FOREX PROFITABILITY CODE

Forex Secret Protocol ©
Published by
Old Tree Publishing CC
Suite 509, Private Bag X503
Northway, 4065, KZN, ZA
www.oldtreepublishing.com

RISK DISCLOSURE STATEMENT / DISCLAIMER AGREEMENT

Trading any financial market involves risk. This report and all and any of its contents are neither a solicitation nor an offer to Buy/Sell any financial market.

The contents of this material are for general information and educational purposes only (contents shall also mean the website www.forexsecretprotocol.com or any website the content is hosted on, and any email correspondence or newsletters or postings related to such website). Every effort has been made to accurately represent this product and its potential. There is no guarantee that you will earn any money using the techniques, ideas and software in these materials. Examples in these materials are not to be interpreted as a promise or guarantee of earnings. Earning potential is entirely dependent on the person using our product, ideas and techniques. We do not purport this to be a "get rich scheme."

Although every attempt has been made to assure accuracy, we do not give any express or implied warranty as to its accuracy. We do not accept any liability for error or omission. Examples are provided for illustrative purposes only and should not be construed as investment advice or strategy.

No representation is being made that any account or trader will or is likely to achieve profits or losses similar to those discussed in this report or anywhere on www.forexsecretprotocol.com. Past performance is not indicative of future results.

By purchasing any content, subscribing to our mailing list or using the website or contents of the website or materials provided herewith, you will be deemed to have accepted these terms and conditions in full as appear also on our site, as do our full earnings disclaimer and privacy policy and CFTC disclaimer and rule 4.41 to be read herewith. So too, all the materials contained within this course, including this manual, whether they appear on our domain(s) or are in physical form, are protected by copyright. "Warning: The unauthorized reproduction or distribution of this copyrighted work is illegal. Criminal copyright infringement, including infringement without monetary gain, is investigated by the authorities and is punishable with imprisonment and a fine." We reserve all our rights in this regard.

Old Tree Publishing CC, in association with www.forexsecretprotocol.com, the website, content, and its representatives do not and cannot give investment advice or invite customers or readers to engage in investments through this course or any part of it.

The information provided in this content is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject us to any registration requirement within such jurisdiction or country.

Hypothetical performance results have many inherent limitations, some of which are mentioned below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and actual results subsequently achieved by any particular trading program and method.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk and no hypothetical trading record can completely account for the impact of financial risk in actual trading.

For example, the ability to withstand losses or to adhere to a particular trading program or system in spite of the trading losses are material points that can also adversely affect trading results. There are numerous other factors related to the market in general or to the implementation of any specific trading program, which cannot be fully accounted for in the preparation of hypothetical performance results. All of which can adversely affect actual trading results.

We reserve the right to change these terms and conditions without notice. You can check for updates to this disclaimer at any time by visiting www.forexsecretprotocol.com.

Governing law: this policy and the use of any of this material and or course, provided in any form, and any content on the website are governed by the laws of the Republic of South Africa. Further details on this are found under the Terms and Conditions on our site. Please ensure you read and agree with all Terms and Conditions as set out on our site before using any of the materials. Your use and reliance on the materials is based on your acceptance of such Terms and Conditions and policies as appear on the site.

TABLE OF CONTENTS

Introduction

The Forex Profitability Code trading system is a powerful system that has performed very well during the Demo and the Live Rounds of the recent Surefire Trading Challenge. It went up against thousands of other systems and won. This system beat 4000 systems to win the Live Round with a one month gain of 100.99% in Real Live Money Trading.

This may be considered an advanced trading system that would be ideal for intermediate to advanced traders that are familiar with trading the Forex market but can also be very powerful in the hands of novice traders.

The system relies on Fibonacci retracements, Moving Averages and the Williams Percent Range indicator. The system has also been designed to work on an intraday basis but it can be applied to all timeframes and all the available currency pairs.

The Forex Profitability Code system is very easy to apply once you are familiar with the rules. It uses a 1:2 risk/reward ratio which means you could potentially gain more than you risk on each trade that you enter.

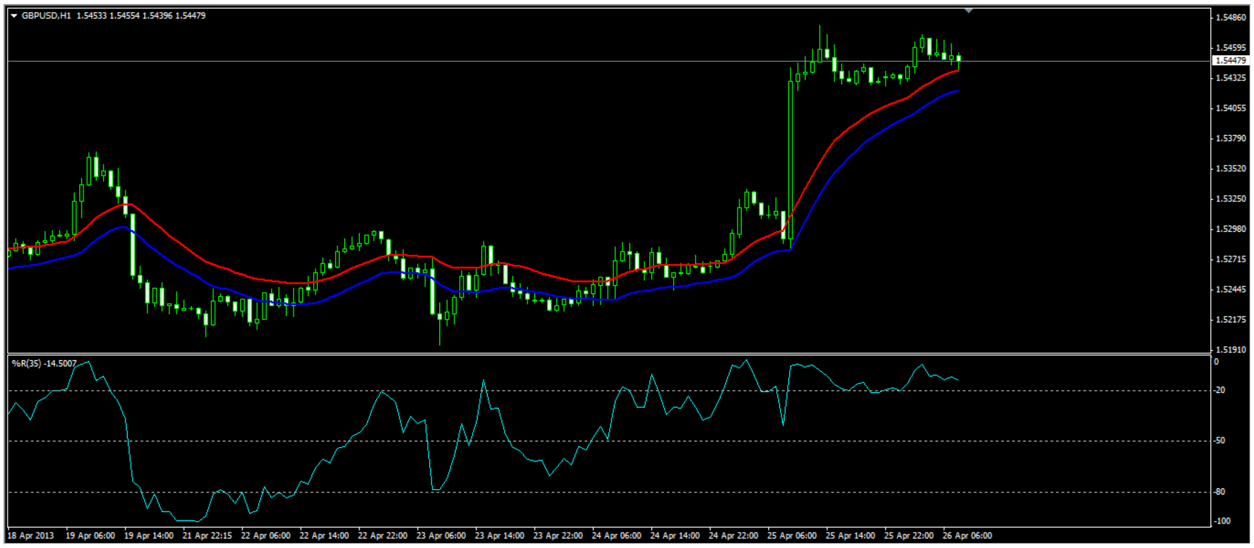
The indicators that are part of this system are very easy to understand and interpret making it a great system for all traders. The Forex Profitability Code system can be considered as a conservative strategy which means that the risks are relatively low.

