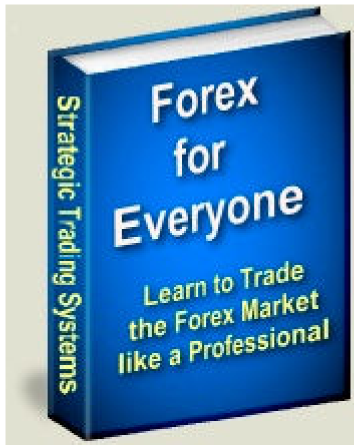
Forex for Everyone™



Introduction:

I hope that you have purchased this course because you are serious about starting a career in trading or want to hone the skills that you already have. I intend to keep things basic and to the point.

You probably already know about the Forex market. I don't want to take up space here explaining what the Forex market is and the history of it. Odds are that you have already bought material that explains that. If you are a beginner you can find basic Forex information on the Internet or in those cheap $4 ebooks on ebay.

I offer you a clear, concise, simple trading method that can be grasped in one afternoon. Many times you have heard to "Keep it Simple". This is what I've done. It's really all you need to know to successfully trade the Forex market.

Beginners want to learn all that they can and try all of the technical indicators available to them in their attempt to find the "Holy Grail". After extensively testing all indicators and methods, a trader usually returns back to the basics.

It's like the spiritual metaphor where the farmer who tills his soil and works on his land decides to search for enlightenment. Eventually, after years of spiritual search for enlightenment, he finds what he was looking for right there, on his farm, tilling his soil and working his land. The journey is necessary however to discover and appreciate this.

Trading is a journey. It's a skill honed from hours of research, backtesting and trading. With the right attitude, learning from your mistakes and striving to improve, you too will become the Trader Warrior. He/She is already within you, waiting to emerge.

I make no apologies for the amateurish look of this ebook. I am a full time trader who makes a living from it, and happens to sell ebooks about trading. I am not an ebook seller who does not trade and has to sell expensive, professional looking, and fancy ebooks to make a living. You all know the ones I refer to.

Acknowledgment

I'd like to thank my mentoring student, Greg, with his tremendous help in organizing the material in a logical and intuitive manner. His editing has been a godsend.

Summary of the material we will cover:

1. The logic of our trading method. A general big picture view of the dynamics that govern our trading.

2. Moving averages and trend.

3. Introduction to the six market conditions we trade

4. News and how it effects our trading decisions.

5. The trading charts we use.

6. Outline of the trading tools we use

7. Putting it all together.

Trading Overview:

1. Acquire the news that will be coming out today.

2. Determine the current market conditions and price location on the chart. Determine if you will be trading with the trend or counter-trending. If you follow the Forex mid-term system, check the hourly trend and current Elliott wave.

3. Determine the Day Type. One of our six market conditions.

4. Assume that Day Type Market condition will continue until market conditions change.

5. Wait for price to setup for a trade. If a trade sets up per our rules then:
    a. Using our technical tools we enter the trade.
    b. Place stops and use proper money management.
    c. Exit the trade per our exit rules.

The Logic of our Trading Method:

Markets are dynamic. They have energy. They are in constant motion. They move up and down in a natural wave like manner. The waves may change direction, but they are always moving. Waves can be large and far apart, or small and close together.

When the waves are moving up the market is in an uptrend. When waves are moving down it's in a downtrend. When the waves are moving sideways, the market is in a range. Price will trend for an undetermined amount of time before it runs out of energy. It then moves into a range bound condition. After price has had enough time to gain energy it will begin trending again.

In physics for every reaction there is an equal opposite reaction. Take a rubber band and stretch it apart. When you let go it returns to the middle, or the equilibrium point. The markets act the same. They extend up or down to a point in technical analysis terms called overbought or oversold, then eventually reverse and return to a equilibrium point.

The point of balance on a chart, or the equilibrium area, is the 200 simple moving average. Price tends to move to the 200ma, then away from it. If price is above the 200ma it's called Bullish Mode. If price is below the 200ma it's called Bearish Mode.

When price moves away from the 200ma, it will eventually return back to the 200 ma. When it does it will do one of three things:

1) **If price was extended above the 200ma and returns back to it, eventually it will start moving up again, continuing it's upward trend.**

2) **It could instead stop its upward movement and move into a range bound condition, with price moving sideways for awhile.**

3) **Price could return to the 200ma and pass right through it and move to the other end of the spectrum.**

Knowing price action and how it acts in relation to the 200ma is the basis of our trading system. The main gauge of market action revolves around the 200ma. It is the main tool used in our trading method.

Moving Averages and Trend :

Moving averages give us a more objective view of price activity. A moving average is an average of a predetermined number of prices over a number of days. The higher the number of days in the average, the smoother the line is. An MA helps to visualize currency activity. It is important to observe that the moving average is a follower rather than a leader. Its signals occur after the new movement has started, not before.

We use two types of moving averages:

1. **The simple moving average.**
2. **The exponential moving average.**

The simple moving average is just an average of the number of bars you specify. The exponential moving average is more sophisticated. It takes into account the most recent price information and gives it more weight. It's used on our smallest time frame MA.

Moving Averages: 200, 75, 21:

200 simple moving average: Used to gauge the general market trend, up, down, or flat. It tells us when the market is in a trend or a non-trend condition.

75 simple moving average: If price is moving along the 75 sma and retracing back to it as the market trends it is called a Normal Trending Condition.

The 21exponential moving average: If price is moving along the 21ema and retracing back to it as the market trends it is called a Fast Trending Condition.

The Six Market Conditions :

To determine market conditions we need a map to guide us. Many people would not consider going on a road trip without a map to guide them. We need the same guidance to help us determine how the market is acting now and what is has been doing during the past day. With this information we will know how to start our trading day. We call this tool the Trading Day Type.

A trading day type condition is simply a tool we use to measure the volatility of the market. There are six different and distinct trading conditions. Each one comes with a different set of trading rules to follow. After looking at the previous days market condition and then the current conditions we can determine our trading plan. We will assume that the current conditions will continue, and trade according to those specific rules. Eventually the market conditions will change and we will adjust our trading style accordingly.

The market acts in accordance with Newton's first law of motion:

> An object at rest tends to stay at rest and an object in motion tends to stay in motion with the same speed and in the same direction unless acted upon by an unbalanced force.

Price does not move in a consistent even pattern. It can trend up or down in a slow fashion, or it can trend up/down rapidly. Using the 200 simple moving average, the 75 simple moving average, and the 21 exponential moving average indicators we can determine the current volatility. These moving averages give us the three trending day type indicators we use. Note that a trend starts when price breaks out of a range condition.

We determine a range by drawing two horizontal lines from one high peak to another, and one low trough to another. A range starts after price has trended for some time or before significant pending news in the market. Our range indicators are the big range and small range day types.

The Six Trading Day Type conditions are:

1. Slow Trending Day
2. Normal Trending Day
3. Fast Trending Day
4. Big Range Day
5. Small Trend Day
6. News Trading Day

Trending Conditions:

1. **Slow Trend:** The market starts its move at the 200ma. If it is trending up, in bullish mode, it will continue to move upward until it is far from the 200ma. At some point, price will retrace back to the 200ma. The same rules apply to the market if it is bearish mode, below the 200ma.

2. **Normal Trend:** The market trends up, reaches an extended point, and retraces back to the 75ma. It then continues its upward movement. For bearish mode price is below the 200ma.

3. **Fast Trend:** In bullish mode, the market trends up, reaches an extended point, and retraces back to the 21ema. It then continues its upward movement. For bearish mode price is below the 200ma.

Range Conditions:

1. **Big range:** The highs and lows of the range are 20 pips apart or more.

2. **Small Range:** The highs and lows of the range are 15 pips apart or less.

News Trade:

The last market condition we trade is called the News Trade. A news event from the EUR, GPB, or USD market causes the market to move very fast and very volatile. Quick reverses are common. The average move is 50 pips or more and the average duration is five to forty five minutes. It is a very risky trade.

Continue to trade the current market conditions until they change. For example, if the market is in a Normal Trending Day price would retrace back to the 75ma, reverse, and move up again. If price penetrates the 75ma and continues to the 200ma, the market has changed from a Normal Trending Day to a Slow Trending day. We now begin following the rules for a Slow Trending Day and continue using it until market conditions change again.

Chart of Trading Day Types, Conditions and Condition changes

Type Day	Conditions	Changing Conditions
Trending Slow	Price above/below 200ma, extends >20pips, and then returns to 200ma.	Turns to Normal/Fast Trending Price penetrates 200ma Price moves into a Range
Trending Normal	Price above/below 75ma, extends, and then returns to 75ma.	Price penetrates 75ma, moves to 200ma Price stops at 21ema Price moves into a Range
Trending Fast	Price above/below 21ema, extends, and then returns to 21ema.	Price penetrates 21ema, moves to 75ma Price moves into a Range
Big Range	Price in Range >= 20 pips enter short at DT and enter long at DB.	Price moves into small range Price breaks out & starts trending
Small Range	Price in Range <= 15 pips. Do not trade.	Price moves into a big range Price breaks out & starts trending
News Trade	High volatility move caused by news.	May reverse quickly when news starts Larger bars than others near it Ends 5-45 minutes later

News:

When you start you're trading day first look at any upcoming news. Your brokerage service can supply you with a calendar of the news for the week. News is constantly coming out in the market. It's hard to determine which news event will have an effect on the market. Depending on the current economic conditions in the market, the news that moved the market last month may not necessarily effect it this month.

However there are guidelines we can follow that will help us be prepared. In our system Forex for Everyone we cover trading from midnight to noon. This time period covers the European, British, and U.S markets. 85% of all currency trading is done on the EUR market. 80% of the trading that is done during news times.

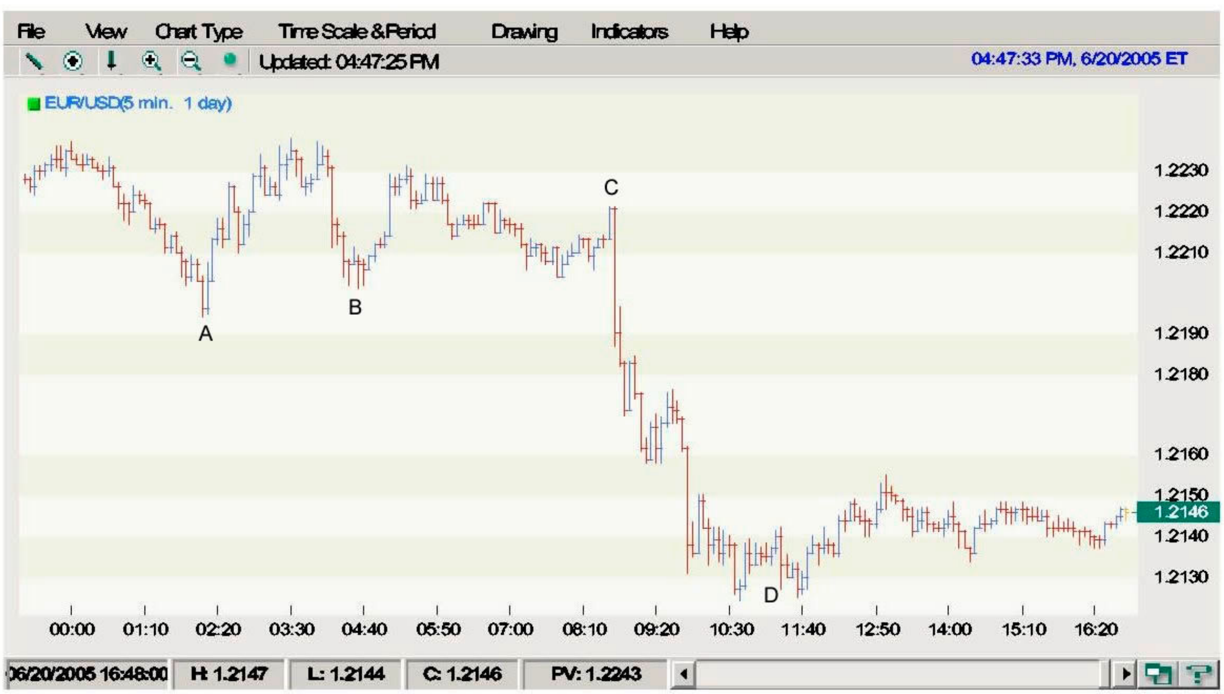
If you choose to trade during news times, it's important to understand the dynamics of news and how to trade during these periods. Even though trading during these high volatile times can be very risky, the rewards can out weigh the risk if you understand those risks and know how to trade it correctly. The three main time periods for news events are:

1. EUR - 2:00am Eastern time
2. GBP - 4:30am Eastern time
3. USD - 8:30am Eastern time

The more news issued at the same time the more effect it may have on the market. Note too that even though there may be no news for a particular currency, the market still may move at those time periods due to other events that we are unaware of. Changes from standard time to daylight savings time do not effect these times.

A news event will generally effect the market for about an hour after the news is released. However it can effect the market before news as traders wait for the news results. The market may move into a range and might stay there for hours. Sometimes you will see EUR news issued at 4:00 am Eastern Time and USD news issued at 10:00 am.

New Times



A. EUR news events at 2:00 am eastern.

B. GBP news at 4:40 am eastern.

C. USD news at 8:30 am eastern.

D. Market has digested news and calmed down.

Charts:

Use a five minute bar chart for trades. You want to have at least eight to ten hours of data on your screen at all times. For gauging the larger trend use the one hour chart.

The five currency pairs we monitor:

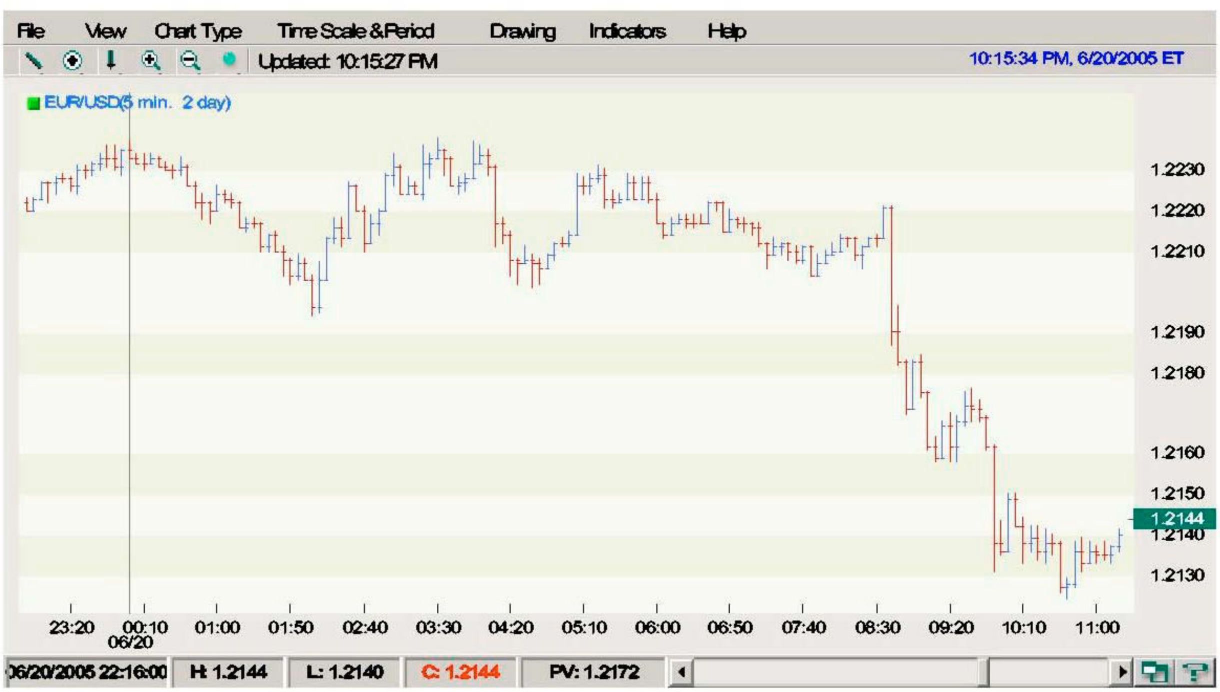
1. EUR/USD
2. GBP/USD
3. USD/JPY
4. USD/CHF
5. UDS/CAD

There are a many companies that will let you open a mini Forex account with $300. You can use their free charts. I like the FX Trek I or II chart. For about $100 a month you can subscribe to their professional charts that have more bells and whistles. All of the tools I use can be used on the free charts. FXCM.com and Refcofx.com are two good ones.

The minimum amount of money you should have in your trading account is $500.00. When learning the trading skills of Forex for Everyone use a demo account. After you have mastered the rules you can then start trading the mini account.

A mini account is great for improving your trading skills. The measurement of value is called a pip. A pip on the mini account is worth $1. The price difference of 1.3298 and 1.3299 is one pip. Using the mini account you are risking much less money while you learn. When you are ready you can open a regular Forex account for $1,000. A pip is then worth $10.00.

