www.SniperForex.com

The KILLER forex system

Some advice as to setting up a trading regime:

Firstly, always truly believe that you have unlimited potential to make money trading. You must believe that anything can happen in the market. Don't have any pre-conceived ideas about what is going to happen next; you must simply take the signals as and when they come. You don't have to know what is going to happen next in order to make money.

1. Never break your rules!

2. Get up early enough to be wide awake, dressed and have done some mental exercises mentioned in the Trading Psychology Section before you put on a trade.

3. Be absolutely disciplined in every aspect of your trading.

4. Never re-enter a botched trade. When it's over it really is over!

5. Never ever try to get even.

6. Never hesitate to enter a trade when you have a signal.

7. Never enter a trade too early.

8. Never change your stop other than dictated by the **"SniperStop"**.

9. Never ever refuse to take the loss and then let it turn into a bigger loss.

10. Never get out of a winning trade too soon. This often is what you want to do after you have taken a loss on a previous trade!

11. Never ever let a winning trade turn into a loser. This is a real morale killer.

12. Never trade too big a position.

13. To win in trading you only need to master one trick and do it over and over again.

14. In trading there is ABSOLUTELY NO ROOM FOR ERROR! Try to trade as perfectly as you possibly can; every day, every trade. Even if you lose you will feel good about trading well.

15. Don't break your rules!!

TRADING PSYCHOLOGY

WHY WE ALL NEED A TRADING PSYCHIATRIST

Do you sell your winners too soon? Do you ever pull your stop and let a small loss become much, much bigger? Have you wondered if you will ever be able to make money? Have you kept your losses from your paartner? Have you ever entered a "kamikaze" trade to try to win back the days losses? Have you forgotten what a "winning attitude" even feels like? Many traders are alternately disillusioned, angry, frustrated, disappointed and regretful. When they are not fearful they tend to be reckless.

This section will help you to trade without letting fear or overconfidence cloud your judgement. It will teach you how to perceive what the market is offering, and how to stay completely focused and execute your trades perfectly. By following this advice you will hopefully stop making the typical trading errors that many of us are guilty of. Most importantly it will teach you how to use the **"Sniper"** system without hesitation when a signal is triggered. You will learn how to act on the signals without reservation or hesitancy. You will learn how to stay in the state of mind that allows you to recognize the setups and remain calm and confident through to the exit.

This is perhaps the most important part of the system. Trading success is Dependent more on the trader's emotional state than on the strategy used, regardless of how robust it may be. Statistics show that only 5% of traders are consistently profitable and the rest are either inconsistent and unprofitable. You can only beat these odds if you enable effective recognition and management of the emotional reactions that you will experience during trading. You cannot do this if you believe that any lack of success you are having is because you don't have the right strategy/charting platform/stop loss etc or any one of dozens of half-baked excuses. If the system does not work for you the way it should, look inward to explain why this may be so.

The kinds of trading errors that anxiety causes are probably too numerous to be Catalogued, but some of the more common ones include:

1. Not trusting your indicator/s.

2. Entering a trade too late.

3. Taking two thirds of a signal instead of the whole lot.

4. Exiting a trade too soon.

5. Ignoring your self-established rules or the rules of the strategy.

6. **Ignoring your money management rules.**

7. Continuing to trade even when the emotional impact of losing trades is undermining your judgment.

There are many more, but these are in all likelihood the most common ones. Take an unbiased look at what you may have done wrong and you will most likely see that anxiety/fear has had a larger impact on your trading than you may care to admit.

There is an ideal mindset that traders need to attain. Few people have the innate personality that makes this mindset “natural” with respect to trading. It involves being free of anxiety, fear, despair or regret whilst simultaneously remaining calm, confident, focused and disciplined in the face of whatever hurdles may come our way while trading .

In order to reach this ideal state of mind, one of the biggest issues to overcome is learning to accept trading losses in a productive way. No-one can be a trader without having losing trades. Not Michael Milken, not George Soros, not Gordon Ghecko! They all experienced losses, often several in a row, which is how losses tend to occur, and sometimes involving considerable amounts of money. Losses can make it difficult to see beyond short term adversity.

It is easy for trading losses to assume a much greater emotional significance for the trader than is justified by the trade. You must learn to regard a trading loss as a business expense which won’t effect the overall success of your trading. If you do this it will be easier to start the trading day with confidence, evaluate trading risk from an objective standpoint, exit losing trades without bias or hesitation and focus on trading well rather than making or losing money.