This is a trend following and breakout strategy and the entire strategy revolves around ensuring that a trader remains on the right side of the trend at all times.

It uses higher time frames for analysis which helps you stay on the right side of the current trend and we all know the trend is our friend. So, if you can follow the rules of this trading system you can be sure that you will remain on the right side of trade for the majority of your trading endeavours.

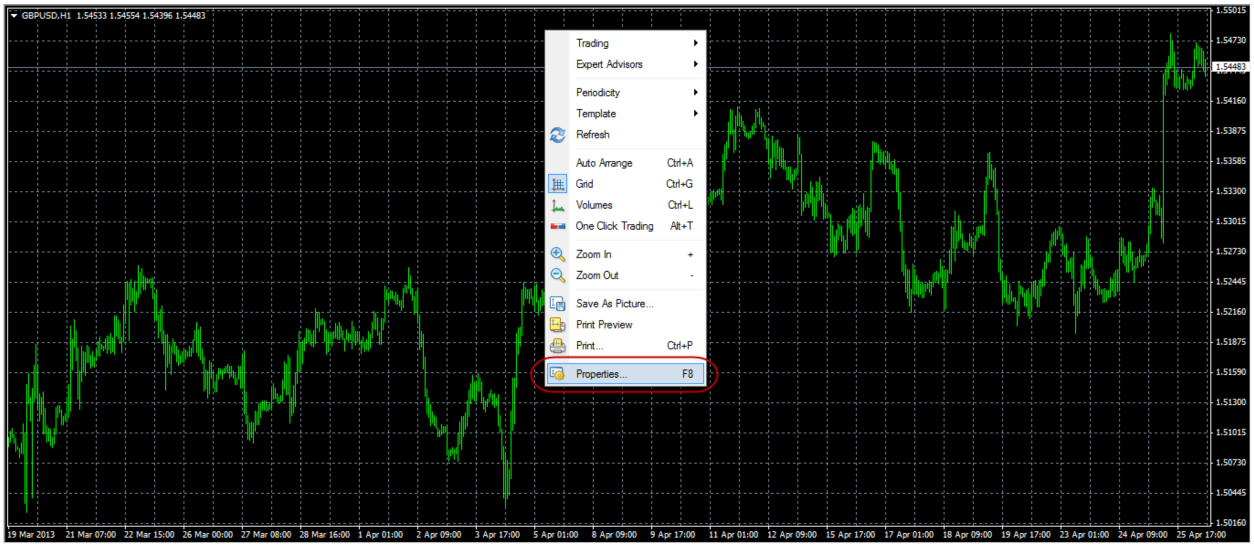
Setting Up Your Charts

Before you can start identifying trade signals you will need to setup your chart so that it looks like this:

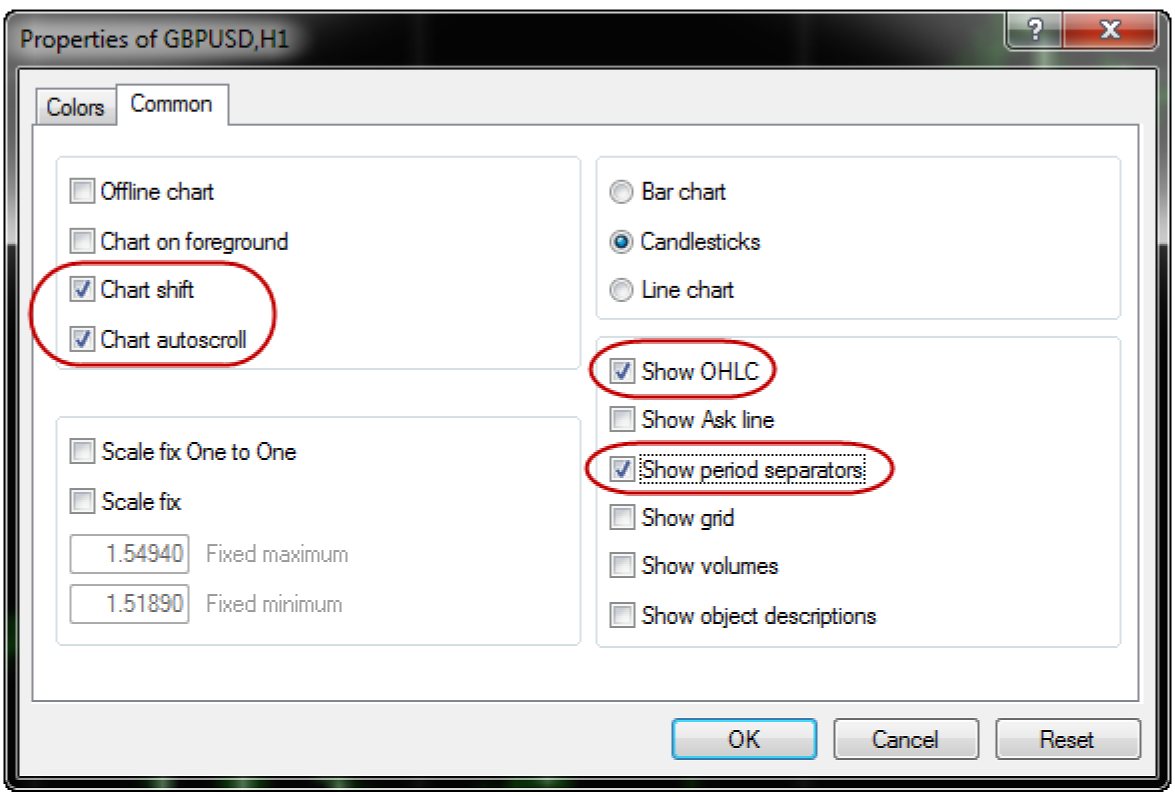


Go to your trading platform and open a new chart and you should be presented with the following, a blank default chart:

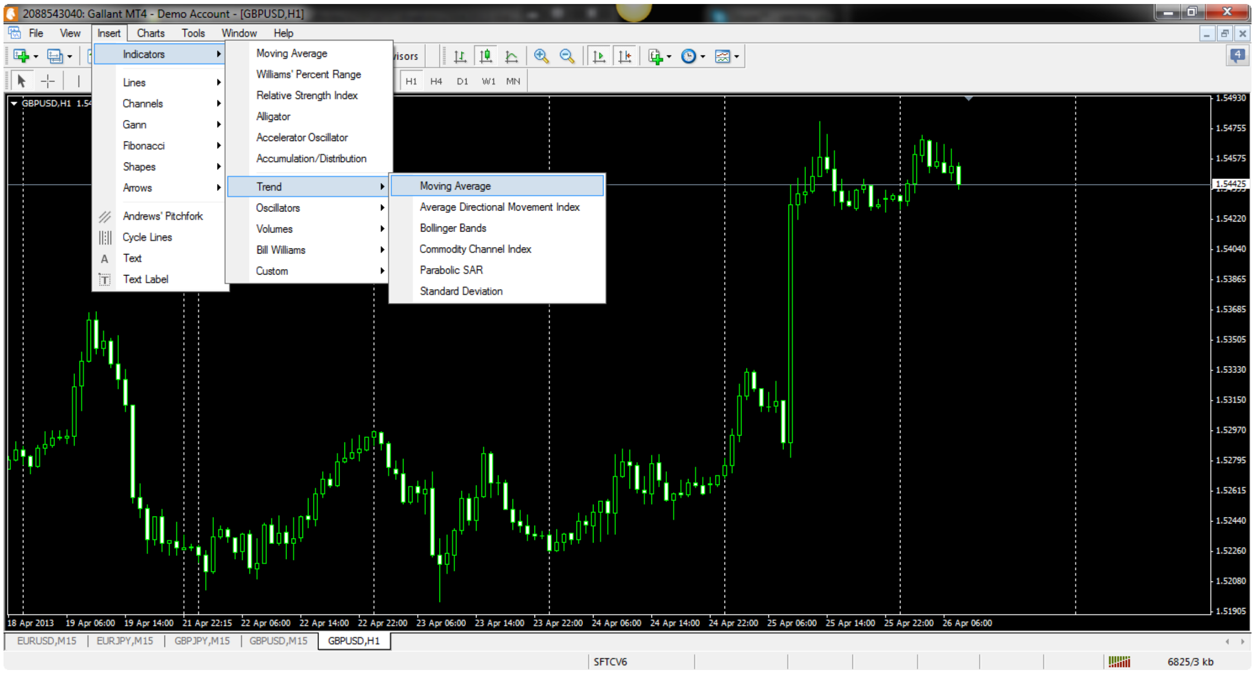
Right click on the chart then click on the Properties... menu item. Alternatively, jsut press the F8 key on your keyboard.



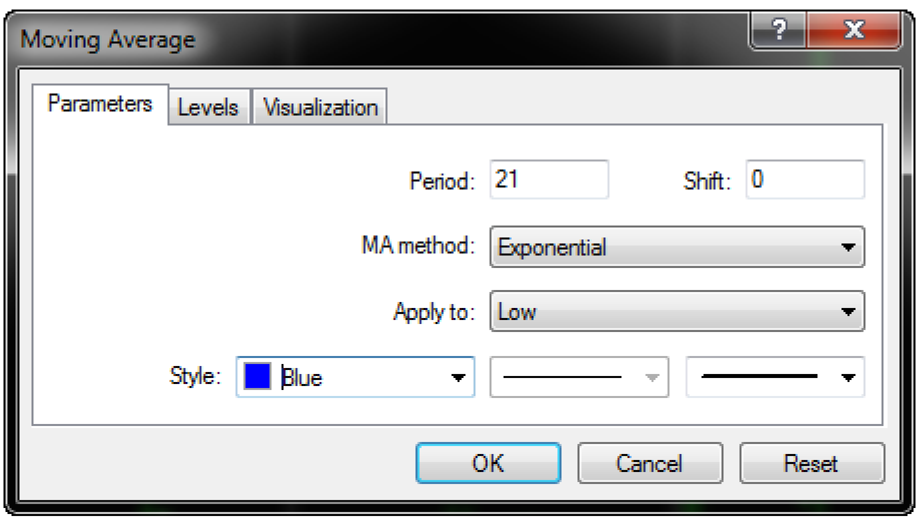
Next, click on the Common tab and make sure that you have the following settings selected then click on the OK button:



Next, we want to add our indicators so click on Insert from the top menu, then click on Indicators then click on Trend and finally, click on Moving Average as shown below:

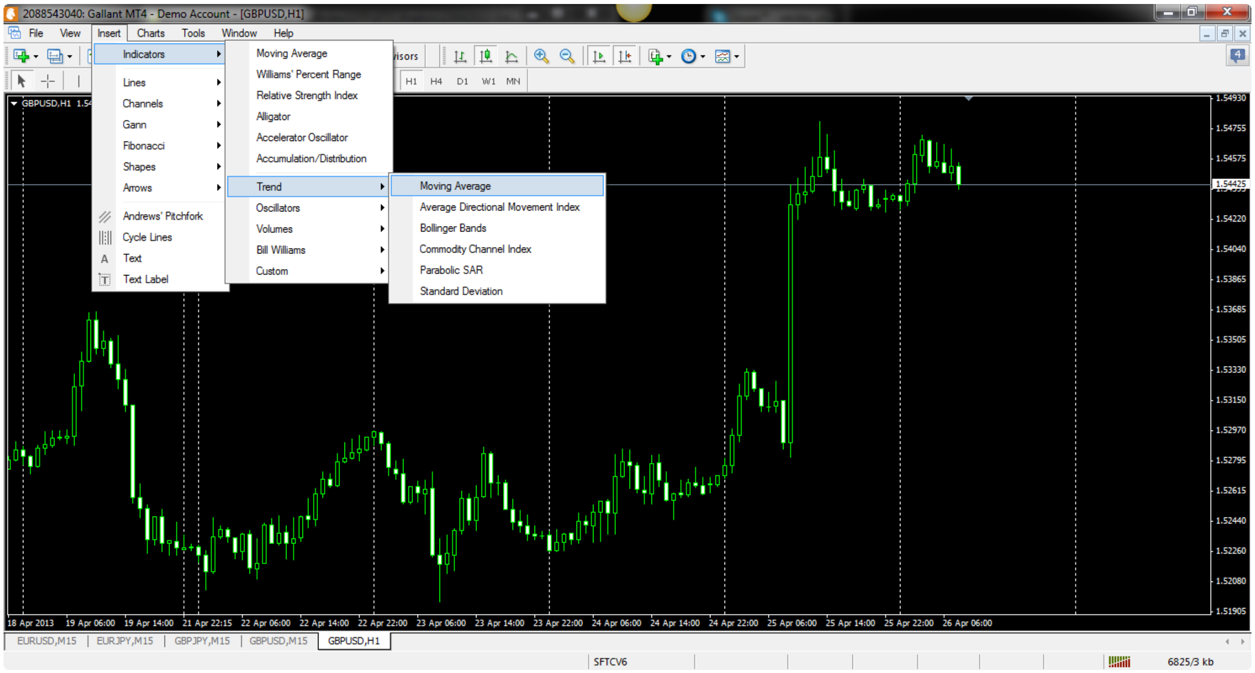


You will be presented with the following window. Edit the settings on the Parameters tab to match the image below:

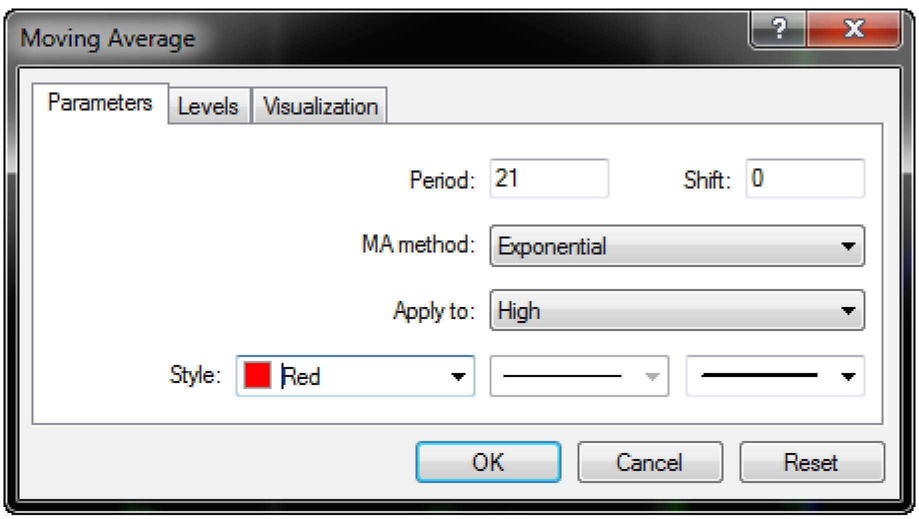


Click on the OK button and you will have added the first EMA we will be using as part of our trading system. Now, let's repeat this process to add our second EMA.

Click on Insert from the top menu, then click on Indicators then click on Trend and finally, click on Moving Average as shown below:



You will be presented with the following window. Edit the settings on the Parameters tab to match the image below:

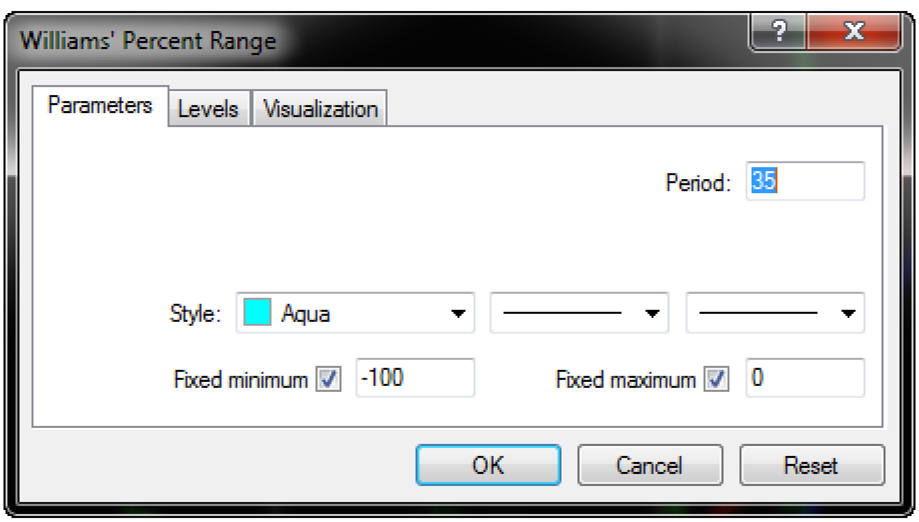


Click on the OK button and you will have added the second EMA we will be using as part of our trading system.