Five Minute Chart Example:



Trading Tools we use::

1. Entry Indicators:
    a. Double top or double bottom

    b. Support or Resistance

2. Confirming Indicators:
    a. Reversal Bar

    b. Trendline

    c. Parallel Line

    d. 61.8% Fibonacci Retracement

3. Money Management Stops:
    a. Initial Stop

    b. 3 Bar Stop

    c. 1 Bar Stop

    d. Pivot Stop

4. Exit indicators:
    a. Trailing Stops stop out:
        1. 3 bar trailing stop in normal conditions.
        2. 1 bar stop if price bars are over 20 pips.
        3. Pivot stops.

    b. Price objective of 50 pips or more is achieved

    c. Price stalls for 60 minutes or more

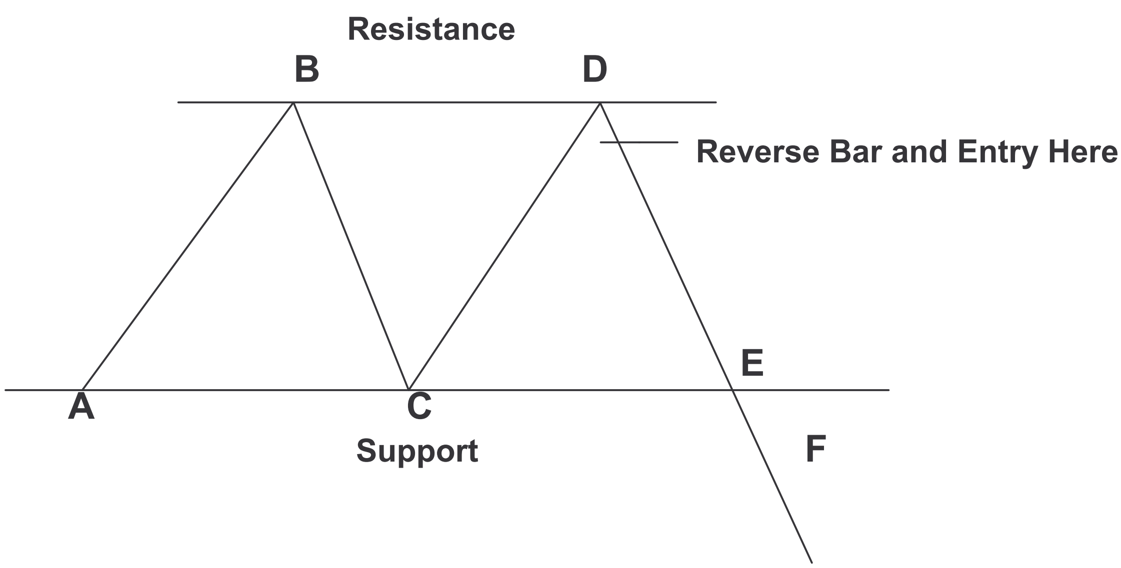
    d. Double top or double bottom

1. Two indicators to enter a trade:

A. Double tops and double bottoms:

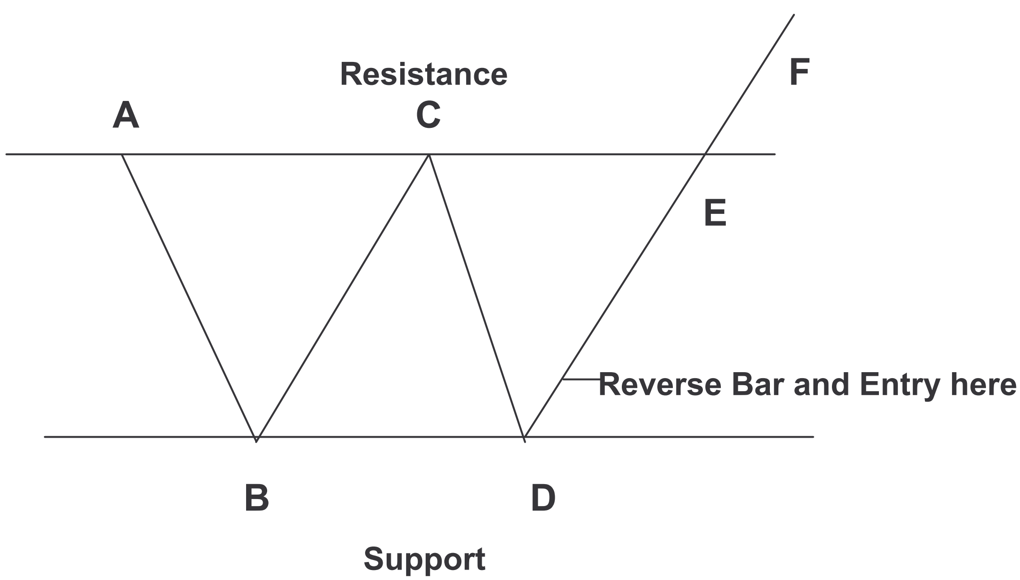
A very reliable and common trend reversal chart formation is the double top and double bottom. A double top consists of two tops of approximately equal heights. If price moves up from point A to point B, reverses and test support at point C you have the first possible formation of a double top.

From that strong support level at C price turns and test the resistance of B, a formation of a double top begins at point D. Point D is the point of entry for our trades if a reverse bar forms. We would enter the market short. So we actually enter a trade at the beginning of the formation of a double top instead of when the double top is fully formed at point E. Finally the trade is confirmed at point F if price passes the support levels at points A and C. The direction of the trade is down for a valid double top. A more conservative entry point would be after the confirmation of the double top at point F.

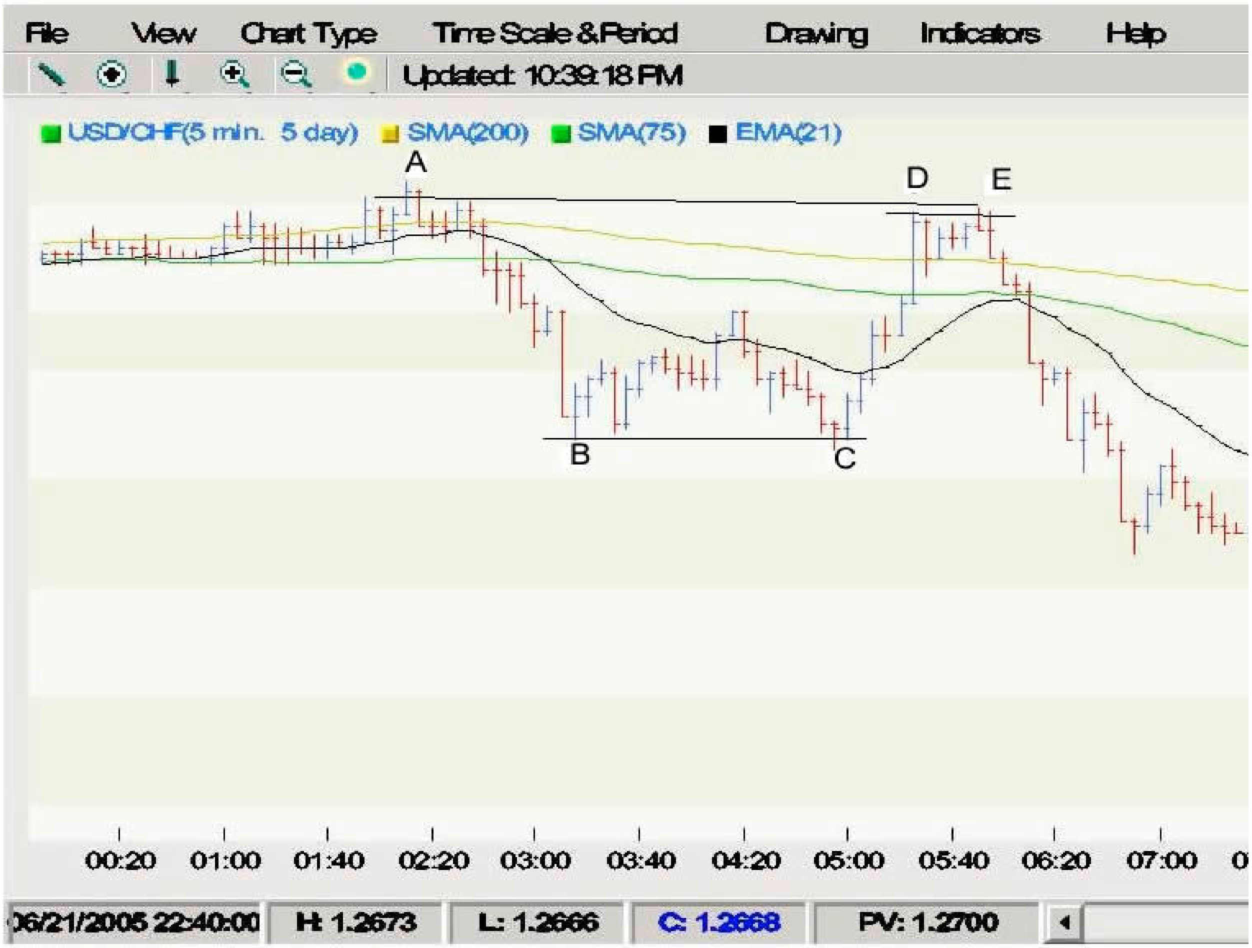


A double bottom consist of two bottoms of approximately equal amplitude. If price moves down from point A to point B, reverses and test resistance at point C you have the first possible formation of a double bottom.

From that strong resistance level at C price turns and test the support of B, a formation of a double bottom begins at point D. Point D is the point of entry for our trades if a reverse bar forms. We would enter the market long. So we actually enter a trade at the beginning of the formation of a double bottom instead of when the double bottom is fully formed at point E. Finally the trade is confirmed at point F if price passes the resistance levels at points A and C. The direction of the trade is up for a valid double bottom. A more conservative entry is after the confirmation of a double bottom at F.



Double Top and Bottom



A. Left side of a larger double top.

B. Left side of a double bottom.

C. Right side of a double bottom. Enter long after the blue bar reverses.

D. Right Side of a larger double top. Enter short after the red reverse bar.

E. Right side of a smaller double top (with D) Enter short after the red reverse bar.

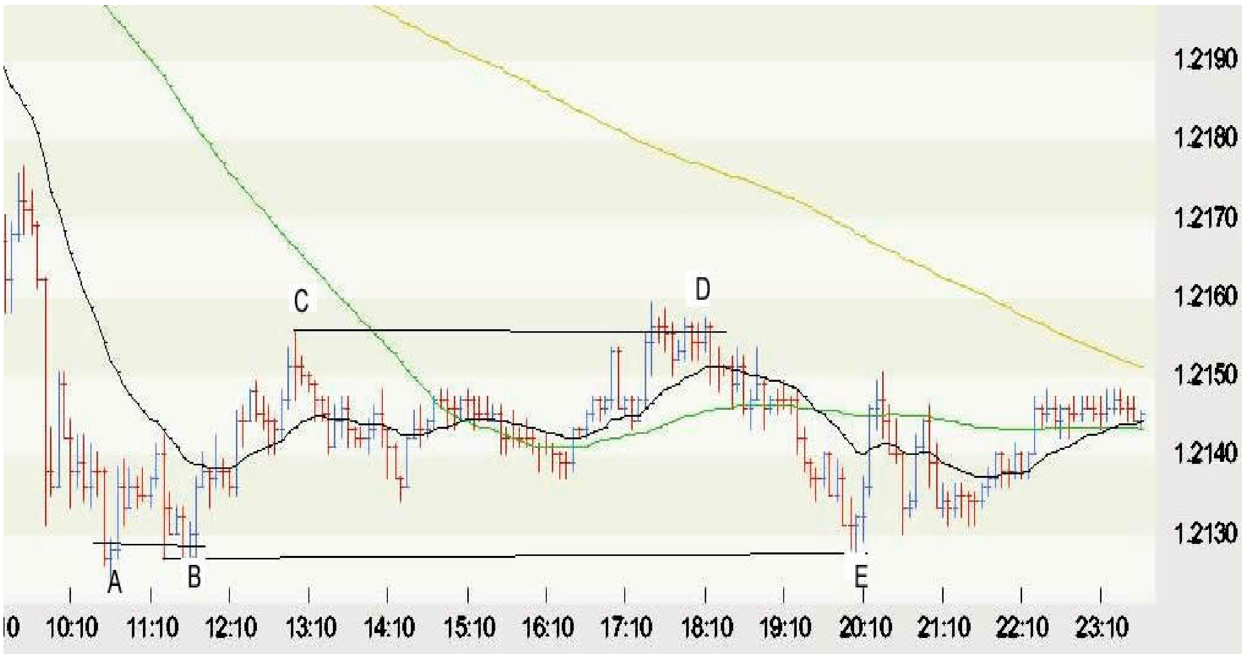
B. Support and Resistance:

The upper and lower borders of a trade channel form lines of support (lower) and resistance (upper). The peaks represent the price levels at which the selling pressure exceeds the buying pressure, which is known as the resistance levels. The troughs represent the levels at which the selling pressure exceeds buying pressure. This is known as the support levels.

The longer the price bounces off support and resistance levels, the more significant the trend becomes. For example, during an uptrend, when the currency bounces off a resistance level under heavy volume the odds increase for a price failure at the resistance level resulting in a price reversal. Trading volume is important at these levels, unfortunately in the currency markets we cannot see the volume levels.

The tool we use to clue us in to increased volume is the reverse bar. In an uptrend, when a reverse bar is larger than the bars before it and closes in the opposite direction of the trend, it indicates selling pressure is increasing. If however, a resistance level is convincingly penetrated, the resistance level penetrated turns into the opposite, a support level. Conversely, a strong support level turns into strong resistance level after being penetrated.

Intra-day Support and Resistance



A. Price makes a low and reverses.

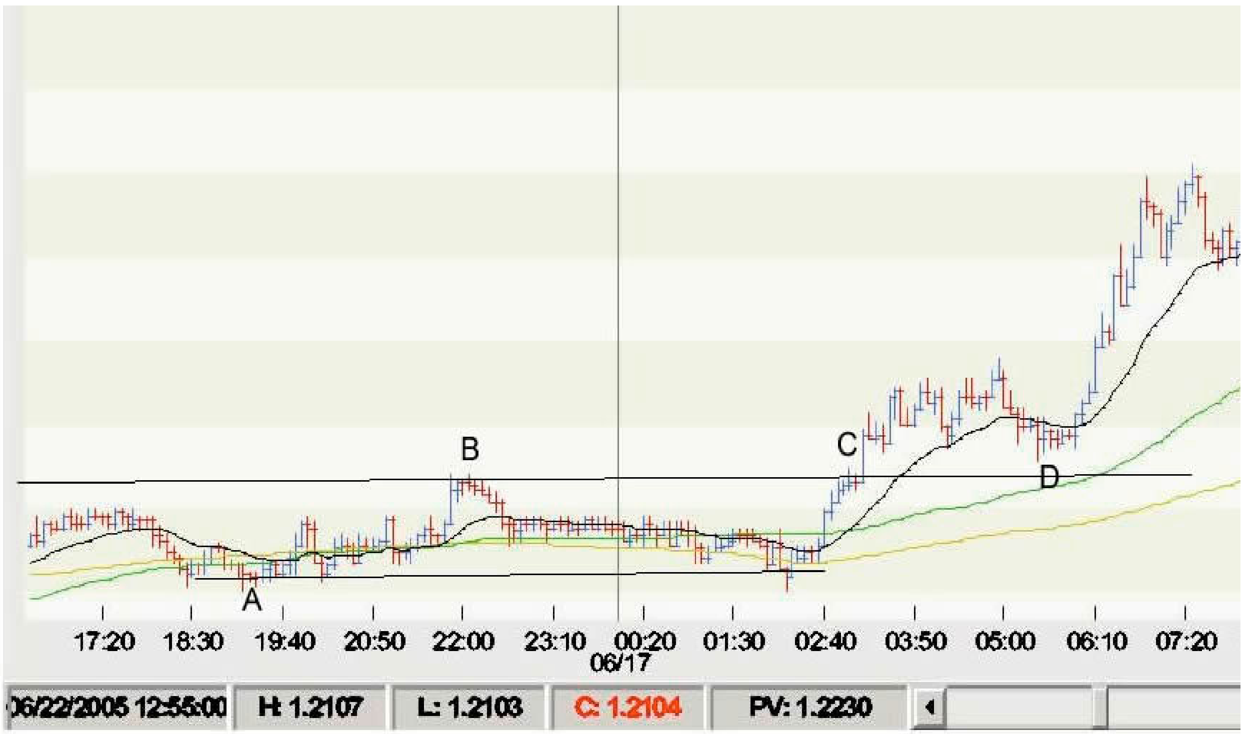
B. Price makes a double bottom and reverses upward.

C. Price moves up and reverses.

D. Price moves up and tests previous resistance at C. Selling is stronger than buying so price reverses and moves down to test previous support.

E. Price tests previous support at B. Support is strong therefore buying pressure increases and price reverses.

Breakout of resistance and resistance becomes support



A. Support is strong and holds.

B. Resistance is strong and holds.

C. Price moves back up to test resistance. This time the buying pressure is strong enough to penetrate resistance.

D. Price retraces back to previous resistance

2. Confirming Indicators:

There are four confirming indicators that we use. One is mandatory and the other three are optional. The four confirming indicators are:

A. Reverse Bar

B. Trendline

C. Parallel line

D. 61.8% Fibonacci Retracement.

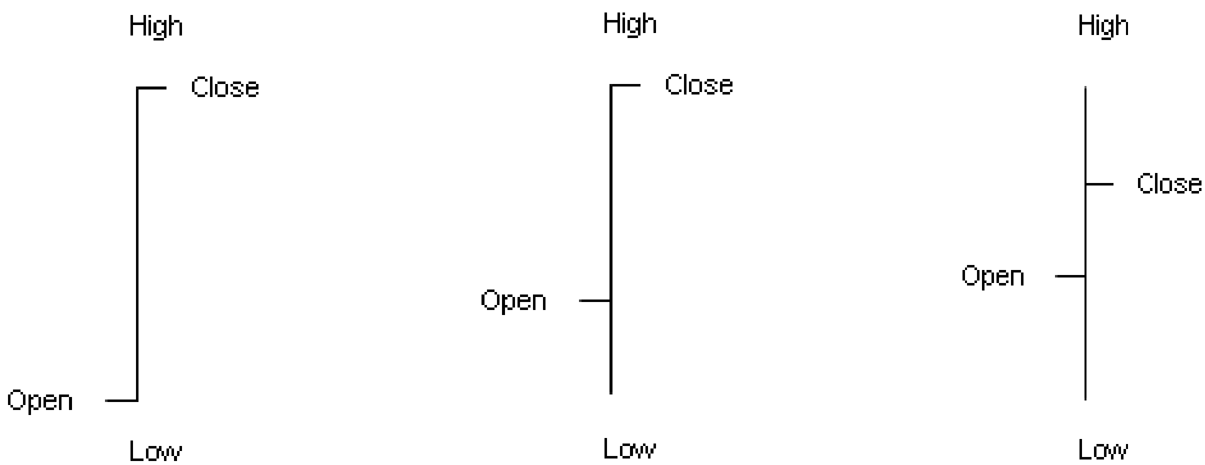
A. Reverse Bar:

Reverse bars give you an indication that the market is ready to move in the direction of the reverse bar. The larger the reverse bar, the more volume behind the move. It is an excellent entry/exit confirmation indicator. This is the mandatory indicator to use.

Reverse bars show up anywhere on a chart. They are only important to us when they coincide with one of our entry or exit setups. A bullish reverse bar will be at a support level and a bearish reverse bar will be at a resistance level. The ideal reverse bar has the open of that bar at one end and the close of that bar at the opposite end. If it's larger than the bars before it the more valid it is.

If a reverse bar is over 25 pips do not take the trade. The only exception would be at news time. Always wait until the reverse bar is completed before entering. Do not try to guess how the price bar will complete and enter prematurely.