Your paper trading must be realistic. You should detail each trade as it occurs, win or lose. At the close of the trading session you should review your trading and be brutally honest about your findings. You should do this every day until you trade perfectly for at least a month. If you can do this successfully then you have already taken the first big stride on the road to being a profitable trader.

Next, start phase 2 of paper trading and introduce a larger dose of reality. This should involve some money, of which the amount of money at risk should sting if lost, but still be “affordable.” Give any money you lose to a charitable concern, or to a person to whom you don’t want to admit failure. Really commit to this process so that you can’t back out. This means that before you start this phase of your paper trading you need to tell whoever is the nominated person your results and have them be in a position to audit them. If you have set this up successfully, this paper trading step should start to produce some of the emotions you will experience when you are trading “live”.

This next step is crucial. You must be able to honestly identify what these emotions are, when they occur, and how they affect your trading. Write them down as they occur, whatever they may be. Note the time the emotion initially made itself felt, the duration, and the resolution. At sessions end, review your trades and note how, if at all, the observed emotions modified in any way what may or would have otherwise been an ideal trading day from the system standpoint. You must not rationalize or minimize either the emotions felt or their effect/s on your trading, as hard as this may be on your ego.

If you are unable or unwilling to do this it will make things very difficult for your trading career! After a few weeks a pattern should emerge of how and when your emotional reactions may be undermining your trading efficiency. If this is not the case then you probably need to increase the amount of money and pride that is at stake. There has to be a reasonable amount of emotional response to your paper trading in order for this to work. This is practice and is therefore the best place to make mistakes so that they can be rectified, so don't be too hard on yourself if mistakes are made!

Before you start the trading day you should be in the best possible state of mind - you should take 15 to 20 minutes to get yourself to this state. Here is one method that can help:

1. Find a comfortable sitting position and close your eyes.

2. Inhale and exhale slowly, pushing your stomach out with each exhalation.

3. Make a conscious effort to relax all your muscles.

4. Focus all your attention on your breathing.

5. If your mind starts to wander try to re-focus on your breathing and eliminate from your consciousness whatever was occupying it.

6. Become aware of being exclusively in the "now." Exclude all thoughts about the past events or the future.

7. Do this until your restless mind settles down and you enter a peaceful, relaxed state. It can take 15 to 20 minutes, longer for some people.

Now visualize your day. In this relaxed state, rehearse mentally how you will handle the adverse conditions that may have generated emotional negativity (anxiety, fear, frustration, anger etc.) during your previous practice trading sessions. If these reappear while you are visualizing, stop! Start deep breathing as before – staying focussed and determining to be in the "now." Do this for a dozen breaths until the relaxed state has been re-entered.
Restart your visualization of the trading day. Before you start real trading you must be able to comfortably deal with all emotions connected to your paper trading. Don't expect first time success – it may take motivation and practice to work, and on-going practice to keep it working.

Under live conditions there will be stressful days where things have not gone right, irrespective of how well you may have traded. It is easy to let negative thoughts and/or emotions accumulate and affect the next day's trading and even overcome your pre-trading relaxation efforts. You need to get rid of the day's trading stress the same day:

After you have analysed the day's trading, identified your mistakes and successes, with everything documented, find a comfortable spot and start to visualize the nicest scene that you can. Bring all your senses to bear: sound (birdsong, summer rain), smell (a favourite meal cooking, freshly cut hay), taste (that same meal, your favourite tipple), touch (a lovers caress, soft silk) etc. Your body will react to the imagery as if it were real.

Now, whilst breathing deeply and intently focusing on the imagery, Start slowly and methodically relaxing your muscles – starting at the bottom and ending at the top. It is more efficient if you initially tense each muscle group as tightly as possible for ten seconds and then make a conscious effort to relax it. Upon completion, linger in your relaxing image (focussing on your breathing to keep an uncluttered mind) for as long as you want but for at least 10 or 15 minutes. Afterwards go and do something entirely different. Perhaps some exercise, read a novel, play with your children, spend some time with the family pets - as long as it occupies you so that you are not thinking about trading.

Money Management

Amount of Equity Lost	Amount of Return Necessary to Restore to Original Equity Value
25%	33%
50%	100%
75%	400%
90%	1000%

This table shows just how difficult it is to recover from a debilitating loss.