Now, we can move on to adding the Williams % Range indicator.

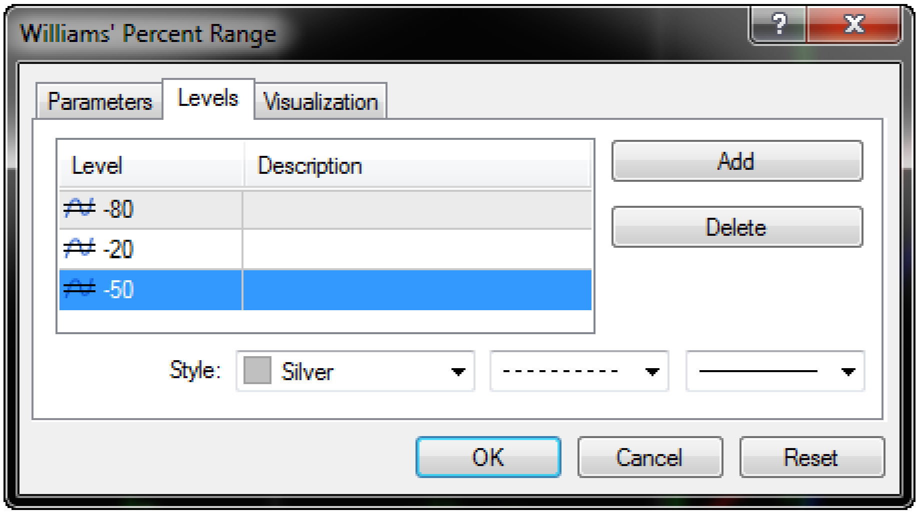
Click on Insert from the top menu, then click on Indicators then click on Oscillators and finally, click on Williams' Percent Range as shown below:

You will be presented with the following window. Edit the settings on the Parameters tab to match the image below:

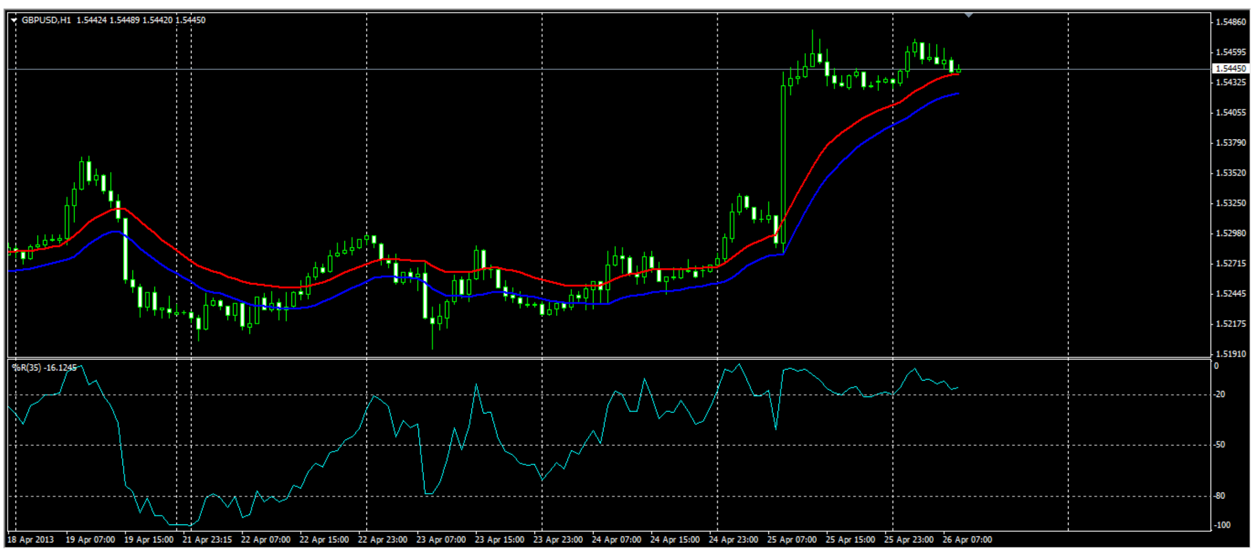


Next, click on the Levels tab. By default, the Williams Percent Range indicator has two levels set at -20 and -80 respectively.