Variations of Bullish Reverse Bars

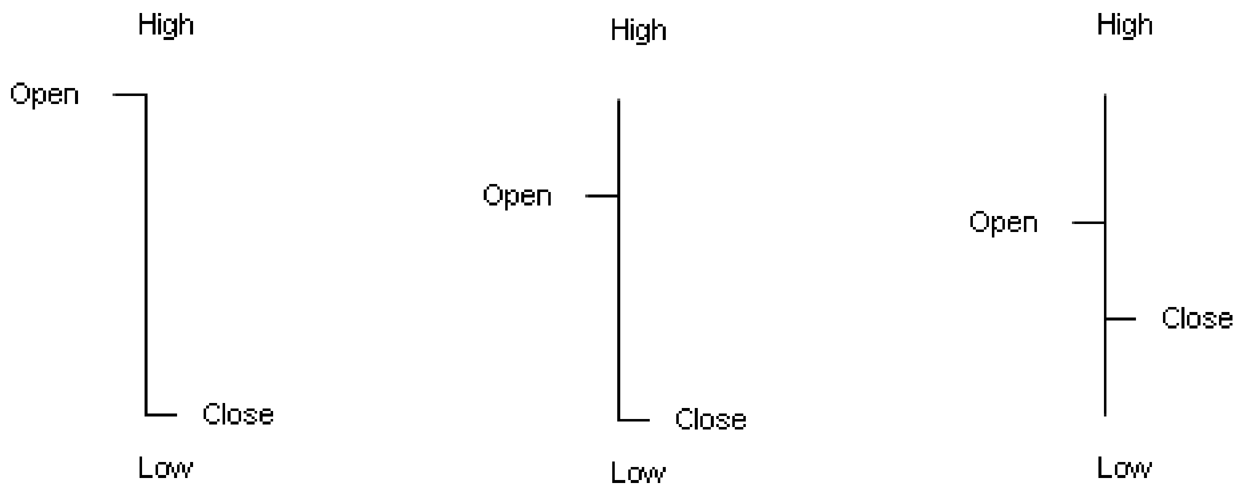


A. The best Bullish RB has the open at the low and the close at the high.

B. Every Bullish RB should have the open at the halfway point or below. Not above.

C. The close does not have to be at the high but the closer the better. It should not be below the halfway point.

Variations of Bearish Reverse Bars

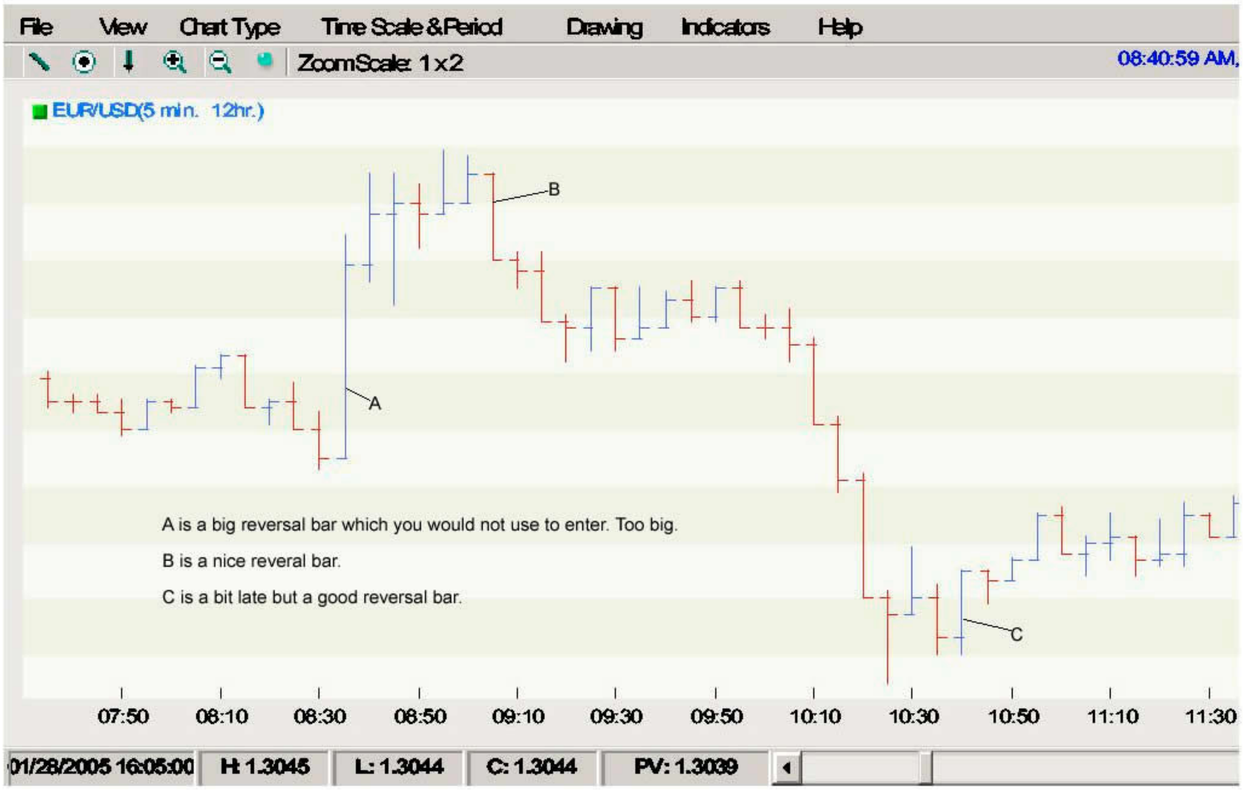


A. The best Bearish RB has the open at the high and the close at the low.

B. Every Bearish RB should have the open at the halfway point or above. Not below.

C. The close does not have to be at the low but the closer the better. It should not be above the halfway point.

Reverse Bars



A. **This bullish reverse bar was 27 pips long. Skip.**

B. **A textbook bearish reverse bar.**

C. **Bullish reverse bar.**

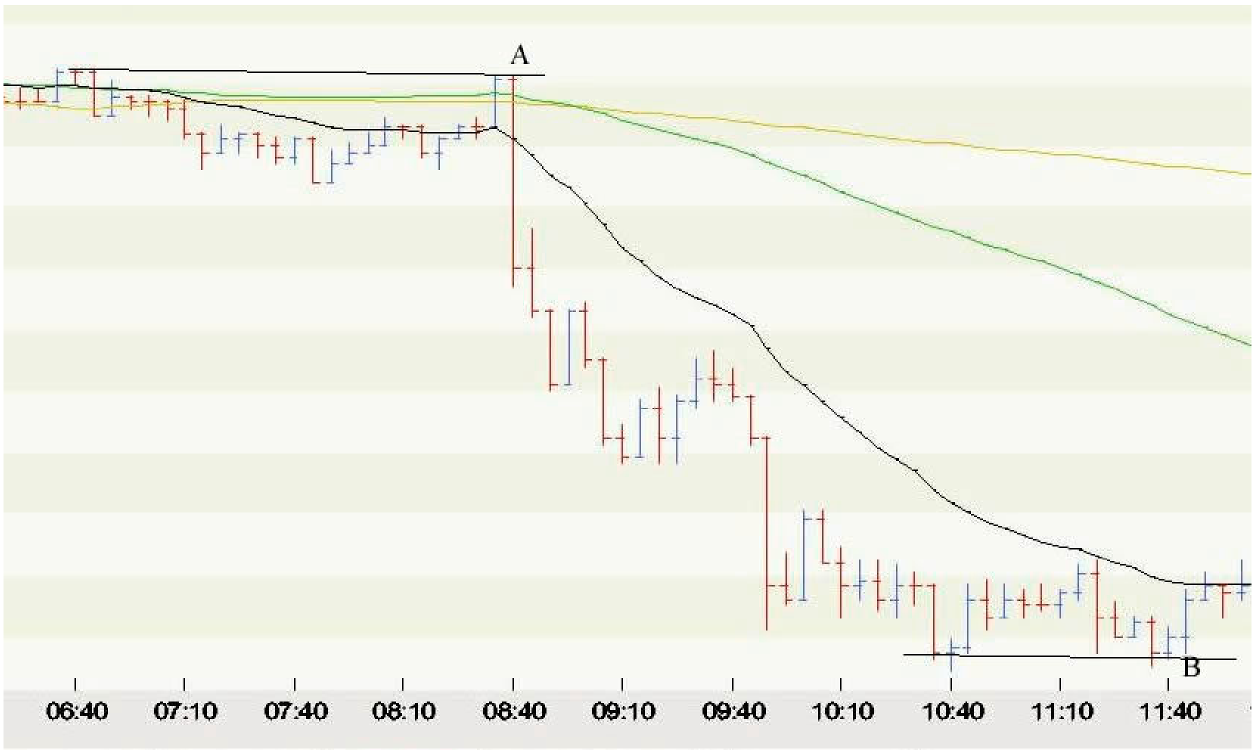
Reverse bars including an invalid one

A. Double Bottom at 75ma. Blue bullish reverse bar at A larger than previous bars. Enter long.

B. Double top with smaller reverse bar. Exit. Notice that after the small reverse bar that the market did not move downward.

C. Large reverse bar over 50 pips. Do not use to enter short.

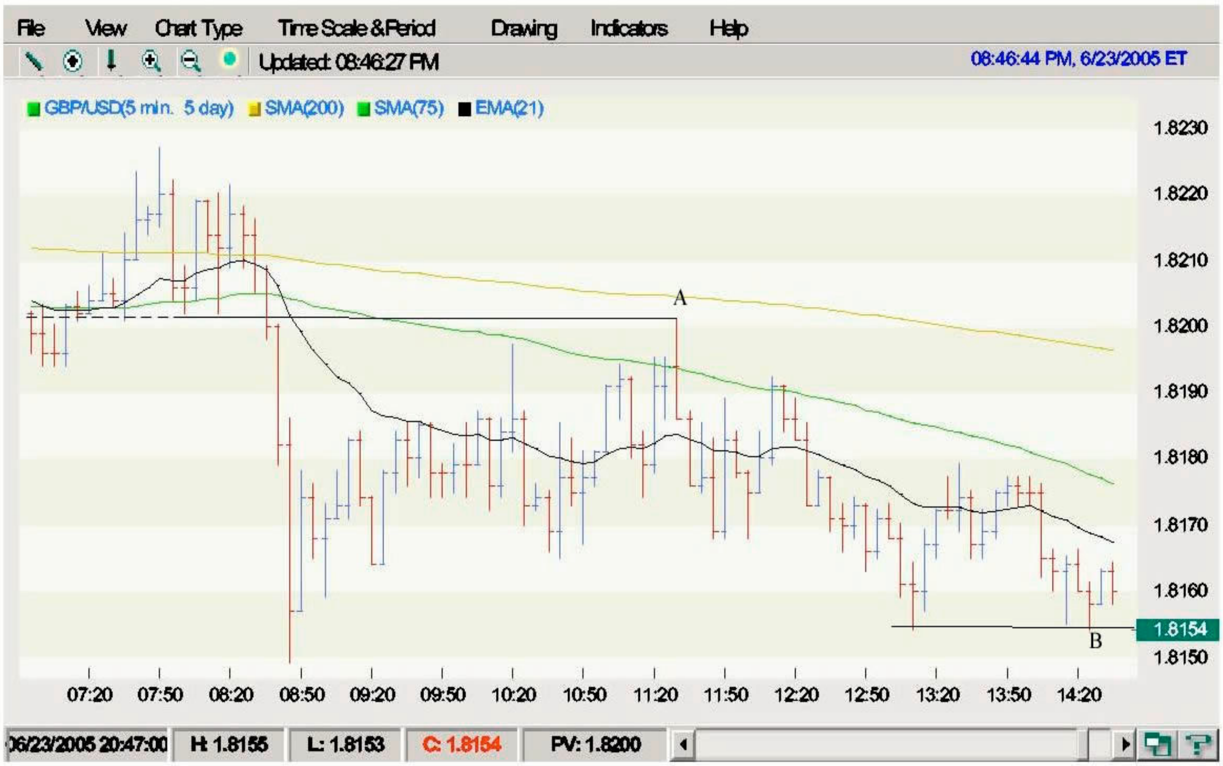
Reverse Bar at News Time



A. Double top. News release causes a 39 pip bearish reverse bar. Valid only during news times.

B. Double bottom. Exit after bullish reverse bar.

Reverse bar at a resistance area



A. Price retraces back to the 200ma and test resistance(horizontal line).

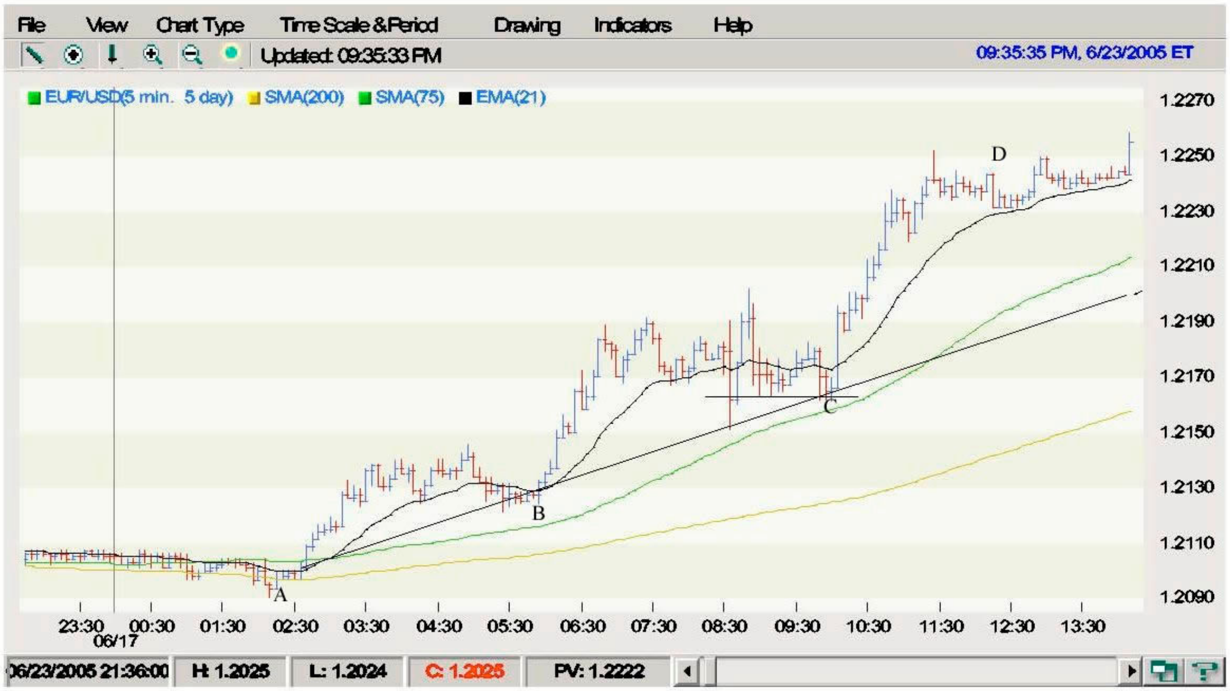
B. Exit after the reverse bar at the double bottom at B.

B. Trendline:

A trendline is a useful indicator for tracking a trend. It consists of a straight line connecting at least two significant highs (peaks) or two significant lows (troughs). Trendlines can be rising, declining, or moving sideways. A trendline exist until it is broken as a result of a significant move of price up or down, breaking out of the trend. We use a trendline as a confirming indicator to enter or exit a trade.

If a trendline is drawn and is at an entry pattern, it gives the entry more confirmation and therefore increasing the odds of a successful trade. It is an optional indicator. If a trendline is not at the point of a trade entry you can still take the trade.

Bullish Trendline



A. **Low pivot at the 200ma.**

B. **Second low pivot made. Draw a straight line from A to B, then extend it outward to the right of the screen.**

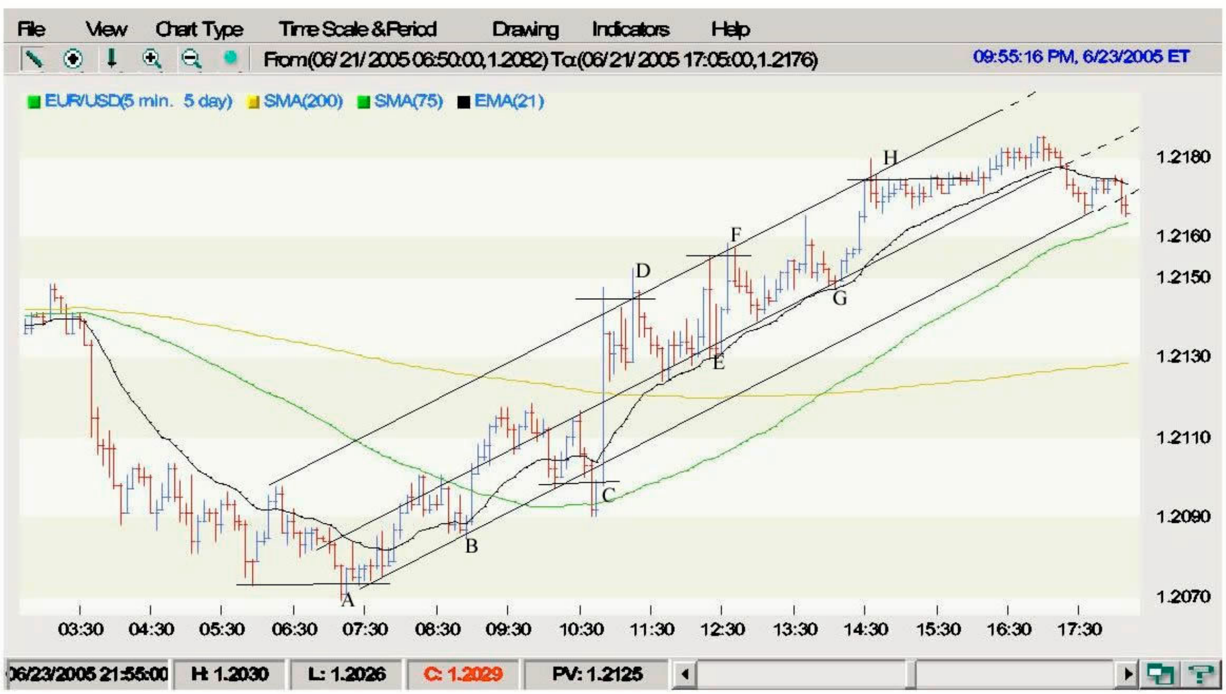
C. **Price retraces back to the 75ma, forms a double bottom, and is at the extended trendline. An extra confirmation for entering long.**

D. **Price stalls and makes a small double top. Exit.**

C. Parallel Lines:

Parallel lines are good for determining what price level may be achieved sometime in the near future. If you have drawn a trendline from two lows for example, you duplicate the trendline and move it upward and connect two highs. The highs will be targets for exiting a trade if an exit setup occurs. Parallel lines are also a confirming indicator.

