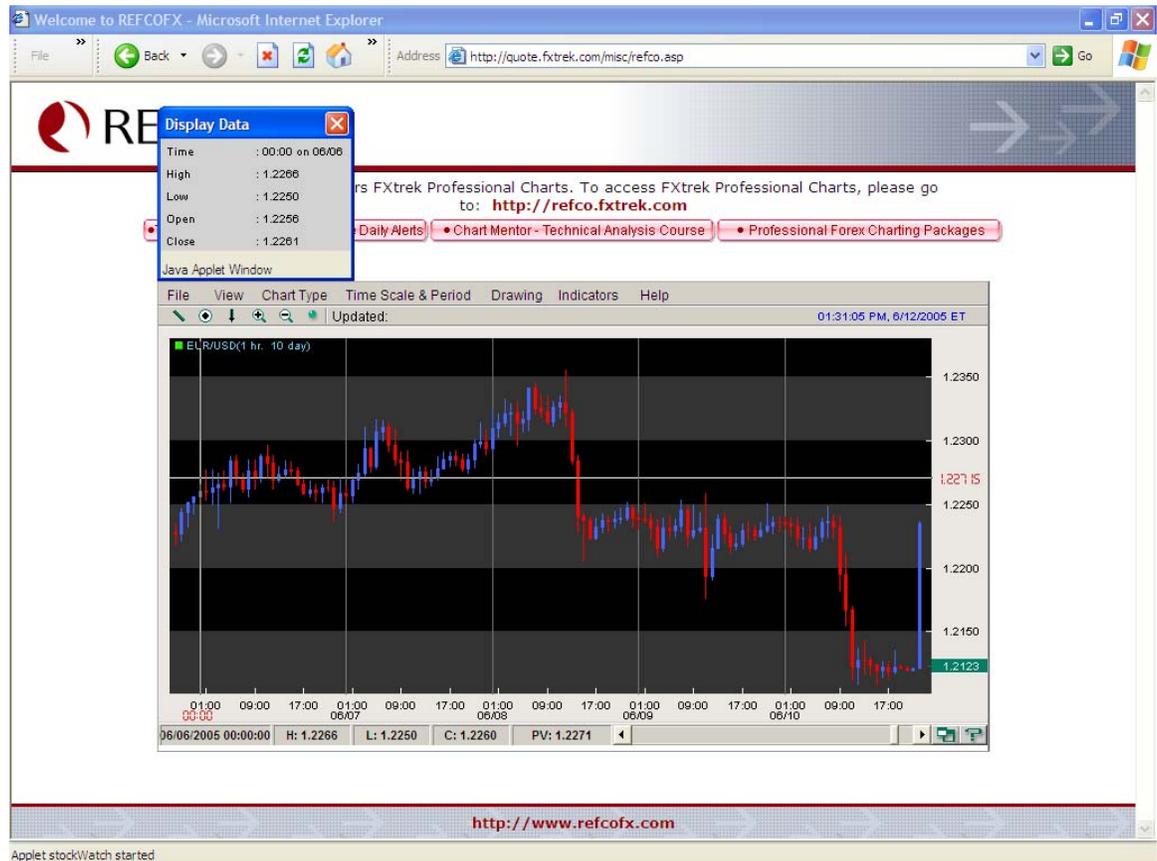
The above chart is an hour chart, you can use a daily if you like. Whatever time frame you use it must cover the open price of the week (Monday) to the close price of the week (Friday) and the high and low in between

2. Next you will need the spreadsheet to enter the data into. This was available to download after your purchase. If you have trouble getting it, email us and we can send it to you.

	Open	High	Low	Close			
OPEN--->				Trade week			
				Last week			
				2 weeks ago			
				3 weeks ago			
		0	0	0	0	0	
				0			
				0	0	0	BUY
						0	SHORT

SYSTEM CALCULATIONS

First you will need to get the Open, High, Low and Close for each of the previous 3

weeks.

Remember to use the Monday open to the Friday close.

An example of what this data will look like is below;

Open	High	Low	Close	
1.2682	1.2844	1.2631	1.2798	last week
1.2469	1.2698	1.2461	1.2682	2 weeks ago
1.2049	1.2508	1.2225	1.2469	3 weeks ago

This data is entered into the spreadsheet titled WEEKLY.

The data will be entered at the end each week. Usually on the weekend to prepare for the

upcoming week.