We will need to add a new level at -50 so click on the Add button then enter -50 in the Level area as shown below:

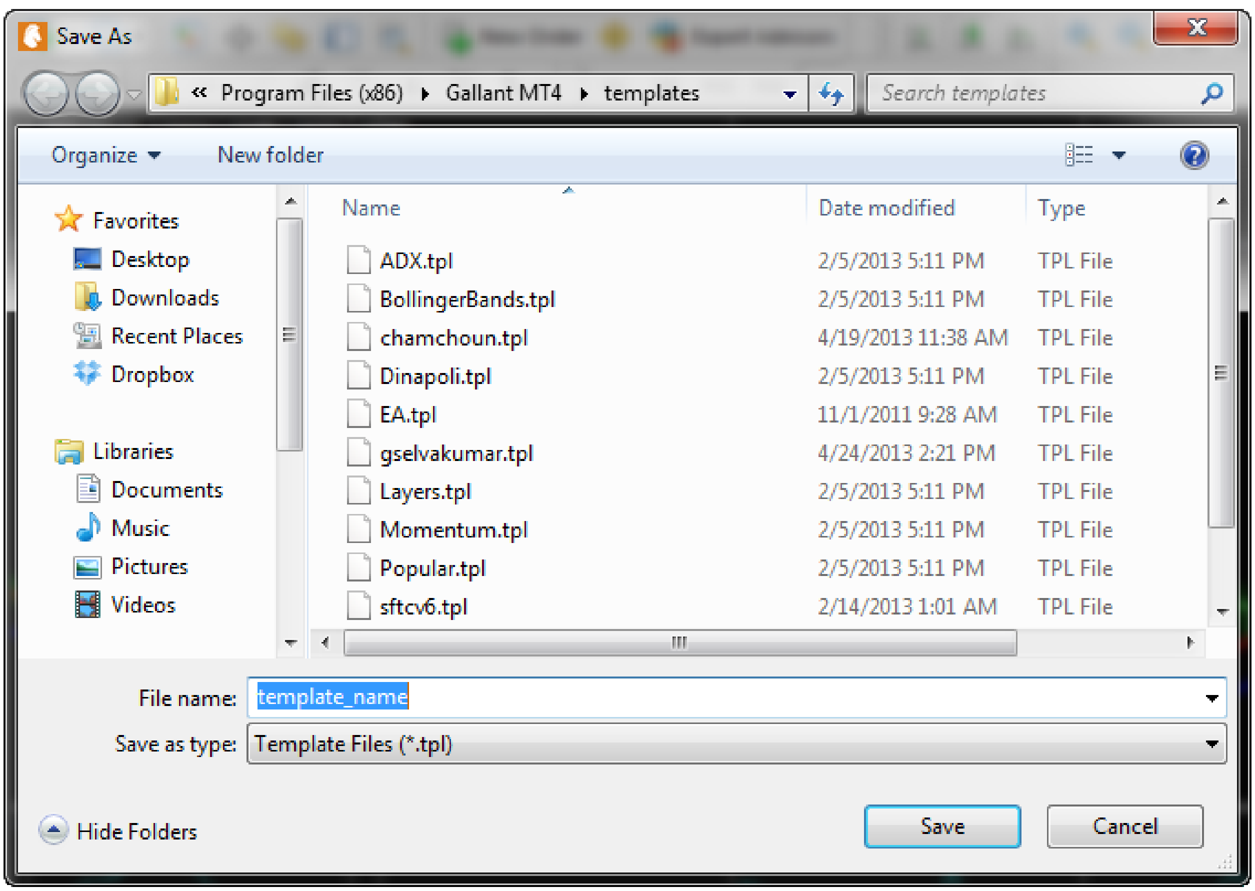


Click on the OK button and your chart should now look like this:

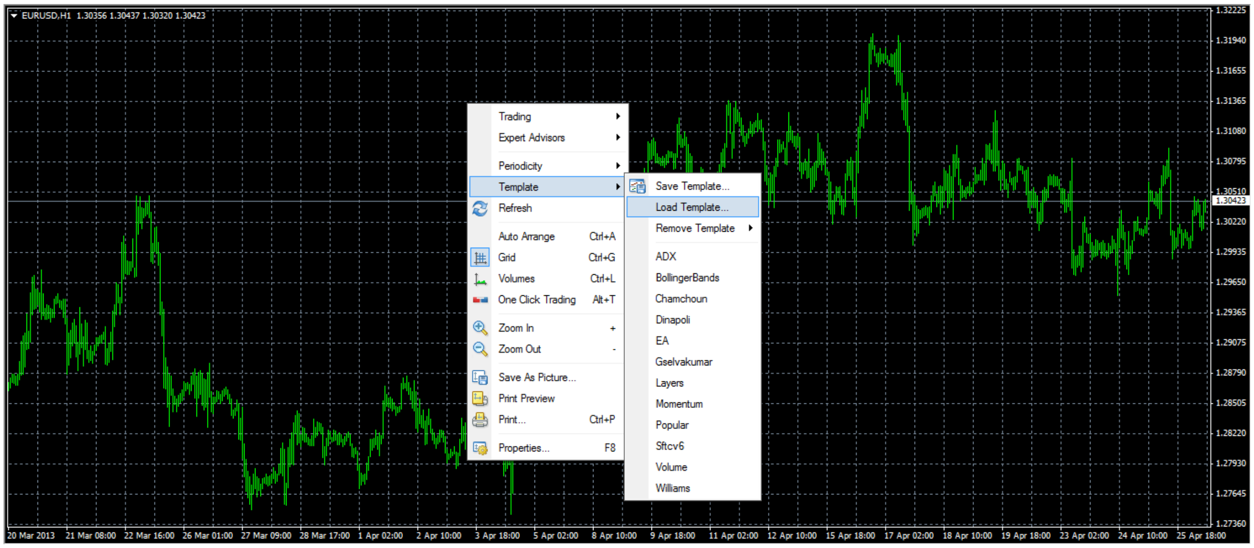


Right click on the chart then go to Template and click on the Save Template... submenu item as shown on the following image:

Simply enter a name for your template and click on the Save button as shown below:



Once your template has been saved you can apply the chart template together with the indicators and settings on a new chart by simply right clicking on the chart, going to Template and then clicking on the Load Template... submenu item as shown below:



Putting It All Together

Now that you know how to setup your charts we can take a closer look at how the different components of this system work together to produce trade signals. This system works on all currency pairs and can be applied to all time frames.