Multiple Parallel Lines



A. Double bottom. Enter long.

B. This low creates the trendline. Duplicate the line and move it up and try to connect to the high pivot before B.

C. Price forms a double bottom at the trendline and 75ma. Enter long.

D. Price passes the parallel line. Duplicate another line and see if you can connect two highs. A double top forms at a parallel line. Exit.

E. Price retraces back to the middle parallel line.

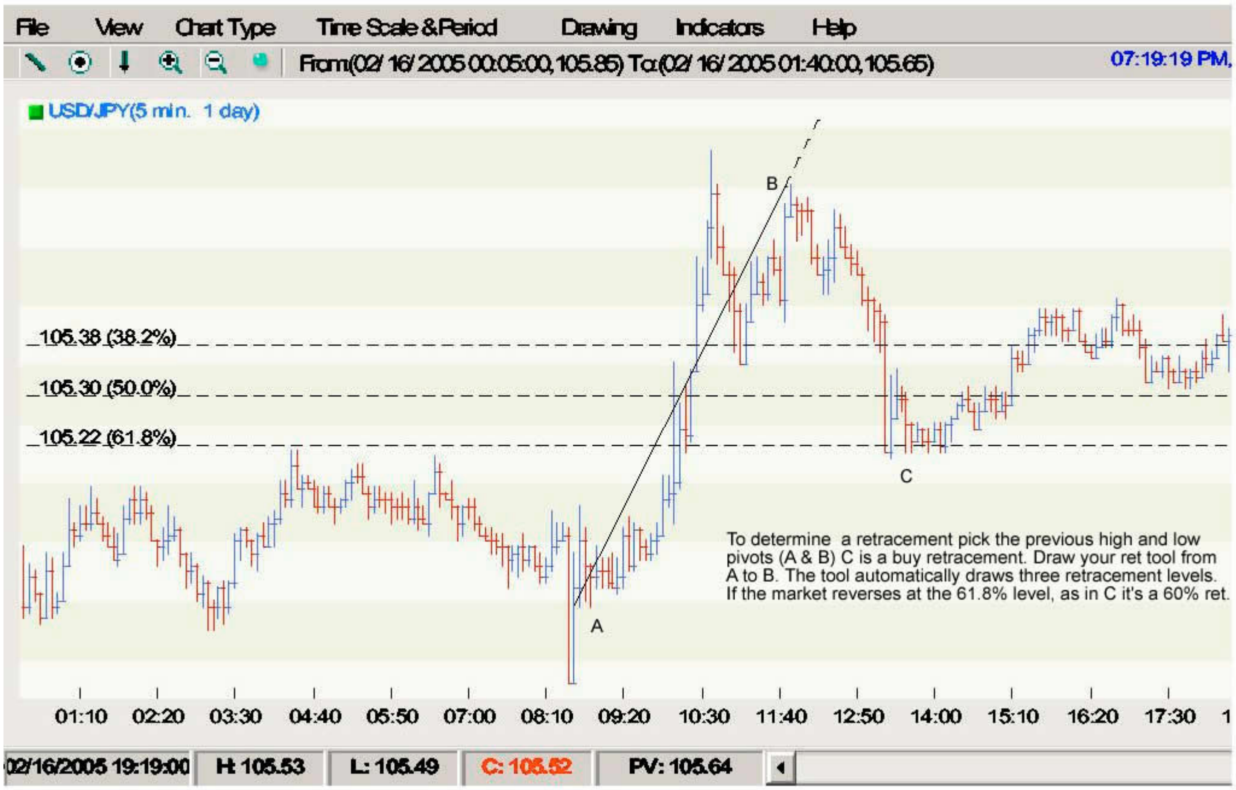
F. Another area that you could exit. If you were trailing with pivot stops you could still be in the trade past G.

H. Price hits the parallel line again and price stalls. This is an indicator to exit the trade.

D. 61.8% Fibonacci Retracement confirmation:

Fibonacci analysis ratios play an important role in the forecasting of market movements. The financial markets exhibit Fibonacci proportions in a number of ways, particularly as a tool for calculating price targets and placing stops. For example, if a correction is expected to retrace 61.8% of the preceding impulse wave, an investor might place a stop slightly below that level. It can also be used to help determine an entry point. We use the 61.8% retracement level only as an optional confirming indicator to enter or exit.

61.8% buy retracement at support



A. Draw a Fibonacci line from the low at A to the high at C.

B. Wait to see if price will retrace 61.8% and be at a valid entry level.

C. Price stalls at the 61.8% buy retracement and is at support from 6:00 am and 4:00am. Enter long after a reverse bar is formed.

E. Exit at the double top at 16:30 (the letter D not shown)

60% Sell Retracement at double top

A. Draw a Fibonacci line from A to B.
B. The 61.8% line is here at C.
C. Price makes a double top at D, the 61.8% line and near the 75ma. Enter short.
D. Double bottom at E, indication to exit trade.

3. Money Management:

I would consider money management to be the hardest part of the trading process. For most traders it is easy to enter and exit a trade. It's what you do after you enter a trade and before you exit a trade that determines whether you win, lose, or break even. This is why money management is the most critical and most abused part of the trading process.

Money management will keep you from having a huge loss if you are wrong in your entry. It will help you extract the maximum amount of profits from the market if used correctly. It will also make you very frustrated when the money management rules causes you to exit the market just before the trade you were in takes off in the direction you had anticipated.

However, if you want to become a professional trader and make a living from trading you must use proper money management every time you take a trade. The statistical probabilities will be in your favor in the long run if you do. The four stops we use are:

A. Initial Stop

B. 3 bar stop:

C. 1 bar stop

D. Pivot stop

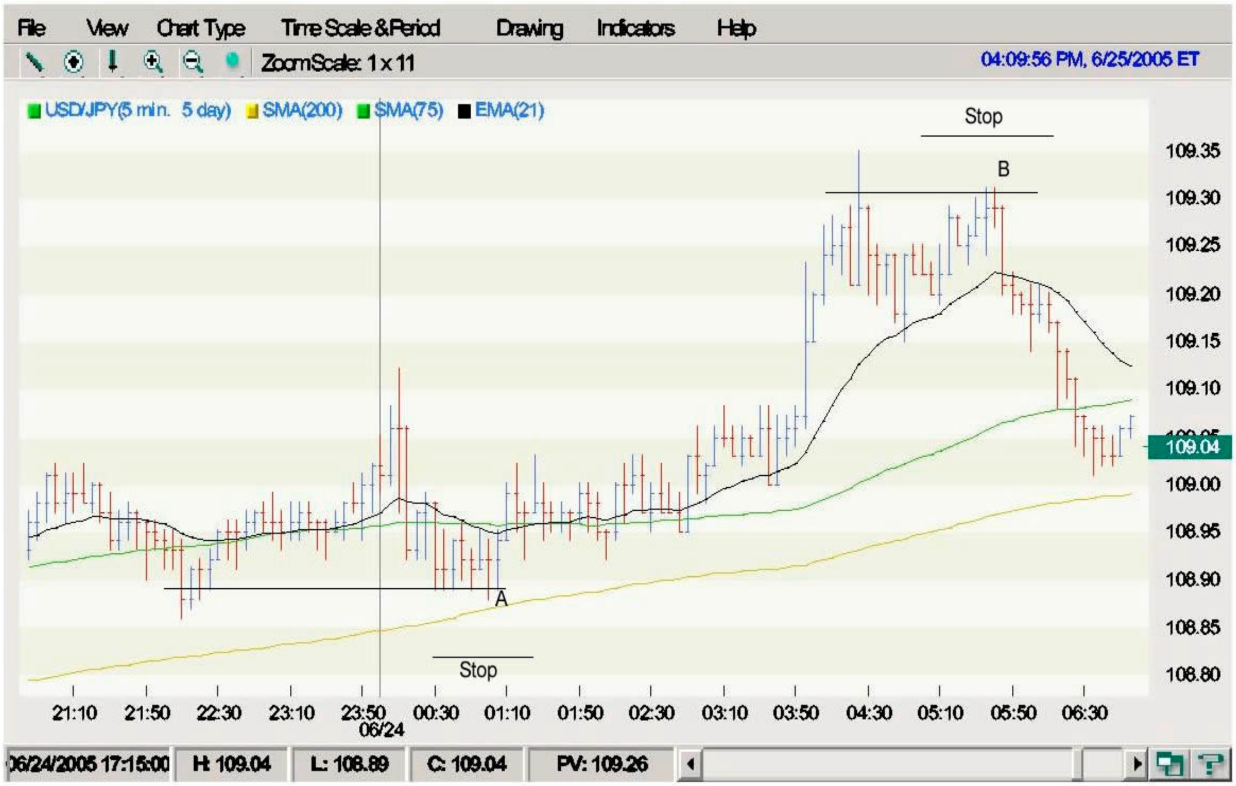
A. Initial Stop:

The initial stop protects you when your entry choice is incorrect. If you enter a trade long expecting the market to take off in the direction you entered, and all of a sudden it turns and goes the opposite direction, you need to protect yourself from losing your capital. Without a stop placed in the market, your emotions will cause you to second guess yourself and wonder whether you should exit with a small loss or wait and see if the market turns. Sometimes it will and sometimes it won't.

Sometimes doesn't work in the professional trading environment. You must place a initial stop as soon as you enter a trade. You can enter a trade with a market order or with a limit order. It doesn't matter. So as soon as you enter a trade place a stop 10 pips beyond the high/low of your entry.

If you are entering long after a double bottom, place your stop 10 pips under the low of the entry point. If you enter short after a double top, place your stop 10 pips above the high of your entry point.

Initial Stop



A. Double bottom forms at the 200ma. Enter long. Place the initial stop 10 pips below the lowest point of the double bottom.

B. Double top forms extended from the 200ma. Enter short. Place the initial stop 10 pips above the highest point of the double top.

B. 3 bar stop:

The 3 bar stop is a great stop if the market is trending. An uptrend can be defined as the market making higher highs and higher lows. A downtrend is defined as the market making lower highs and lower lows. These highs and lows are called pivots. The 3 bar stop takes advantage of trending movement and stops you out of the market sooner than a pivot stop would, allowing you to keep more profits.

It's important to understand that a 3 bar stop does not mean 3 consecutive bars. In an uptrend it means three bars that have made higher highs and higher lows than the previous bar. Any bars that do not make a higher high and higher low are not included. Any bars that are smaller than the previous bar is not included either. You want to noticeably see the 3 bars of the 3 bar stop and be able to pick them out easily because they are the largest bars of a group of bars.

When you have pinpointed the 3 bar stop, place your stop 5 pips under the low of the third bar for a bullish 3 bar stop. For a bearish 3 bar stop you would place the stop 5 pips over the high of the third bar.

The 3 bar stop is best used in a normal or fast trend where price does not retrace much.

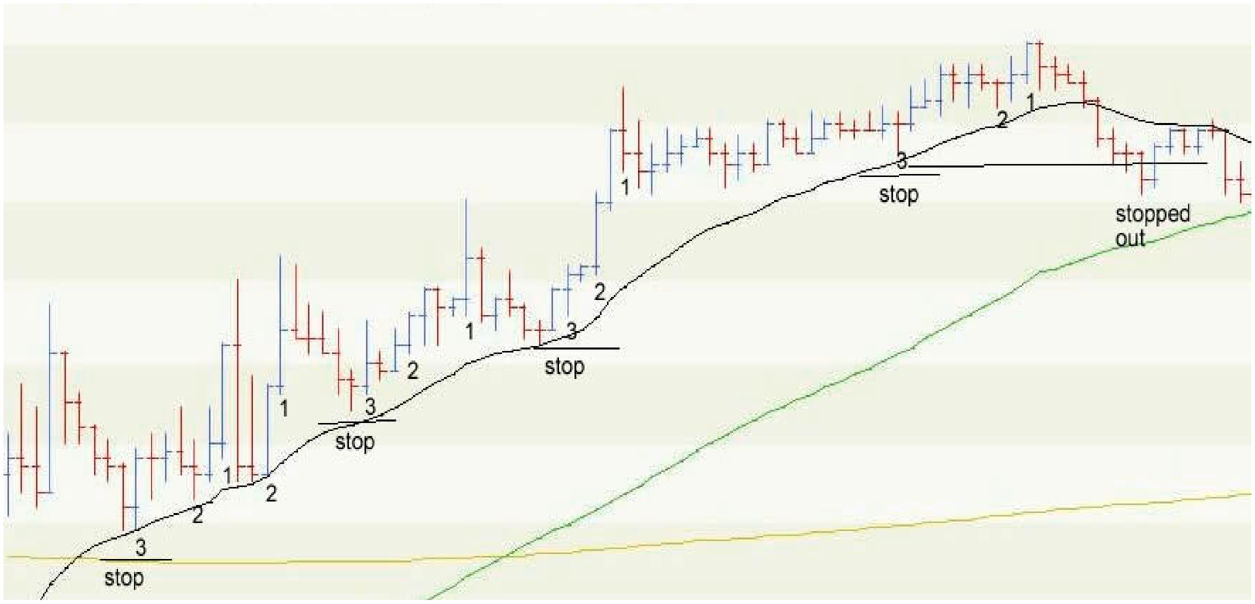
Bearish 3 bar stop

1. Each bar numbered makes a lower low and lower high than the bar before it.

2. The stop is placed 5 pips above the high of the third stop bar.

3. When the stop is finally hit, exit the market.

Bullish 3 bar stop



1. Each bar numbered makes a higher high and a higher low than the bar before it.

2. The stop is placed 5 pips below the low of the third stop bar.

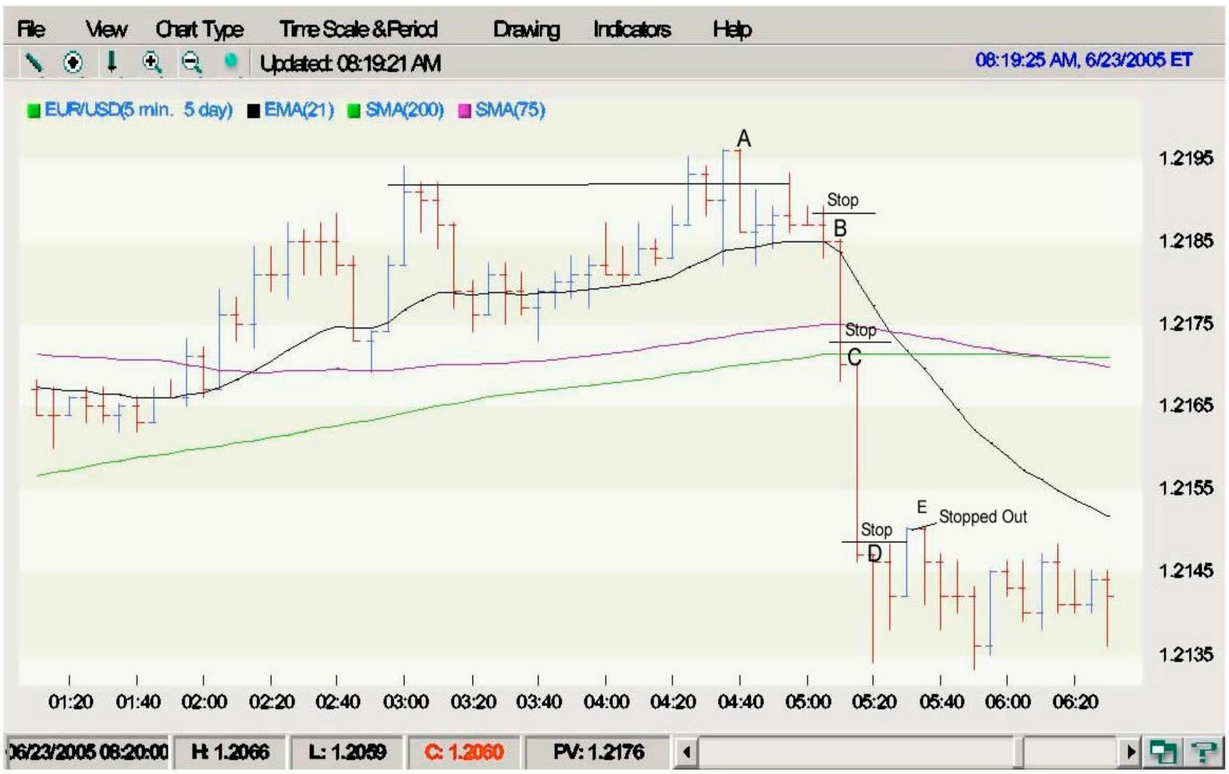
3. When the stop is finally hit, exit the market.

C. 1 bar stop:

When you have entered a trade and volatility suddenly picks up, the price bars will get noticeably larger. When the bars are 15 pips or larger you can move the trailing stop 5 pips beyond the current bar after the bar has completed. If the market is trending up and you are long, place the trailing stop 5 pips under the large price bar. If the market is trending down and you are short, place the trailing stop 5 pips over the large price bar.

These bars do not last long, rarely over 30 minutes. They are common at news times. When volatility slows down you will be stopped out with a nice profit.

Bearish One Bar Stop



A. Enter at double top and reverse bar.

B. Large price bar forms. Place stop 5 pips above high of this bar.

C. This bar is larger than bar B. Move stop 5 pips above high of this bar.

D. Move stop 5 pips above bar D.

E. Stopped out 10 minutes later with a substantial profit when price reverses and the bar sizes are noticeably smaller.

D. Pivot Stop:

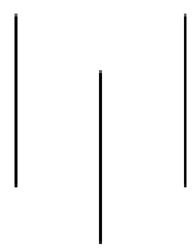
The pivot stop is the safest stop you can use. The drawback is that when you are stopped out you lose more of your profits than if you used the three or one bar stop. However there are times, depending on how the trend is moving, that the pivot will keep you in the market longer. A Slow Trend day and a Big Range Day is a good time to use this stop.

The market does not go straight up all the time. In an uptrend price will move up, stop, reverse, and retrace. If the trend is fast the market will not retrace much. If the trend is slow price may retrace much further. At the time when the market stops retracing, reverses, and continues its upward movement, the retracement that was just made is also called a pivot.

A pivot is usually made up of three to five bars. For a pivot to be valid it must continue in the direction of the trend and pass the area where it first retraced. For bearish pivots place the stop 5 pips above the pivot. For bullish pivots place the stop 5 pips under the pivot. The bars do not have to be even to be a pivot.