Once the previous 3 weeks data is entered into the spreadsheet, we need to enter the open

price to give us our LONG and SHORT trades as seen below;

The open, highlighted in yellow, is from the Monday of the week in which we will enter

the trade.

	Open	High	Low	Close					
OPEN--->	1.2798	This is the	open price	for Monday	Trade week				
	1.2682	1.2844	1.2631	1.2798	last week				
	1.2469	1.2698	1.2461	1.2682	2 weeks ago				
	1.2049	1.2508	1.2225	1.2469	3 weeks ago				
		1.2844	1.2225	1.2798		0.01548	0.01433		
				1.2469					
						0.00938	0.01433	1.2941	BUY
								-1.2655	SHORT

This will give us our LONG and SHORT triggers for the week.

SYSTEM RULES

In this section we will attempt to cover different exits and stops. As we said at the beginning, each trader has different goals and risk capital and should go about trading according to their own personal situation.

We have ranked the rules into 3 trader categories regarding risk/reward.

    A. TRADER 3

    B. TRADER 2

    C. TRADER 1

The TRADER 3 would be someone who is looking to hit homeruns, and is able to take on more risk than any others. They are looking to take the majority of the move. This person is already an experienced trader.

The TRADER 2 is someone who will look for average to above average moves, but is willing to take a profit in what might be the middle of the trend. This person has had some experience trading, perhaps in another market.

The TRADER 1 is someone with a smaller account and is looking for consistent profits, without taking much risk. They are looking to increase their capital to trade with and are looking to book profits often. This person is new to trading entirely. We suggest everyone who purchases our program to start here and move your way up at your own pace.

We urge people to be realistic in deciding which category they fall under. If you are new to trading, or new trading FX then you should trade with TRADER 1 goals, then work

your way on up as you gain experience. You should always feel comfortable, not scared when in a position.

Rule #1 When to enter the trade

We only enter the trade during the "Trade Week"

(Trade Week – this is the week in which we will actually enter a trade. Once we have collected the data from the 3 previous weeks the following week is considered the trade week.)

SHORT Trade = we only enter a short trade when the close from "last week" is less than the close from "2 weeks ago" AND the close from "2 weeks ago" is less than "3 weeks ago" Refer to the spreadsheet and you will notice the label… 3 weeks ago, 2 weeks ago etc. This is done because we want to always be trading in the direction of the trend.

LONG Trade = we only enter into a long trade when the close from "last week" is greater than "2 weeks ago" AND when the close from "2 weeks ago" is greater than the close from "3 weeks ago" Again this is done to be on the correct side of the trend. Looking at the above spreadsheet on page 10 as an example, we would take the long trade, following Rule #1.

***** Rule #1 is VERY important*****

Rule # 2 How many trades do we take

Only one trade is entered each week. So we will either short or long, which ever is triggered first…never both in the same week.

Rule #3 TRADER 3 exit

After entering the trade we are looking for 200 + pips

This may take one or two days or a week or two, we stay in the trade until we are stopped out or reach our target.

Rule #3 TRADER 2 exit

After entering the trade we are looking for 110 pips

This may take one or two days or a week or two, we stay in the trade until we are stopped out or reach our target.

Rule #3 TRADER 1 exit

After entering the trade we are looking for 75 pips

This may take one or two days or a week or two, we stay in the trade until we are stopped out, reach our target or safety stopped out (more on this in the Stop section).

Rule #4 TRADER 3 stop

After entering the trade we are willing to risk 75 pips

Rule #4 TRADER 2 stop

After entering the trade we are willing to risk 35 pips

Rule #4 TRADER 1 stop

After entering the trade we are willing to risk 25 pips

We also use a safety factor in this category. We call it the safety stop.

Safety Stop – when the trade goes in our favor 20 pips then comes back to our entry price we get out flat.

Again this category is looking to minimize risk and the safety stop makes sure this

happens.

SYSTEM TWEAKS

For those of you who are looking to tweak the system for results that suit your personal situation best here are a few to consider.

EQUATION

In the spreadsheet you will notice under the columns G and H there are numbers.

If you highlight those numbers you will see an equation such as the following,

=(C7-E8)/4

The last number, in this case 4, can be changed to adjust the long and short triggers.

The larger the last number in the equation the sooner you are likely to enter a trade.