This system is ideal for day trading and has been found to work best on the 15 minute time frame. Let’s now take a closer look at each of the components of this system.

Moving Averages

Moving Averages are among the most frequently used tools when looking at trends in the market. There are four basic types of Moving Average:

a. Simple Moving Average (SMA)

b. Exponential Moving Average (EMA)

c. Smoothed

d. Weighted Moving Average (WMA)

Other variations on these basic types include the Double Exponential Moving Average (DEMA).

Moving Averages are actually the building blocks of indicators such as Envelopes and Bollinger Bands. They help smooth out price trends, and while they are not a predictor of price, being just an average of previous periods, they help to give an understanding of where the market is going.

They can also be used to indicate possible areas of support and resistance, and traders will often use a combination of shorter and longer term moving averages in watching for crossovers which indicate a change in price direction.

The two most frequently used types of Moving Average are the SMA and the EMA.

Calculating the SMA

The Simple Moving Average calculates the average price over a particular time period. While different averaging methods add different weights to the data, the SMA is not weighted and gives all time periods the same treatment. To determine the SMA, all we need to do is add a set number of periods and dividing by that number. So, for example, if you want a 10-period SMA, you add the last 10 periods and divide by 10 to get the average.

Don’t be alarmed - your trading software will make all the calculations for you. However, it’s useful to know what is being done just so you understand exactly what’s happening when your chart comes up with an SMA. Staying with the 10-period SMA, and taking a 30-minute time period, your charting software will add the most recent price movement over the 30-minute time frame, plus the 9 most recent movements before that, and will divide that number by 10. As each new candle appears, the oldest closing price is discarded. The 10 SMA indicator then plots this price on the chart.

As trading continues, every new 30-minute period is recalculated, giving a visual indication of the current trend.

Calculating the EMA

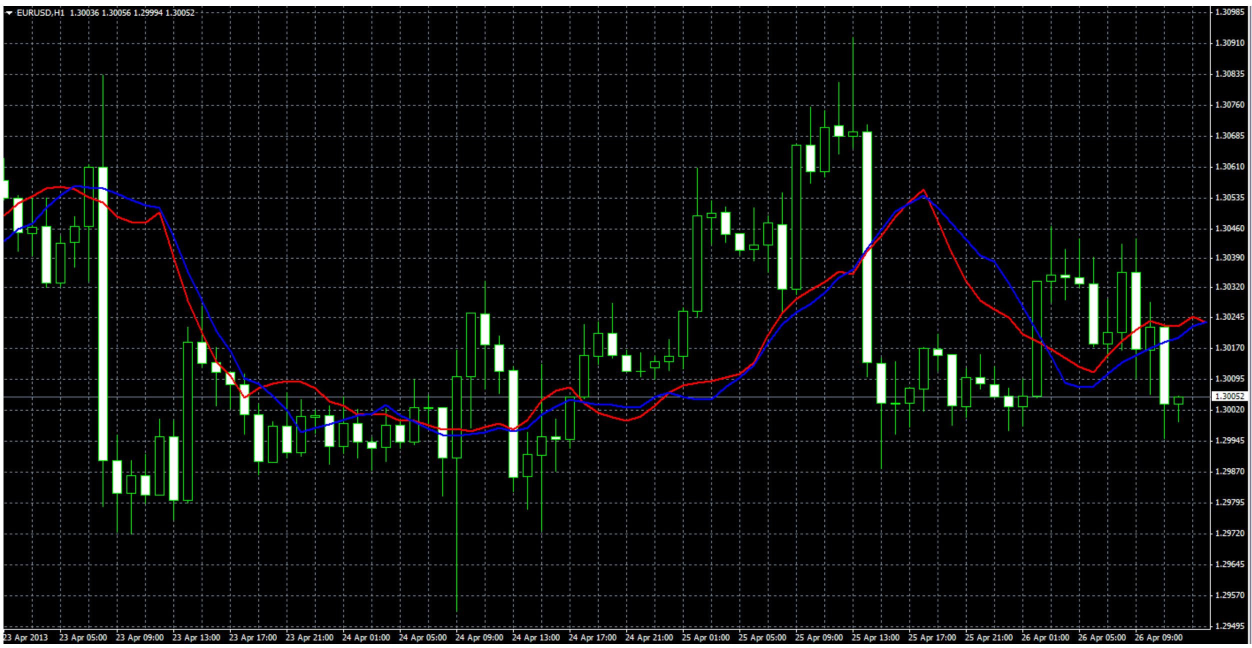
A drawback of the SMA is the fact that it gives equal weight to earlier price movements as well as more recent ones, meaning that there is a delay in responding to shifts in the market. The Exponential Moving Average places more emphasis on the most recent prices, allowing this indicator to respond more quickly to changes in price.

The formula is as follows:
EMA = [S * (C-P)] + P, where S is the smoothing factor, C is the current closing price, and P is the previous closing price.

The Smoothing Factor is calculated using:
S = 2/(1+N), where N is the number of days in the EMA.

Once again, all of this is done by your charting software, so there’s no need to start panicking. While the calculation of the EMA is done differently, it’s applied to your chart in the same way as the SMA, to indicate the price trend.