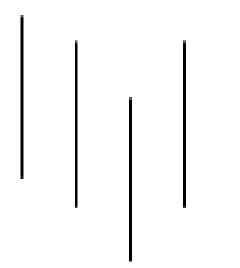
Bullish Pivots

Three bar bullish pivot



The middle bar is lower than the other two. Price should continue upward after the third bar on the right.

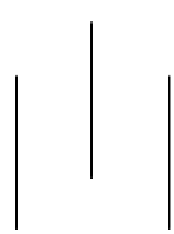
Five bar bullish pivot



The middle bar is lower than the bars on either side. Price should continue upward after the last bar on the right.

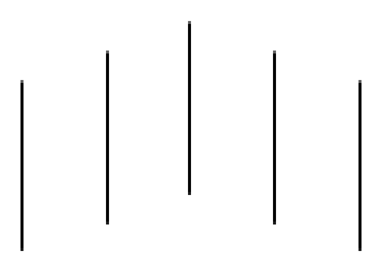
Bearish Pivots

Three bar bearish pivot



The middle bar is higher than the other two. Price should continue downward after the third bar on the right.

Five bar bearish pivot



The middle bar is higher than the bars on either side. Price should continue downward after the last bar on the right

Bearish Pivot Stop

A. Enter market at a double top after a reverse bar.

B. The up arrows indicate the bearish pivots. Notice how the market is making lower highs and lower lows. Place the stop 5 pips above the high of the highest pivot bar.

C. Continue moving the stop downward after each pivot. Note the pivot must past the previous support level to be a valid pivot. At C you see where price stops you out after the trend changes from down to up.

Bullish Pivot Stop:

A. Enter Market at the double bottom after the reverse bar.

B. The down arrows indicate the bullish pivots. Notice how the market is making higher highs and higher lows. Place the stop 5 pips under the low of the lowest pivot bar.

C. Continue moving the stop upward after each pivot. Note the pivot must past the previous resistance level to be a valid pivot bar. At C you see where price stops you out after the trend changes from up to down.

Four indicators to exit a trade:

The four exit indicators we use:

A. **Trailing Stops stop out:**
   1. **3 bar trailing stop in normal conditions.**
   2. **1 bar stop if price bars are over 20 pips.**
   3. **Pivot stops.**

B. **Price objective of 50 pips is achieved.**

C. **Price stalls for 60 or more minutes.**

D. **Double top or double bottom.**

All of these stops require some judgment on your part. We covered the trailing stops in the money management section. The main stop to use is the 3 bar stop. You set your stop 3 bars back from the current bar and continue doing so until your stop is hit, and you are taken out of the market.

If you are trailing stops using the 3 bar method and suddenly you see large price bars 15 pips in size or more you place your stop 5 pips beyond that current bar. You will then be stopped out when volatility slows down or price reverses and hits your stops.

With the other three stops you have a choice whether you want to exit during one of those conditions or just continue trailing the stops. For example, if news was issued in the market and price starts moving up very quickly you wouldn't necessarily exit at the 50 pip profit objective. If price has been moving sideways for an hour because price is in a range you may want to just exit and wait for better opportunities, instead of trailing your stops.

A. Trailing Stops:

See the money management section starting at page 40.

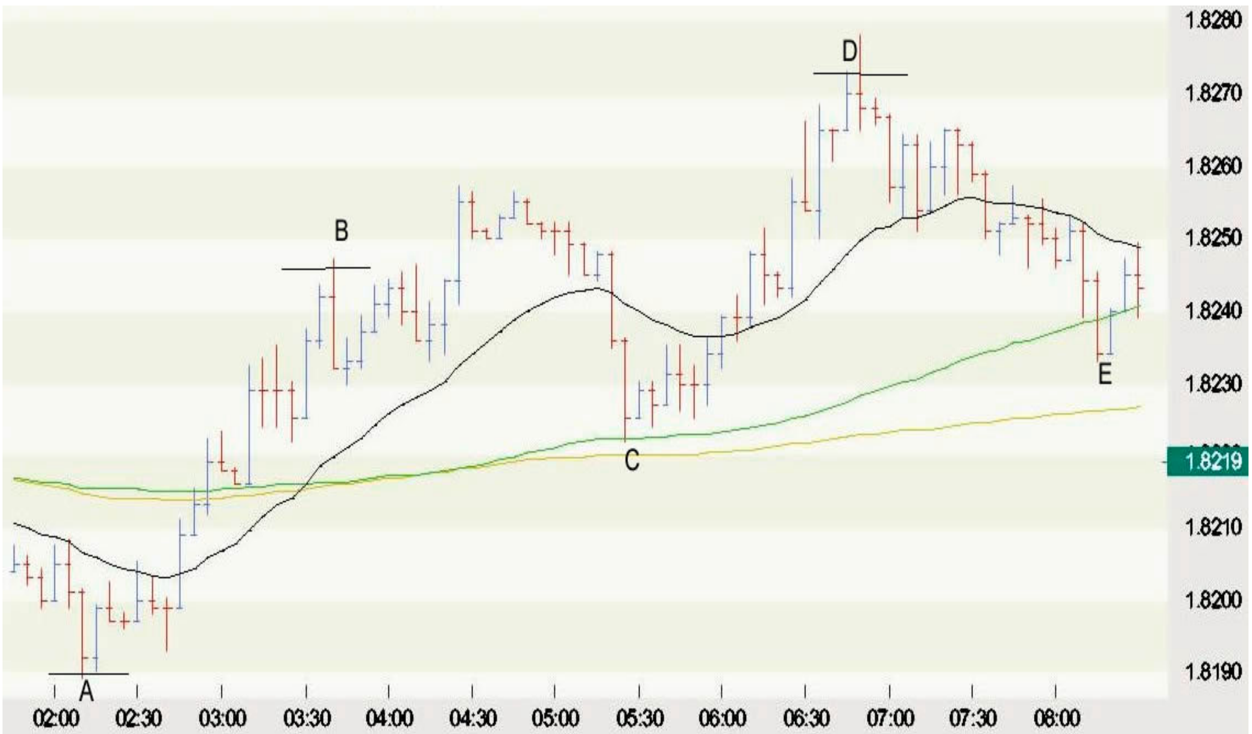
B. Price objective of 50 pips is achieved:

The market is made up of the energy of the people who trade it. The market will move only so far before it slows down and rest or reverses and moves in the opposite direction. From the research we've done, the average move in the market is about 50 pips. This is what happens most of the time in the market.

This 50 pip occurrence usually happens at least once a day and no more than three times a day. It usually occurs around the London, British, or U.S news time frames. There are days that the market will move much further. There are days when it moves less. If the market has reached the 50 pip price objective I'd suggest exiting and not be greedy. You can decide to continue to trail stops and try to get more profit, but I'd suggest doing so only on days with high volatility or volatile news events.

When measuring the 50 pip price objective it doesn't mean you wait to have 50 pips profit. It means that the current market move has moved a range of 50 pips measured from high to low, or low to high.

50 pip profit objective:



A. Price turns upward at 1.8189

B. Price hit the 50 pip objective at 1.8239. It only moves up 18 more pips before reversing and moving back to the 200ma.

C. Enter long. Price 1.8222

D. Price hits 1.8272 one bar before it reverses.

E. Price returns toward the 200ma and reached 45 pips before news reversed the market.

C. Price Stalls for 60 minutes or more:

There are certain times in the market that price stops it's upward or downward movement and stalls. Price bars just move in a sideways fashion for awhile. Eventually volatility will pick up again. The two main reasons that price stalls are the market is waiting for upcoming important news, and periods in between the times the EUR, GBP, and USD opens.

There are periods of time that the market slows down. The time is about 5:50-7:30am. Most of the time after 12:00pm Eastern time the market slows down. Occasionally it picks up again when the Asian market opens at 16:00 and when JPY news comes out at 19:50.

If you are in a trade and the market has only moved sideways, and the time frames mentioned above are nearing, exit your trade with a stall stop. This is especially useful after 12:00pm.

Price Stall after GBP news:

A. Price made a double top near GBP news time.

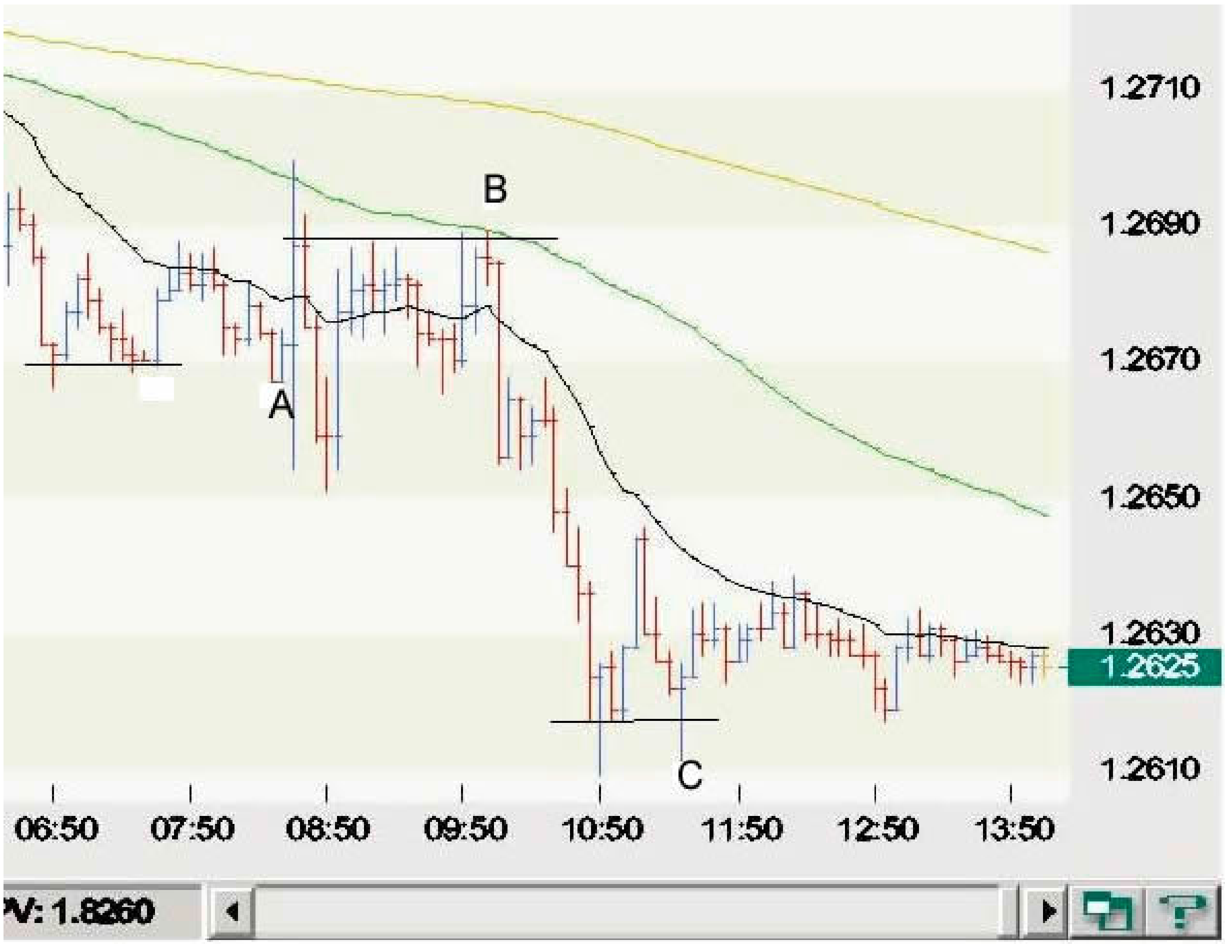
B. Price stops at the 200ma and previous support.

C. Price stalls after 04:30 and stays in a small range until USD news at 8:30.

D. After price breaks out upward from the range it was in price is moving upward with higher volatility.

E. This area would give us an opportunity to enter a trade long and profit from the upward movement.

Price stall after USD news:



A. USD news create large bars. We stay out of the market when this happens.

B. A opportunity to enter short at the 75ma.

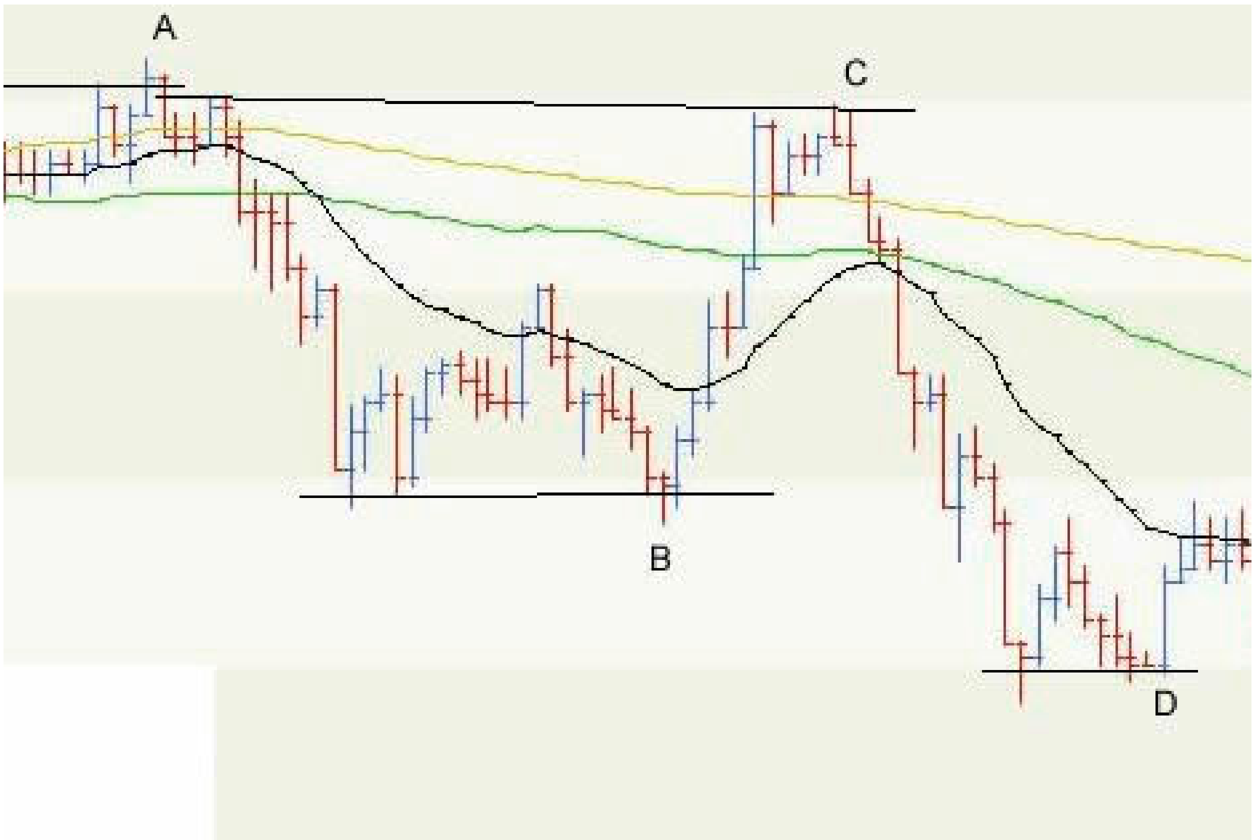
C. Exit the market at C. Price then goes into a stall.

D. Double bottoms and double tops:

We explained double tops and bottoms in the indicators to enter a trade section. Our last exit strategy is the same one we use to enter with, but we use the opposite pattern. If you entered a trade long using a double bottom, one of the exit indicators you could use is a double top.

Conversely if you entered the market short using a double top you would exit the market using a double bottom. We use this exit strategy with the Big Range market condition, the Slow and Normal Trend conditions, and occasionally the News Trade condition.

Double top and bottom entries and exits:



A. Price is at the 200ma. No patterns to enter.

B. Price forms a double bottom. Enter long after bullish reverse bar.

C. Price makes a double top (with A) at the 200ma. After the bearish reverse bar formed odds are the market will reverse. Exit trade and enter short.

D. Price forms a double bottom and a bullish reverse bar. Exit, the time is late in the trading session so we do not enter long.

Putting it all together:

By now you should have a basic understanding of the separate pieces of our trading system. I'm going to take those pieces and put them together in a step by step process just as you would do when you start your trading day. Some information in this outline has already been covered. This outline can also be used as a reference to guide you when you are trading and in the heat of the moment emotions take over. A written reminder of the correct trading steps can help you stay focused on the trading rules, instead of focusing on the money.

The outline will conclude with a detailed description of the six trading conditions. All you have to do is follow the rules and you will be rich beyond your wildest dreams.........

Okay, enough of fantasy.

You have a trading system that works and can make you money. The only thing that keeps you from succeeding in this game is your mental constitution. I suggest one excellent book to read called The Disciplined Trader by Mark Douglas. It's his first book and better than Trading in the Zone.

General Market Behavior :

1. The basis behind the Forex for Everyone Trading Method is to profit from the natural movement of the market. We divide the market into six trading day types and use trading tools to determine when to enter and exit a trade. Before we begin trading we need a basic understanding of the natural movement of the market and the trading logic needed to exploit these market conditions.

2. Markets are dynamic, they have energy. They are in constant motion. They move up and down in a natural wave like manner. The waves may change direction, but they are always moving. Waves can be large and far apart, or small and close together.

3. When the waves are moving up the market is in an uptrend. When waves are moving down it's a downtrend. When the waves are moving sideways, the market is in a range. Price will trend for an undetermined amount of time before it runs out of energy. It then moves into a range bound condition. After price has had enough time to gain energy it will begin trending again.

4. The chart that we use is a five minute chart. You will need at least one full day's previous data on the screen at all times to determine current market conditions.

5. **The point of balance on a chart, or the equilibrium area, is the 200 simple moving average. Price tends to move to the 200ma and away from it. When price is far from the 200ma it is called extended or overbought. Price will eventually return back to the 200ma. It then continues in the direction of the trend, move into a range, or will penetrate the 200ma and continue in the opposite direction. If price is above the 200ma it's called Bullish Mode. If price is below the 200ma it's called Bearish Mode. *The main gauge of market action revolves around the 200ma.***

6. **Price does not move in a consistent even pattern. It can trend up or down in a slow fashion, or it can trend up/down rapidly. We determine trending speed by two moving averages, the 75 simple moving average and the 21 exponential moving average. These two moving averages plus the 200ma give us three trending day types. A trend starts when price breaks out of a range condition. Each Day Type has a different set of rules we use to obtain maximum profit with minimum loss.**

    a. **Slow Trend Day:**
    The market starts its move at the 200ma. If it is trending up, in bullish mode, it will continue to move upward until it is far from the 200ma. At some point, price will retrace back to the 200ma, and continue up again. This is called a slow trend. The same rules apply to the market if it is bearish mode, below the 200ma.

b. **Normal Trend Day:**

The market trends up, reaches an extended point, and retraces back to the 75ma. It then continues its upward movement. This is a normal trend.

c. **Fast Trend Day:**

The market trends up, reaches an extended point, and retraces back to the 21ema. It then continues its upward movement. This is called a fast trend.