It is important to note that a trader would have to earn 100% on his or her capital - a feat accomplished by less than 1% of traders worldwide - just to break even on an account with a 50% loss. At 75% drawdown, the trader must quadruple his or her account just to bring it back to its original equity – a task beyond the abilities of the mere mortal!

While most traders are familiar with the figures above, they are routinely ignored. We hear stories of traders losing an entire lifetime's worth of profits in a single trade gone wrong. This is more often than not a result of sloppy money management, with no hard stops and more than anything else due simply to a loss of discipline.

Money management is the critical difference between winners and losers. It has been proved that if 100 traders start trading using a system with 60% winning odds, only 5 traders will be in profit at the end of the year. Despite 60% winning odds, 95% of all traders will lose because of their poor money management. Money management is the most significant part of any trading system. Most of traders don't understand how important it is. Make sure you are NOT one of them.

It is vitally important to understand the concept of money management and understand the difference between it and trading decisions. Money management represents the amount of money you are going to put on one trade and the risk your going to accept for this trade.

Firstly, you should understand the following term: **Core equity**
Core equity = Starting balance - Amount in open positions.

If you have a balance of 10,000$ and you enter a trade with 1,000$ then your core equity is 9,000$. If you enter another 1,000$ trade, your core equity will be 8,000$

This is very important to understand since your money management MUST depend on this equity.

The following model of money management provides the combination of a high annual return on investment while simultaneously limiting risk. The standard account that will be discussed is a 100,000$ account with 20:1 leverage . You can adapt this strategy to fit smaller or bigger trading accounts.

The strategy

Your risk per a trade should never exceed 3% per trade. It's better to adjust your risk to 1% or 2% the lower the better. If you are confident in your trading system then you can lever your risk up to a maximum of 3%

1% risk of a 100,000$ account = 1,000$

You should adjust your stop loss so that you never lose more than 1,000$ per a single trade.

If you are a short term trader and you place your stop loss 50 pips below/above your entry point .
50 pips = 1,000$
1 pips = 20$

The size of your trade should be adjusted so that you risk 20$/pip. With 20:1 leverage, your trade size will be 200,000$

If the trade is stopped, you will lose 1,000$ which is 1% of your balance.

This trade will require 10,000$ = 10% of your balance.

If you are a long term trader and you place your stop loss 200 pips below/above your entry point.
200 pips = 1,000$
1 pip = 5$

The size of your trade should be adjusted so that you risk 5$/pip. With 20:1 leverage, your trade size will be 50,000$

If the trade is stopped, you will lose 1,000$ which is 1% of your balance.

This trade will require 2,500$ = 2.5% of your balance.

This is just an example. Your equity and leverage provided by your broker may differ from this formula. The most important is to stick to the % risk rule. Never risk too much in one trade. It's a fatal mistake when a trader lose 2 or 3 trades in a row, then he may be overconfident that his next trade will be a winning one and he may add more money to this trade. This is how you can blow out your account in a short time! A disciplined trader will never let his emotions and greed control his decisions.

Diversification

Trading one currency pair will on average generate fewer entry signals than trading several. It will probably be better to spread your trades between several currencies. If you have a 10,000$ balance and you have an open position with 1,000$ then your core equity is 9,000$. If you want to enter a second position then you should calculate 1% risk of your core equity not of your starting balance! This means that the second trade risk should never be more than 90$. If you want to enter a 3rd position and your core equity is 8,000$ then the risk per 3rd trade should not exceed 80$

It's important that you diversify your orders between currencies that have low correlation.

For example, If you are short the EUR/USD then you probably shouldn't be short the GBP/USD since they have a high correlation. If you have are short the EUR/USD and short the GBP/USD and are risking 3% per trade then your risk is 6% since the trades will tend to end up moving in the same direction.

If you want to trade both the EUR/USD and the GBP/USD and your standard position size from your money management is 1,000$ (1% risk rule) then you can trade 500$ EUR/USD and 500$ GBP/USD. In this way, you will be risking 0.5% on each position.

Decide on the % of your capital you are willing to risk, ranging from 1 to 3 % maximum, depending on your level of confidence in your trading ability and system, and stick with it – don’t change your level of risk because your circumstances have changed.

To sum up: **If you can do one thing and do it to the best of your abilities in this tough game that we call forex trading then you can be one of the 5% and NOT one of the 95%!**