The smaller the last number the more the market has to move in order to trigger your Long and Short entries.

AVERGING IN TO A POSITION

We only suggest this tweak for the TRADER 3 and TRADER 2 categories.

TRADER 3 – if the trade goes against you 50 pips, average in with two more contracts and set your stop on the entire position to negative 75 pips.

TRADER 2 – if the trade goes against you 20 pips, average in with 2 more contracts and set your stop on the entire position to negative 40 pips.

SAFETY STOP

For those of you trading under the assumption of TRADER 2 or TRADER 3 you can also use the safety stop to protect capital.

TRADER 3 – set your safety stop to 75 pips. Which means if the trade goes in your favor 75 pips then comes back to your entry price, get out flat.

TRADER 2 – set your safety stop to 45 pips. Which means if the trade goes in your favor 45 pips then comes back to your entry price, get out flat.

INTRADAY TRADE EQUATION

INTRODUCTION

When using this system we are looking to only trade intraday, never holding positions

overnight. It is a simple system similar to a range breakout system only more refined.

We have included this system for traders who wish to be more active and who would like

to be in a trade more often and take advantage of the intraday volatility. Here, we are

looking to take advantage of short-term trends that appear on a daily basis.

With the intraday system we will leave it up to the individual to take into account their

own situation and have not included different exits and stops for the 3 trading levels.

We have included exits and stops in the rules section as a starting point.

We also suggest you examine the typical range of the currency pair you are trading (past

5-10 days) and attempt to take a quarter of the daily range.

SYSTEM CALCULATIONS

Fist we need the Open, High, Low, Close data from yesterday and simply copy it into the

spreadsheet that you downloaded when you made your purchase. If you have trouble

downloading the spreadsheet please let us know and we will email it to you.

An example of the spreadsheet is found below;

Date	Open	High	Low	Close	BUY	Buy Trigger Value	SELL	Sell Trigger Value
March 10	1.2049	This is	the trade	day	1.2278	0.0229	1.2041	0.0008
March 09	1.2469	1.2698	1.2461	1.2682				

By inputting the data into the spreadsheet this gives us the Long and Short trades for the

day.

SYSTEM RULES

Rule #1 How many trades do we take

We take the first trade that is triggered for the day. Only one trade is taken for the day.

Rule #2 Exit

Once we enter the trade we are looking for 25 pips. We also use a safety stop of 10,

meaning if the trade goes in our favor 10 pips and then comes back to our entry price, we

get out flat. (Remember this is a starting point, and you will adjust your own personal

risk/reward for each trade)

Rule #3 Stop

Once we enter the trade we are willing to risk 15 pips.

Rule #4 Time of day

We will not enter into a trade after the New York close, 4:00 EST.

Rule #5 Trigger Value

We will only enter a trade if the trigger value is greater than .0065 but less than .0150.

USD/Yen only enter a trade if the trigger value is greater than .15 but less than .35.

If both the LONG trigger value and the SHORT trigger value fall within the parameters than whichever is larger chose it and it's corresponding trade.

Best Times to Trade and News Releases

EUR/USD

Best traded during London market hours and New York market hours.

GBP/USD

Best to trade during late Tokyo market hours into the London and New York market hours.

Tokyo market hours open at 0:00 GMT or 7 pm EST and close at 9:00 GMT or 4 am EST

London market hours open at 8:00 GMT or 3 am EST and close at 17:00 GMT or 12 pm EST. This time frame is most important as it overlaps with the New York market.

New York market hours open at 13:00GMT or 8 am EST and close at 22:00 GMT or 5 pm EST. The best time to trade here is in the first 3 hours.

Economic Data Released

 23:50 GMT Japan

13:30 GMT USA

07:45 GMT Eurozone

After some economic numbers are released some pairs may react violently.
Caution must be taken during these times.

SUMMARY

We want to stress that the SWING TRADE Rule #1 is <u>VERY</u> important. Being on the

correct side of the trend is key no matter what instrument you trade.

Also please take the time to paper trade; you have 60 days to try it, so take advantage.

We hope you find both these strategies to be helpful in your Forex trading career. We

also hope that you take the time to tweak both strategies to suit your individual trading

style. That was goal when we introduced them.

We tried to keep the manual as simple and as focused as possible.

If you have any questions please don't hesitate to contact us. We will try our best to get

back to you within 48 hours after receiving your email.

admin@241forex.com

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