7. There are two non-trending indicators, Big Range and Small Range. When price is not trending it is "resting" in what we call range bound. A range begins when two price highs are equal to each other and two price lows are equal to each other. If you draw a line between the highs or lows the line would be horizontal.

a. **Big Range Day:**

The highs and lows of the range are 20 pips apart or more.

b. **Small Range Day:**

The highs and lows of the range are 15 pips apart or less.

8. **News Trade Day:**

   The last market condition we trade is called the News Trade. A news event from the EUR, GPB, or USD market causes the market to move very fast and very volatile. Quick reverses are common. The average move is 50 pips or more and the average duration is five to forty five minutes. It is a very risky trade.

Tools we use to trade:

1. Entry indicators:
    a. Double top or double bottom

    b. Support or Resistance

2. Confirming Indicators:
    a. Reversal Bar

    b. Trendline

    c. Parallel Line

    d. 61.8% Fibonacci Retracement

3. Money Management Stops:
    a. Initial Stop

    b. 3 Bar Stop

    c. 1 Bar Stop

    d. Pivot Stop

4. Exit indicators:
    a. Trailing Stops stop out:
        1. 3 bar trailing stop in normal conditions.
        2. 1 bar stop if price bars are over 20 pips.
        3. Pivot stops.

    b. Price objective of 50 pips or more is achieved

    c. Price stalls for 60 minutes or more

    d. Double top or double bottom

Starting and Managing the Trading Day:

1. When you start you're trading day first look at any upcoming news that will be coming out. The more news issued at the same time the more effect it may have on the market. Note too that even though there may be no news for a particular currency, the market still may move at those time periods due to other events that we are unaware of. The major times to watch are EUR-2:00am, GBP-4:30am, and USD-8:30am eastern. Changes from standard time to daylight savings do not effect these times.

2. How we begin our trading day depends on it's current market conditions. Look at the past two to six hours of trading action and determine the Day Type trading conditions the market is currently in. Assume that the current day type will continue and trade according to those rules. For example, if the EUR has been in a Normal Trending uptrend above the 200ma (bullish mode) for the past six hours or so, we will start our trading day using the Normal Trending Day rules. We will enter the market at the 75ma if a setup occurs, and counter-trend back to the75ma, if a correct setup occurs.

3. Continue to trade the current trading day type until the market conditions change. Using the example above, if price retraces back to the 75ma, but instead of setting up for another trade with the trend, price penetrates the 75ma and continues to the 200ma, the market has changed from Normal Trending to the Slow Trending Day. We now begin following the rules for a Slow Trending Day and continue until the market conditions change again.

Chart of Trading Day Types, Conditions and Condition changes

Day Type	Conditions	Changing Conditions
Trending Slow	Price above/below 200ma, extends >20pips, and then returns to 200ma.	Turns to Normal/Fast Trending. Price penetrates 200ma. Price moves into a Range.
Trending Normal	Price above/below 75ma, extends, and then returns to 75ma.	Price penetrates 75ma, moves to 200ma. Price stops at 21ema. Price moves into a Range.
Trending Fast	Price above/below 21ema, extends, and then returns to 21ema.	Price penetrates 21ema, moves to 75ma. Price moves into a Range.
Big Range	Price in Range >= 20 pips enter short at DT and enter long at DB.	Price moves into small range. Price breaks out & starts trending.
Small Range	Price in Range <= 15 pips. Do not trade.	Price moves into a big range. Price breaks out & starts trending.
News Trade	High volatility move caused by news.	May reverse quickly when news starts. Larger bars than others near it Ends 5-45 minutes later.

Basic Instructions:

1. The Forex for Everyone Trading Method has been divided into a step by step trading process where trades are taken based on six current Day Types. We take trades during times in the market that have the best market action. Quit trading by 12:00 EST.

2. Start your trading day by doing the pre-trading steps. This will help you to get a feel for the past day's market behavior and the current market action. You will then have an idea of what can be expected with today's session.

3. Make a plan of how you will trade the current day based on what you know about the market right now. Be flexible enough to change your game plan if the market's behavior changes.

4. Once you determine the trading Day Type the market is now in, you can trade according to those rules. If conditions changes during the day adjust trading style to fit the current market conditions.

The Six Day Types are:

1. Trending Slow Day
2. Trending Normal Day
3. Trending Fast Day
4. Big Range Day
5. Small Range Day
6. News Trade Day

Pre-Trading Instructions:

1. **Previous Day: Determine its behavior:**
    a. **Trending: *Slow*, *Normal or Fast***

    b. **Range: *Big or Small***

2. **Current Day: Determine its behavior:**
    a. **Trending: *Slow*, *Normal or Fast***

    b. **Range: *Big or Small***

    c. **Assume previous day's Trading Condition will continue until it changes**

3. **News: Be aware of upcoming news for the major news times:**
    a. **EUR (2:00am) EST**

    b. **GBP (4:30am) EST**

    c. **USD (8:30am) EST**

4. **If Market is Trending: Price Location relative to 200ma, 75ma and 21ema**
    a. **Near or Extended**

    b. **Trending away or toward**

    c. **Above or below**

5. **If Market is Range Bound: Is Range flat or slanted up/down?**
    a. **Big Range or Small Range**

    b. **Double top or double bottom**

6. **Support/Resistance: Determine S/R levels, major and minor**
    a. **Price usually will move back to these levels and "test" it. If the S/R level being tested is strong price will usually reverse and go the other way**

    b. **If the S/R level is weak price may pass through it (penetrate) and continue to the next S/R level**

Based on the information gathered, make a trading plan:

1. Determine what market is doing now
   a. Trending Fast/Slow. At the MA's to trade with trend or extended to trade counter-trend

   b. Range Big/Small. At double top or double bottom

   c. News Trade

2. Based on the trend and price location select the appropriate Trading Condition.

3. Be aware that news time can be very volatile and may reverse quickly and you should be prepared for this and change Day Type accordingly if necessary.

4. Know the slow periods of the market and expect slower price movement.

5. After any high volatile move the market may go into a range. After a range the market may breakout and start a trend.

Example of Trading Plan:

1. The market is in a Slow Trend, and above and close to the 200ma.

2. I will enter a trade long if price sets up with a double bottom or tests support after a valid Reverse Bar.

3. I will use the Confirming Indicators, trendline, parallel line, or 61.8% retracement level.

4. After entering I will set the Initial Stop 10 pips below the double bottom or support.

5. If price moves in my direction I will begin trailing stops 3 bars back, five pips under the third bar. If the price bars are 20 pips or larger I will trail five pips under the current large bar. I can also trail stops below pivots.

6. If price meets 1 of the 4 Exit conditions I will exit. (Stopped out, stall, price objective met, double top)

7. If price is >= 20 pips away from the 200ma and sets up with a double top or tests a resistance level I will take a counter-trend trade short and follow proper stop rules. I expect price to return to the 200ma.

8. If news affects the market and suddenly there are large bars caused by high volatility, I will exit immediately or tighten my stops and exit at the first price reversal.

9. If market conditions change from the Slow Trend Day, I will adjust my Trading Game Plan accordingly.

10. If price returns back to the 200ma I will start the trading process over starting at step two.

11. If price penetrates the 200ma over 10 pips I will assume that markets conditions have changed from Slow Trend Day, bullish mode, to Slow Trend Day, bearish mode. I will then trade according to those rules.

Six Types of Trading Conditions:

1) Trending Slow Day

Slow Trending Up (enter long)

1. CONDITIONS: Price starts trending after it has been in a range for awhile or a news event triggered the trend. Price is trending above the 200ma. Price either moved up through the 200ma from below it or has already moved >= 20 pips above the 200ma (extended), and has returned (retraced) back to the 200ma. The Pivot Stop is best to use.

2. SETUP: Price is at the 200ma or above it, and price is <=10 pips from the 200ma. Price can penetrate the 200ma and still be a valid long trade if price stays near the 200ma or is touching the 200ma when an Entry Pattern is made.

3. To enter a trade long, price is either testing previous support level or has made a double bottom.

4. Wait for a valid bullish reverse bar to complete. It should be the 1st or 2nd bar of the double bottom. If the bar is > 25 pips in size pass on the trade.

5. (Optional) Price at a trend line, parallel line or at a 61.8% retracement.

6. Buy long after reverse bar completes, enter at market or limit.

7. Place initial stop 10 pips under the double bottom.

8. If price goes in the correct trade direction begin trailing stops 3 bars back, five pips under the third bar.
   If the price bars are 20 pips or larger trail five pips under the current large bar.

9. If price meets one of the four Exit conditions, exit. (Stopped out, stall, price objective met, double top)

10. If price is >= 20 pips away from the 200ma and sets up with a double top or tests a resistance level take a counter-trend trade short and follow proper stop rules. Expect price to return to the 200ma.

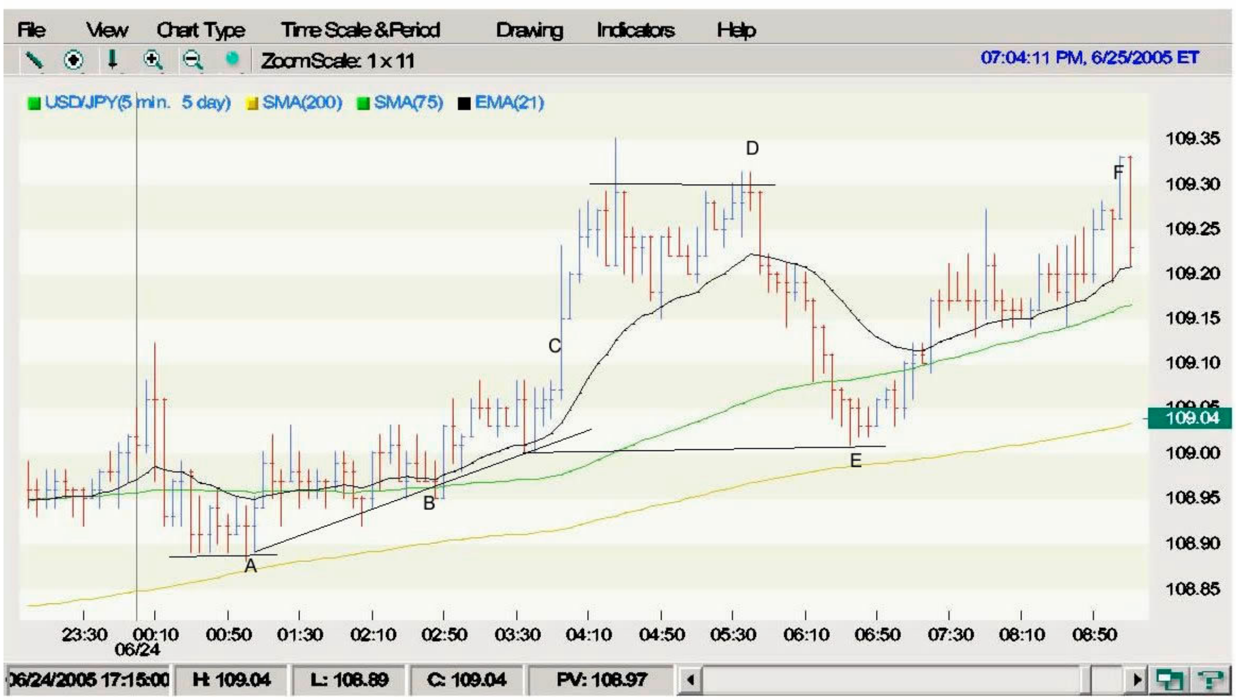
11. If news affects the market and suddenly there are large bars caused by high volatility, exit immediately or tighten stops and exit at the first price reversal.

12. If market conditions change from the Slow Trend Day, adjust the **Trading Game Plan** accordingly.

13. If price returns back to the 200ma start the trading process over starting at step two.

14. If price penetrates the 200ma over 10 pips assume that markets conditions have changed from Slow Trend Day, bullish mode, to Slow Trend Day, bearish mode. Trade according to those rules.

Slow Trending Up day



A. Double Bottom at 200ma. Enter long.
B. Price moves up a bullish trendline.
C. GBP news causes market to move up fast. Could be changing to Fast Trend.
D. Price makes a double top extended far from the 200ma. Exit and enter short.
E. Price returns to the 200ma. Large double bottom. Enter long. Slow Trend.
F. Price returns back to a larger double top, exit.

Slow Trending Down (enter short)

1. **CONDITIONS:** Price is trending below the 200ma. Price either moved down through the 200ma from above or has already moved >= 20 pips below the 200ma (extended) and has returned (retraced) back to the 200ma. The Pivot trailing stop is best to use.

2. **SETUP:** Price is at the 200ma or below it, and price is <= 10 pips from the 200ma. Price can penetrate 200ma and still be a valid short trade if prices stays near the 200ma or is touching the 200ma when an Entry Pattern is made.

3. To enter a trade short, price is either testing a previous resistance level or has made a double top.

4. Wait for a valid bearish reverse bar to complete. It should be the 1st or 2nd bar of the start of the double top. If the bar is > 25 pips in size, pass on the trade.

5. (Optional) Price is at a trend line, parallel line or at a 61.8% Retracement.

6. Sell short after the reverse bar completes, enter at market or limit.

7. Place initial stop 10 pips over double top.

8. If price goes in the correct trade direction begin **trailing** stops 3 bars back, five pips under the third bar. If the price bars are 20 pips or larger trail five pips under the current large bar.

9. If price meets one of the four **Exit** conditions, exit. (stopped out, stall, price objective met, double top)

10. If price is >= 20 pips away from the 200ma and sets up with a double bottom or tests a support level take a counter-trend trade long and follow proper stop rules. Expect price to return to the 200ma.

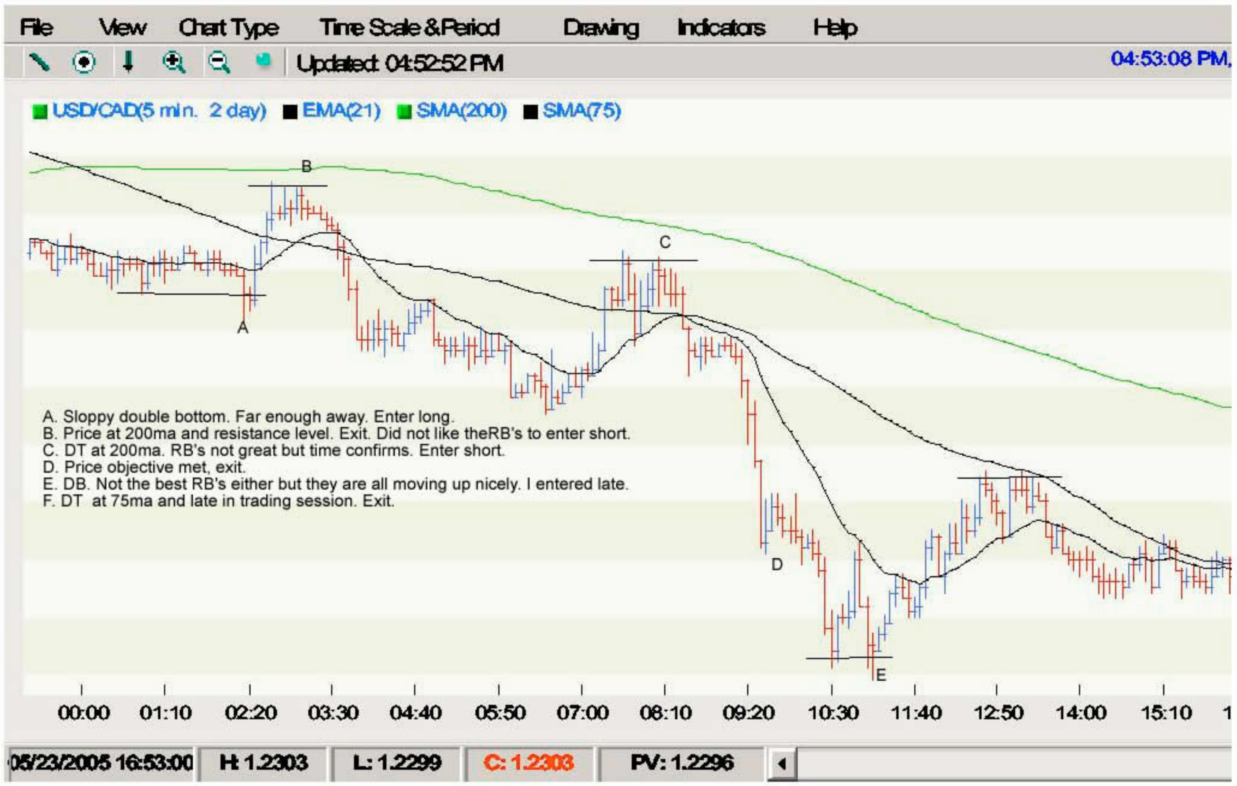
11. If **news** affects the market and suddenly there are large bars caused by high volatility, exit immediately or tighten stops and exit at the first price reversal.

12. If market conditions change from the Slow Trend Day, adjust the **Trading Game Plan** accordingly.

12. If price returns back to the 200ma start the trading process over starting at step two.

13. If price penetrates the 200ma over 10 pips assume that markets conditions have changed from Slow Trend Day, bearish mode, to Slow Trend Day, bullish mode. I will then trade according to those rules.

Slow Trending Down Day



A. Double bottom far from 200ma. Enter long.

B. Double top at 200ma. Exit. Enter short. (green line) Price objective met at low before C. Exit

C. Double top near 200ma. Enter short. Slow Trending Day.

D. Price objective met, exit.

E. Double bottom. Late in trading day, pass.

2) Trending Normal Day

Normal Trend Up (primarily long trade):

1. **CONDITIONS:** Price is above the 75ma or has retraced to the 75ma during the day and continues upward. Price can penetrate the 75ma and still be a valid Trending Normal Day if price stays near the 75ma or is touching the 75ma when it gives an Entry Pattern. The 3-bar trailing stop is best to use.

2. **SETUP:** Enter long if price makes a double bottom or is testing a previous support level. Wait for the valid reverse bar. If it does not setup with either one of these do not take a trade.

3. Place Stop 10 pips under the double bottom or support level.

4. When price starts moving up begin trailing stops with 3 bar stop rule. If the current bar is >= 20 pips place the stop 5 pips under that bar.

5. Exit when one of four conditions are met:
    a. Your trade gets stopped out by price reversing and hitting your stop.
    b. Price makes a double top or hits a resistance level and reverses IF it is at one of the three major news times. Otherwise continue trailing stops.
    c. Price has met the price objective of 50 pips or more.
    d. The market is in a slow period like between 5:00am and 7:00am eastern time, or late in the trading day (usually after 11:00am) and price stalls, making little movement up or down for 60 min or more.

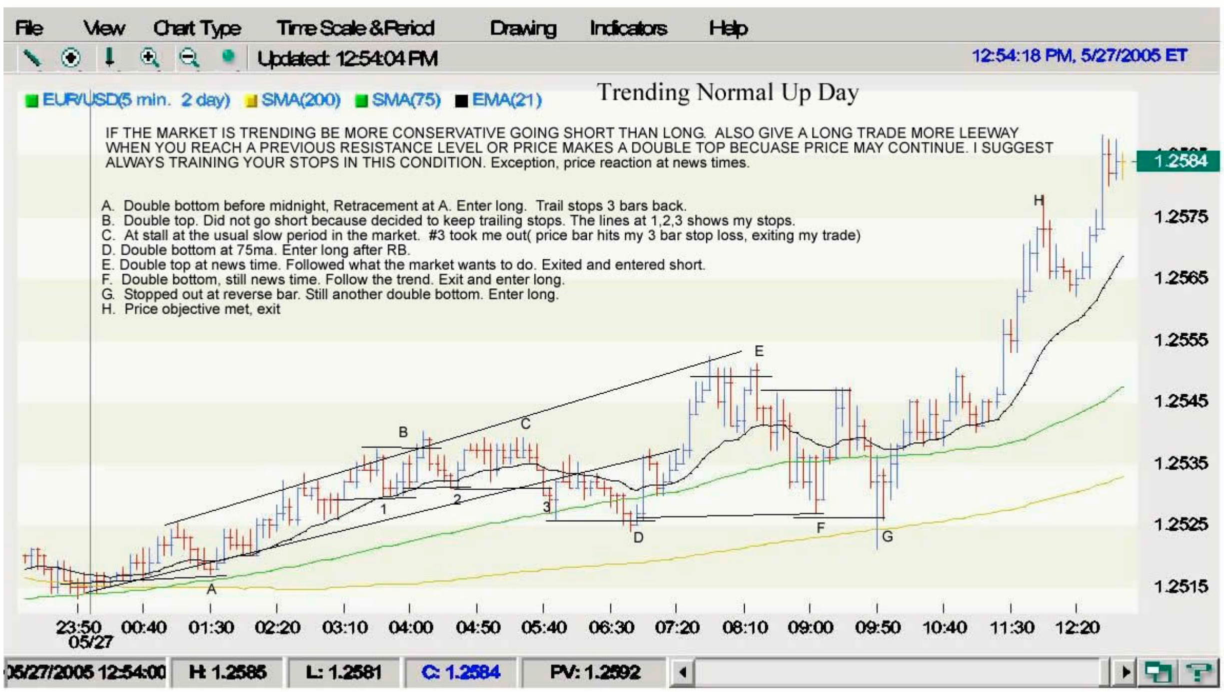
6. Counter-trend if price is >= 20 pips from the 200ma, makes a double top or tests a resistance level, and gives a valid reverse bar. Place the stop 10 pips above the double top or resistance level. Expect price to retrace back to the 75ma. Do not expect to get as much profit counter-trending on a Normal Trending Day. If you find yourself always losing when trying to counter-trend stop doing it and trade with the trend only.

7. If price reaches the 75ma and price makes a double bottom or tests support and a reverse bar exit the trade and re-enter long with the trend. Go to #3 above.

8. If price continues past the 75ma, continue trailing your stops and expect price to reach the 200ma.

9. When price reaches the 200ma and forms a double bottom or is at a support level exit the trade or continue trailing the stops. Start using the Slow Trending Day condition. If price passes the 200ma downward continue trailing your stops and exit when any of the four exit conditions are met. Note if price passes through the 200ma trend may be changing from bullish mode to bearish mode.

Normal Trending up



A. Double bottom at 200ma. Enter long.
B. Double top, exit. Enter short far from 200ma.
C. Price goes into a range during slow period.
D. Double bottom at 75ma. Normal Trend day in effect.
E. Double top far from 200 and 75ma. Exit and re-enter short.
F. Price passes 75ma. May be Slow Day again. Exit and re-enter long. Stopped out.
G. Price at 200ma. Slow day condition. Enter long.
H. Price passes resistance at E. Price objective met, exit.

<u>Normal Trend Down (primarily short trade):</u>

1. **CONDITIONS:** Price is below the 75ma or has retraced to the 75ma during the day and continues downward. Price can penetrate the 75ma and still be a valid Trending Normal Day if price stays near the 75ma or is touching the 75ma when it gives an Entry Pattern. The 3-bar trailing stop is best to use.

2. **SETUP**: Enter short if the price makes a double top or is testing a previous resistance level. Confirm with a valid reverse bar. If setup does not occur with confirmation do not enter.

3. Place stops 10 pips above the double top or resistance level entered at.

4. When price starts moving down, begin trailing stops with 3 bar stop rule. If the current bar is >= 20 pips place the stops 5 pips above that bar.

5. Exit when 1 of 4 conditions are met:
    a. Your trade gets stopped out by price reversing and hitting your stop.

    b. Price makes a double bottom or hits a support level and reverses IF it is at one of the three major news times. Otherwise continue trailing stops.

    c. Price has met the price objective of 50 pips or more.

    d. The market is in a slow period like between 5:00am and 7:00am eastern time, or late in the trading day (usually after 11:00am) and price stalls, making little movement up or down for 60 min or more.

6. Counter-trend if price is >= 20 pips from the 200ma and makes a double bottom or tests a support level and gives a valid reverse bar. Place stop 10 pips below the double bottom or support level. Expect price to retrace only to the 75ma, do not expect to get as much profit trading the counter-trend.

7. If price reaches the 75ma and price makes a double top or tests resistance level and a reverse bar emerges, exit counter-trade and re-enter short with trend. Go to step 3.

8. If price continues past 75ma, continue trailing stops and expect price to reach the 200ma.

9. When prices reaches the 200ma and forms a double top or is at a resistance level exit the trade or continue trailing the stops. Start using the Slow Trending Day condition. If price passes the 200ma upward continue trailing your stops and exit when any of the four exit

conditions are met. Note if price passes through the 200ma trend may be changing from bearish mode to bullish mode.

Normal Trend Down

A. Double Top at 200ma. Enter short.

B. Price objective met. Exit.

C. Double bottom. Enter long.

D. Price at 75ma. Double top. Normal Trend Day. Enter short.

E. Price objective met, exit.

F. Double bottom far from 200ma. Enter long.

G. Price back to 75ma. Testing resistance. Enter short. Double bottom, exit.

3) Trending Fast Day

A Fast Trend day is usually started by news releases causing high volatility. Price moves at a 60 degree or steeper angle. Fast Trends occur 10% of the time.

Fast Trend Up (primarily long trade):

1. **CONDITIONS:** Price is above the 21ema or has returned back (retraces) to the 21ema during the day and continues upward. Price can penetrate the 21ema and still be a valid Trending Fast Day if price stays near the 21ema or is touching the 21ema when it gives an entry pattern. The 3-bar and 1-bar trailing stops are best to use.

2. **SETUP**: Enter long if price makes a double bottom and/or is at a support level and makes a reverse bar. If the setup does not happen do not enter trade.

3. Place Stop 10 pips under the double bottom or support level.

4. When price starts moving up trail stops with 3 bar stop, or 1 bar stop rule if current bar is >=20 pips. Using 1 bar stop place stop 5 pips under bar.

5. Exit when 1 of 3 conditions are met:
   a. Your trade gets stopped out by price reversing and hitting your current stop.

   b. Price makes a double top or hits a resistance level and reverses **AND IF** it is at one of the three major news times. Otherwise continue trailing stops.

   c. Price has met the price objective of 50 pips.

6. Do not counter-trend on Fast Trend days.

7. If price reverses and starts retracing past the 21ema, expect price to reach the 75ma first. If/when it reaches the 75ma and if price makes a double bottom or test support and gives a reverse bar re-enter long with the trend. Assume a Normal Trending Day has started. Go to #3 above.

8. If price continues past the 75ma, expect price to reach the 200ma and start the Slow Trending Day rules.

Trending Fast Day

A. Double Bottom. It's been a Slow Trend Day so far. Enter long.

B. Price passes the 200ma. Market now in Bullish Mode. Price objective met afterward

C. Price retraces to the 21ema(black line) and gives double bottom. Fast Trending Day conditions. Enter long. Price stopped out.

D. Double bottom at 21ema again. Enter long.

E. Exit at double top. Do not counter-trend on fast trend days.

<u>Fast Trend Down (primarily short trade):</u>

1. **CONDITIONS:** Price is below the 21ema or has retraced back to the 21ema during the day and continues downward. Price can penetrate the 21ema and still be a valid Trending Fast Day if price stays near the 21ema or it touching the 21ema when it gives an Entry Pattern. The 3-bar and 1-bar trailing stops are best to use.

2. **SETUP**: Enter short if price makes a double top and/or is at a resistance level and makes a reverse bar. If the setup does not happen do not enter trade.

3. Place stop 10 pips above double top/resistance level.

4. When price starts moving down trail stops with 3 bar stop rule, or use1 bar stop if current bar is >=20 pips. Using 1 bar stop place stop 5 pips above bar.

5. Exit when 1 of 3 conditions are met:
    a. Your trade gets stopped out by price reversing and hitting your current stop.

    b. Price makes a double bottom or hits a support level and reverses **AND IF** it is at one of the three major news times. Otherwise continue trailing stops.

    c. Price has met the price objective of 50 pips.

6. Do not counter-trend on Fast Trend days.

7. If price reverses and starts retracing past the 21ema, expect price to continue to 75ma. If/when price reaches the 75ma and if prices makes a double top or tests resistance and gives a reverse bar then enter short with trend. Assume a Normal Trending Day has started. Go to step 3.

8. If price continues past the 75ma, expect it to continue to the 200ma and start the Slow Trending Day rules.

Fast Down Trend Day

A. Double top at 200ma. Enter short. Price objective met before B.

B. Double top at 21ema. Fast trend day. Enter short.

C. Double top at 21ema. Enter short. Exit after price objective met.

4) Big Range Day (both long and short trades):

1. **CONDITIONS:** Price usually goes into a range after it has trended strongly for some time. It will "rest" before continuing at some time in the future. The pivot stop is best.

2. **SETUP:** The 200ma is flat or slightly angled up or down.

3. Price can be above, below, or moving up and down through the 200ma.

4. The range from highs to lows is 20 pips or more. Two highs or lows must be completed.

5. Enter long when price makes a double bottom at a previous low.

6. Place stop 10 pips under the double bottom.

7. Expect price to return to a previous high.

8. Exit if one of three conditions are met:
    a. Your trade gets stopped out by price reversing and hitting your current stop.

    b. Price makes a double top and reverses.

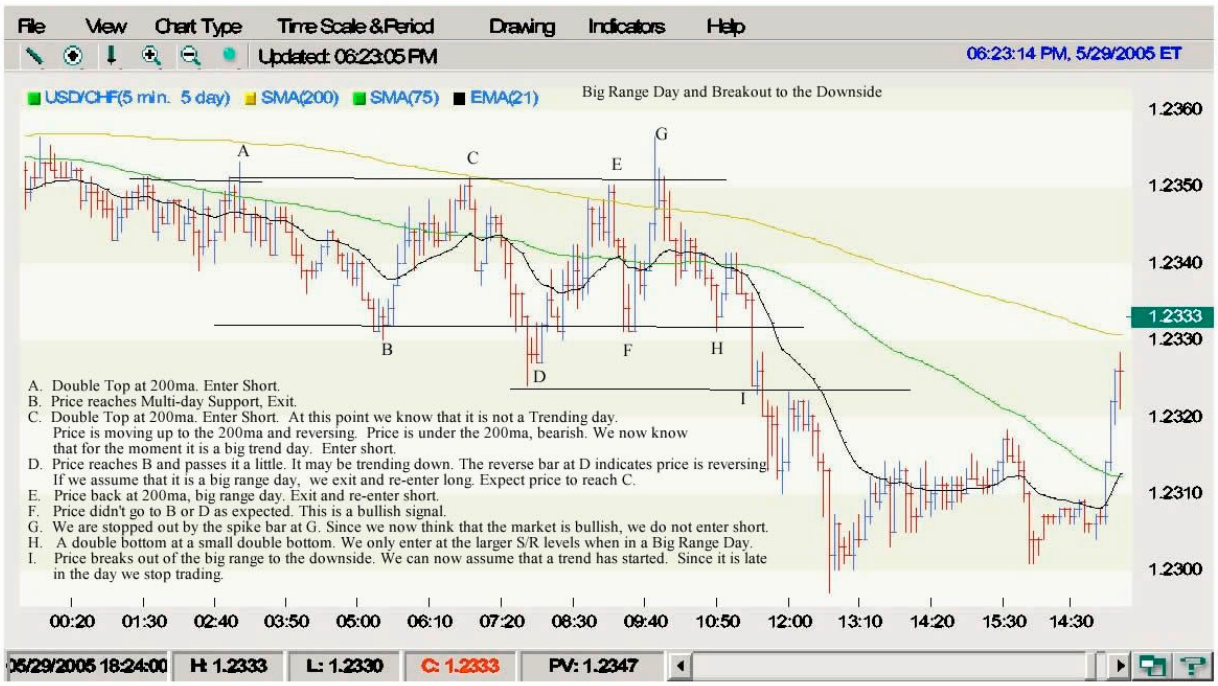
    c. The market is slow or it is late in the day and price stall/congestion for 30min or more.

9. Enter short when price makes a double top at a previous high.

10. Follow same procedures above starting at #6 but reverse, i.e. stop above, return to previous low etc.

11. A range is finished when price breaks out above or below the range, usually around news.

Big Range Day



A. Double top at 200ma. Enter short.

B. Price reaches support from previous day. Exit after reverse bar.

C. Price back to 200ma. Enter short. Draw a line from A to C. Slow Trend Day.

D. Price hits support from B. Looks like a Big range day. Exit and re-enter long.

E. Price back at resistance. Exit and enter short.

F. Exit. Reverse bar too big to enter long. Pass.

G. Price at resistance. Enter short.

H. Price a support. Exit and enter long. Price reverses and stops us out.

I. Price breaks out of range, then pulls back to resistance at I. Too late in day, pass.

5) Small Range Day (Do not trade this type of day):

1. **CONDITIONS:** Price usually goes into a small range after price has trended strongly for some time or the market is waiting for news to come out. No trading during slow range.

2. **SETUP:** The 200ma is flat or slightly angled up or down.

3. Price can be above, below, or moving up and down through the 200ma.

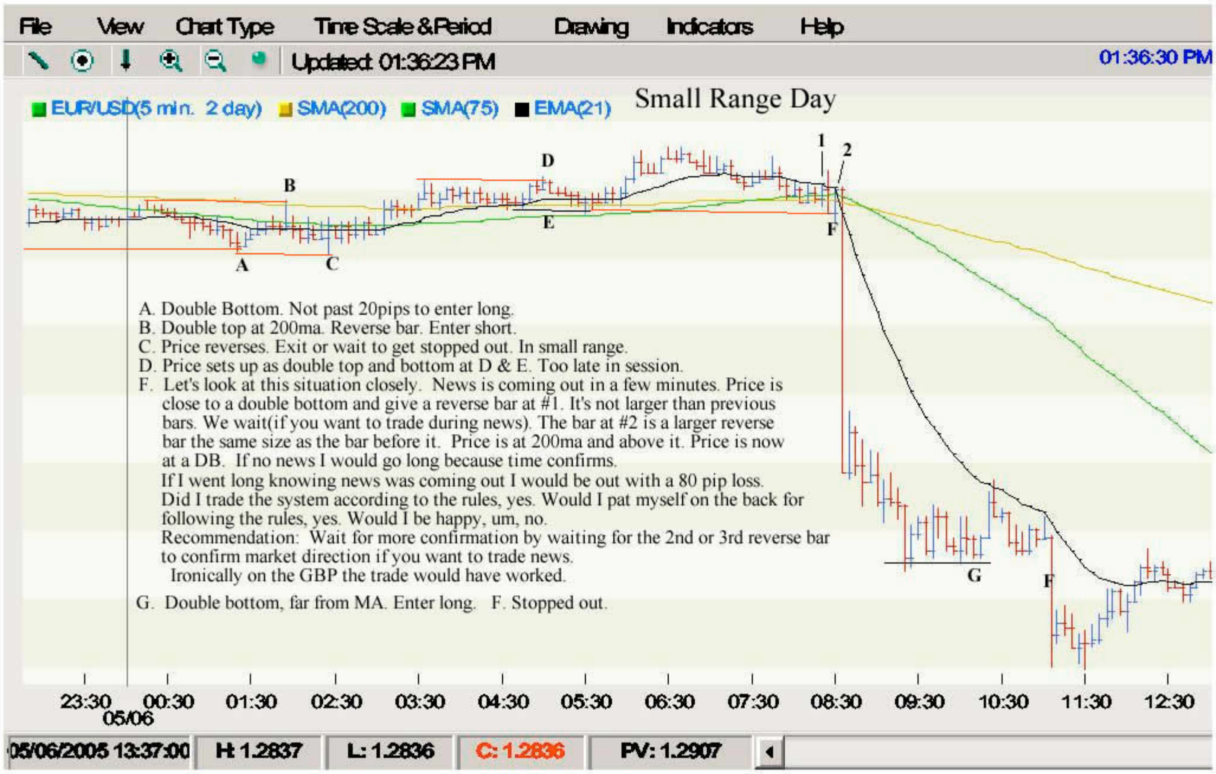
4. The range from highs to lows is usually under 15 pips or less. Two highs or lows must be completed.

5. We do not enter trades while the market is in a small range. The only time we may make an exception is around major news times.

6. A range is finished when price breaks out above or below the range, usually around the major news times.

7. When price breaks out of the range we can start trading in the direction of the breakout. Wait for price to pullback to the range it broke out from and reverse or wait for a pattern and a reverse bar before entering.

<u>Small Range Day</u>



A. Double bottom. Too close to 200ma, pass.

B. Double top. Too close to 200ma, pass. Looks like small range day.

C. Price test support at A. Still small range.

D. Price breaks out just a little bit. Still in small range. Wait till breakout.

E. Same condition.

F. News causes large price bar. Do not enter.

G. Double bottom after news move. Price may reverse. Enter long.

F. Price continues down. Stopped out.

6) Scalping at news times (very risky)

If price sets up at news times, you can enter a trade if your risk tolerance level includes risky trades. Watch the market closely. If you get large bars moving in the direction of your trade, prepare to exit in 5-45 minutes. Reversals will usually happen at a double top/bottom or support/resistance. You can trail and see if price goes further. The 1-bar and 3-bar trailing stops are best to use under these conditions.

If you have 50 pips don't be greedy. If you get large bars moving against your entry, exit as fast as you can. You will be scalping news, not trading it. If price gives large bars (over 20 pips) trail five pips beyond the current bar. If the market does not give you these bars do not scalp and trade as you normally would.

On the USD chart if you get no setup at 8:30 you have a chance of another setup around 9:30 to 10:00. Be aware though that 20% of the time during news that the trade may go against you and you may have a large loss. You just have to weigh this against the times you make a large gain.

1. The market responds to a news event. Usually at 2:00am, 4:30am, 8:30am. Check the calendar daily before you trade.

2. The market responds to the news quickly. The volatility picks up. The bar size is usually over 20 pips.

3. Price may go fast in one direction, test a support or resistance, and reverse. The reverse direction is usually the direction price will go. Enter after the reverse bar if at S/R or has made a double top or bottom.

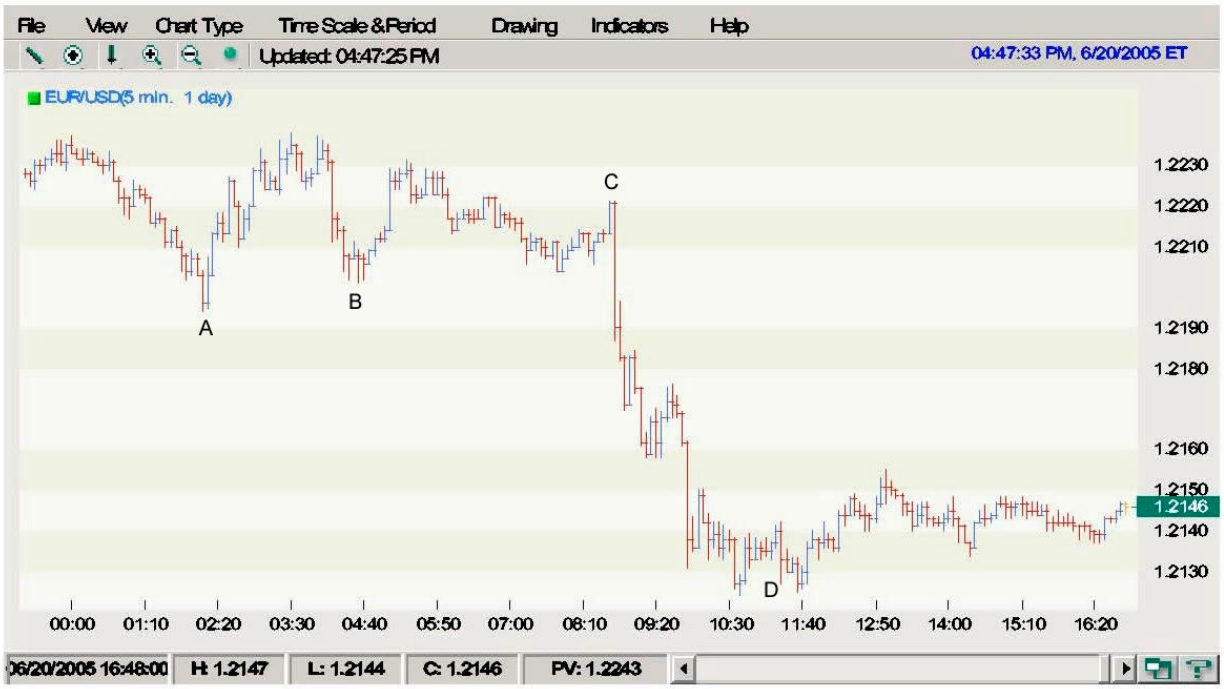
4. If the price bars are over 20 pips trail your stops 5 pips beyond the high/low of the bar.

5. The fast move generally moves at least 50 pips and last about 5-45 minutes.

6. As soon as you see price reversing and giving opposite reverse bars exit the trade.

7. After a News Trade the market may go into a range. If it does, stop trading this currency for the day.

New Times



A. EUR news events at 2:00 am eastern.

B. GBP news at 4:40 am eastern.

C. USD news at 8:30 am eastern.

D. Market has digested news and calmed down.

Statistics for the EUR/USD Currency Pair using our Trading System

Trending Fast: Price moves along 21ema and doesn't get near the 200/75ma.
Range: 200ma is flat and price moves up and down between it till breakout
Trending Normal: Price starts its moves at the 200MA or far from the 200ma and moves in waves to and far from the 200MA. If the market is trending a little faster price will use the 75ma as a jumping board.
Total days tested: 19
# of Trending Fast Days: 2 1%
# of Trending Normal: 9 - 47%
# of Range days 8 8 - 42%
# of days market was in Range in early am then trending in late am 9 - 47%
# of days market was in Trend in early am and then went into Range in late am: 2 - 1.2%
Can expect 2-3 moves per session unless market is trending fast(along 21ema)

Statistics of Trending Normal: Overall - Total # of Days - 9
Average duration of moves - 2 1/2 hours
Total # of setups: 32
Total # of setups with Double Tops/bottoms: 24 75%
Total # of setups using large support/resistance: 2 .06%
Total # of setups using the 60% retracement: 6 19%
Total # of setups using trend/parallel lines: 9 28%
Total # of wins: 27
Total # of loses: 7
Win:Loss Ratio: 3:1 or 74% wins
# of moves > 50-70pips 11 34%

Early Morning Session 12:00-5:00am Eastern:
Total # of setups: 17
Total # of setups with Double Tops/bottoms: 12 75%
Total # of setups using large support/resistance: 1 .08%
Total # of setups using the 60% retracement: 4 24%
Total # of setups using trend/parallel lines: 4 24%
Total # of wins: 14
Total # of loses: 4
Win:Loss Ratio: 3:1 or 71% wins
# of moves >50-70pips 4 24%

<u>Late Morning Session 7:00-12:00pm Eastern:</u>
Total # of setups: 18
Total # of setups with Double Tops/bottoms: 15 83%
Total # of setups using large support/resistance: 1 .05%
Total # of setups using the 60% retracement: 2 11%
Total # of setups using trend/parallel lines: 5 28%
Total # of wins: 13
Total # of loses: 3

Win:Loss Ratio: 4:1 or 77% wins
# of moves >50-70pips 6 33%

<u>Conclusion:</u>
Use Double Tops and Bottoms mainly. 75%
60% Retracements and Trend/Parallel lines are helpful: 47%
If the market is in a range in the early session it may tend in late session or VV. 47%
You should have 3 wins to every loss. 74%
You usually get two moves per session. One will be big(>=50pip) & one smaller 34%

Trading during news times statistics

USD Timeframe 8:30am.

% of moves between 8-8:30 am eastern:	74%
% of moves that had no setup between 8-8:30	26%
% of moves that setup one hour later if no setup at 8-8:30	27%
% of days that set up properly per our rules	66%
% of those days that were profitable	78.5%
% of days that were very high volatile(big bars)	40%
% of days that price took off in one direction and quickly reversed in the opposite direction. (most of those days were the high volatile bars)	38%
Average time the initial hi-vol move took before reversing	30 minutes.

Fastest reversal - 5 minutes. Longest reversal - 45 minutes.

EUR Timeframe 2:00am.

% of moves between 2:00-3:00 am eastern:	81%
% of moves that had no setup between 8-8:30	32%
% of days that set up properly per our rules	68%
% of those days that were profitable	86%
% of days that were very high volatile(big bars)	52%
% of days that price took off in one direction and quickly reversed in the opposite direction. (most of those days were the high volatile bars)	38%
Average time the initial hi-vol move took before reversing	40 minutes.

Fastest reversal - 20 minutes. Longest reversal - 45 minutes.

GBP Timeframe 4:30am.

% of moves between 4:30-5:30 am eastern:	90%
% of moves that had no setup between 8-8:30	43%
% of days that set up properly per our rules	57%
% of those days that were profitable	89%
% of days that were very high volatile(big bars)	37%
% of days that price took off in one direction and quickly reversed in the opposite direction.	30%
Average time the initial hi-vol move took before reversing	30 minutes.

Fastest reversal - 25 minutes. Longest reversal - 45 minutes.

Leverage:

I want to show you a money management plan to leverage your capital safely. As you slowly increase your capital you will increase the number of lots you will trade. You are also improving your trading skills as you go.

If you make 20 pips a day averaged over a month that's $20 a day with a mini. Trade one lot per each $500 in your account. When you double your capital to$1,000 trade 2 lots.
As you continue to make an additional $500 add another lot to trade. Continue to do so until you are trading 10 lots at a time. 10 lots with $20 avg is $200 a day. That's just about you median income per year. If you are happy here you can stay with minis.

If you want to take it further start trading the regular size forex at $10 a pip. You will need at least $5,000 in your account to so. Trading one lot with a 20 pip average will get you the same $200 a day.

As before when you double your capital to $10,000 you can go to two lots per trade. For each extra $5,000 you can add an additional lot.
When you work up to 5 lots a day at 20 pips a average that's $1,000 a day profit. Not too bad. Where you want to go from here is totally up to you.

There will come a point that you will hit your comfort level limit. Remember each time you increase lots the emotional and mental dynamics will change. As you slowly increase your capital you'll need to work harder on controlling your emotions.

Live Account vs Demo Account Dynamics

Here's an exercise that will help you become aware of the trading habits that are causing you to break the trading rules. You will learn to pinpoint patterns that you may be doing over and over again and not even realize it that sabotage your results.

It's normal to feel doubt when you are learning to trade. You may even feel that you are not cut out for it. Especially when you make the transition from a demo account to live trading. Let's think about this logically for a minute. You were doing okay with the demo account, but when you trade in a live account you consistently lose money. Realize that a live account is no different than a demo. Same bars, same hours, etc.

The only thing that has changed is your perception because money was involved. Let's go back to square one.

Quit trading the live account and go back to trading a demo account.

When you start trading the demo forget about money. Say to yourself "I will focus on the trading rules and nothing else". "No matter what, I will trade the rules that are in this trading system. I didn't write it. I will trust these rules. If I'm supposed to enter, I will enter. If the trade works, I'm just following rules of the system. It has nothing to do about me being a good trader or not. If the trade is a loss, and I followed the rules, it's not my fault. I just followed the rules of the system. It has nothing to do with me or my emotions. It doesn't mean I'm a bad trader. I'm just following the rules."

Get yourself a journal or notepad.

Each time you take a trade you want to write in your journal. Start with the trade setting up. Write how you feel before a trade. Are you confident and sure of yourself, or nervous and a little "gun shy" because you have lost the last two trades?

After you enter a trade note how you feel. Write whether you followed the rules or not.

When your are in a trade, note how you feel. Are you eager to exit? Are you scared about giving back profits? Are you listening to other people's opinion about what the market "should" do instead of letting the market and your rules manage a trade for you?

After you exit a trade the big questions are asked:

Did you follow the rules of the system, win or lose? If you did, congratulate yourself.
Did you break the trading rules? If so why? Fear, greed, doubt?

At what point in the trading process did you break the rules? Is it countertrending, news times, trading during slow periods?

Also write down the market conditions at the time that you were in the trade.

Now if you broke the rules what solution can you think of to help you stay focused and not make the same mistake the next time.

Do this from Monday to Friday.

Over the weekend review your journal. Look for patterns that you are doing over and over again. You may be exiting too soon, or trying to counter-trend a trending market? Are you thinking constantly about the money and not focusing on following the trading rules?
If you see yourself making the same mistake over and over again, or seeing yourself losing during certain market conditions you have found your major weakness. Now you can work on stopping it.

When you start trading again on Monday and those certain conditions arise that make you inclined to break the trading rules ask yourself: "What should I do in this situation? What did I tell myself I wouldn't do? What do the rules say to do? Or you could ask yourself What would Jon do in this situation."

When you get to the point that you are following the rules most of the time then you will be ready to go back to a live account. Treat it no differently that your demo account.

Consider the money you lost the cost of tuition or the cost of learning to be a trader. You should even expect more losses now in the beginning. If you understand that you will have more losses as you learn they will not affect you as much.

Above all, don't give up.
Jon

Trading Right

Some students tell me they are having a hard time seeing the setups until it is too late. For beginners, I can understand the frustrating because of the huge learning curve ahead of you.

First, try this exercise:

When you receive my charts print the one out that is related to the currency you had trouble with today. On your computer screen view the chart in question. Take a blank piece of paper and cover your chart. You want to do this on the screen because that is what you look at while trading.

Now looking at my chart, slowly move the paper from left to right, watching how the trade sets up. Watch the double bottom or top setup and give a reverse bar. Keep in mind the type trading day it is. This will help you see the double tops/bottoms and support and resistance as it sets up.

It's important that you just let the setup happen. I've had students say that they entered the market before it setup but they just knew it would. Some enter before the reverse bar finished because they just knew the bar would finish as a good reverse bar.

We can't predict the future here guys. You are not following the rules either. Focus on trading the market using the trading rules that you have in front of you, the forget all of the mind games. Either put enough capital in your account that a few losses will not bother you or consider your $300 in your trading account tuition for learning how to trade right.

If you worked for a company building computers, or autos, etc. The company gives you exact rules to follow. They do not allow, nor even care about your emotions. You just do your job assembling that unit as instructed. There is no second guessing, no wondering if you should weld that part later. You know when to do it and you do it. If you don't you et fired.

Trading is a business. Treat it as one. It's okay to have dreams of trading full time, having money and freedom. But when the trading day starts you leave your hopes and dreams at the door. Do not take them into the trading room with you. It will sabotage you.

Each loss you take you will worry more and more. "My dreams will not happen if this keeps up" You start getting emotional an sabotage your trading. Then it becomes a self fulfilling prophecy.

Glossary used in this course and the Forex for Everyone mentoring course

1. **DT - Double Top**
2. **DB - Double bottom**
3. **RB - Reverse bar**
4. **Ret - Retracement**
5. **60% - 61.8%**
6. **Not a good pattern, reverse bar, double bottom, etc. - Not a valid.**
7. **Pass - Do not take the trade.**
8. **200ma - 200 moving average**
9. **DT/DB too close - Too close to 200ma to be a valid trade.**
10. **Stall - Price has stopped moving up or down and is moving sideways.**
11. **Sloppy - The DT/DB or some condition in the market is a valid signal but not your textbook signal. A sloppy double bottom doesn't look like the textbook "W" pattern.**
12. **Stopped out - Our trade reached our initial or trailing stop and took us out of the market.**
13. **Big Bar - The current price bar is over 20 pips in size.**
14. **Multi-day - Multiple days. If you have a multi-day double bottom it extends to the previous day.**
15. **Price testing - Price returns to a previous support or resistance level. It "tests" the level, stalls, moves through it, or fails and reverses.**
16. **Price penetrates 200ma - Price moves up/down through 200ma or 75, 21 etc.**

17. Time confirms - News time. About 1/2 hour before news is released & up to an hour afterward

18. Price trending normally - Price is trending up/down fast enough that it is staying around the 75ma as it moves. It may be beyond it and retrace back to it before continuing.

19. Price trending fast - Price is trending up/down very fast enough that it is staying around the 21ema as it moves. It may be beyond it and retrace back to it before continuing.

20. Price slow - Price is not trending but in a small or large range which stays around the 200ma.

21. News - EUR(2:00am) GPB(4:30am) USD(8:30am) Eastern. Time most of the major news is reported.

22. Late in day or late in trading session - We do not enter trades after 12:00 pm eastern.

23. 3 bar stop - Trailing your stops three bars back from the current bar. Use only bars making higher highs and higher lows(If bullish) Do not include small inside bars.

24. Price objective met - 50-70 pips measured from the low pivot if you are long(or the low of the double bottom) to the bar that reaches the price objective of 50 pips. You do not measure from where you entered. You can exit or continue trailing.

25. I usually go into more detail and explanation on the EUR and GBP chart. I mention the trend and behavior of the previous day and how it may effect today's trading. Once you get used to the logic you can apply it to the other three charts.

Note:

Always read and study the EUR and GBP first. I go into more detail on those and will be useful when reviewing the other charts.

Summary:

Not all trading days will be like this. Some charts will not setup. Some will require your immediate attention and you can't trade others. Some will be better. This is the dynamic world of trading. If you respect it and be persistent you will make a profit and a living. If you start breaking rules all of the time and not take it seriously it will eventually hand you your head on a platter. (and butt too!) When mountain climbers climb K2 or Everest they respect the mountain and what it is telling them (by weather reports, observing clouds, weather patterns, etc.) Do the same with the markets and it will be your friend.

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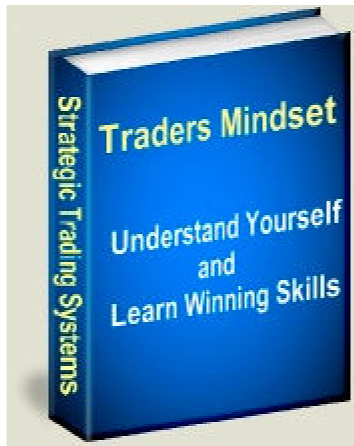

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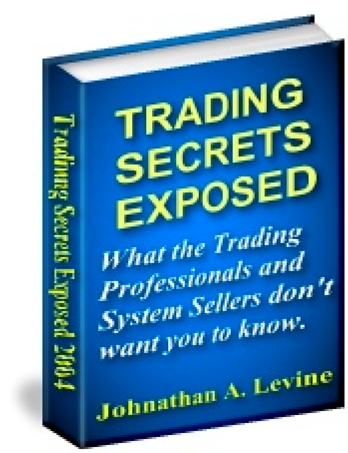

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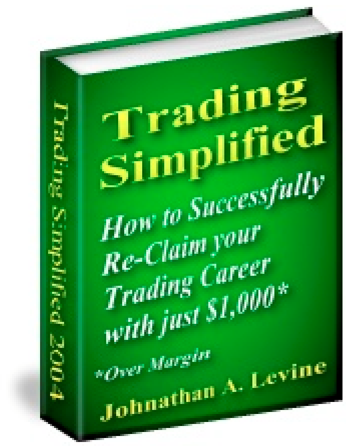

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