Here is a 10-period EMA (red), compared with the 10-period SMA (blue):



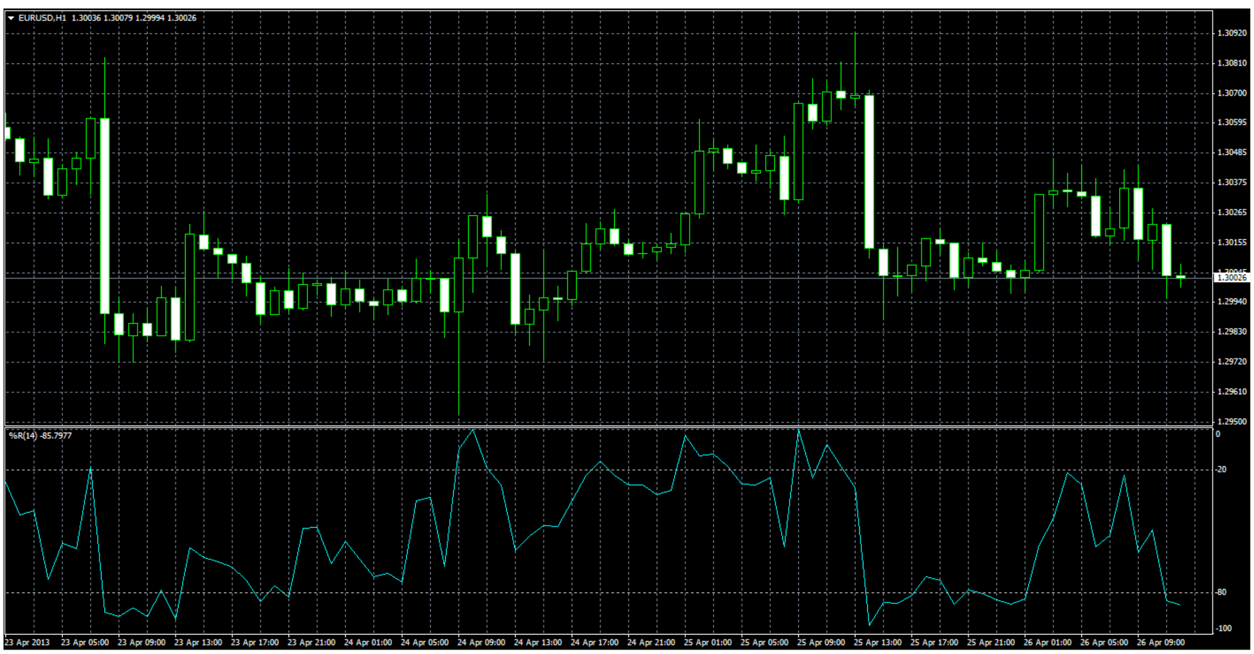
This system uses a 21-period EMA of the Highs and a 21 EMA of the Lows.
Moving averages can be used and manipulated in a wide variety of ways. This system combines EMAs with Fibonacci retracements and the Williams % Range indicator.

Williams Percent Range

The William's Percent Range – also referred to as Williams %R or %R – is a momentum oscillator which was first introduced in 1973 by the well-known trader and author Larry Williams.

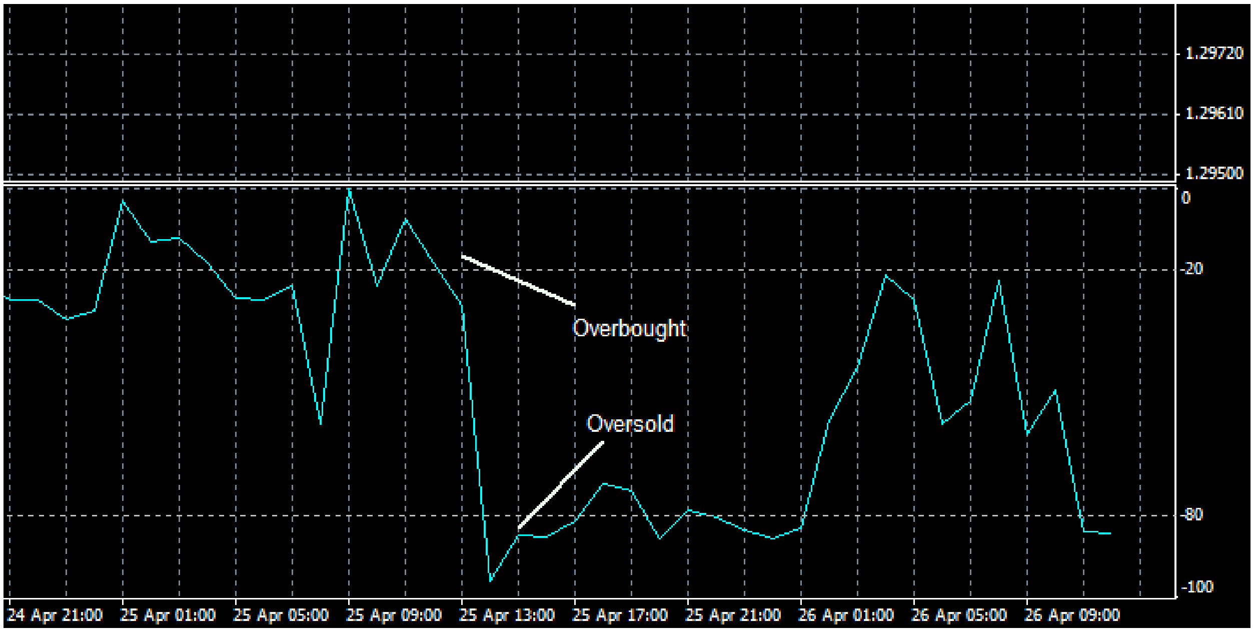
Williams created this oscillator along the same lines as the Stochastic indicator, but without the smoothing component and using a reversed scale. It is considered to be an oscillator because its values vary between 0 and -100, and it indicates the relationship of the closing price to the price range for the specified period.

Here is the Williams percent range indicator at its default setting of period 14:



The reason the Williams Percent Range is so widely used is because of its ability to indicate a reversal one or two time periods before it actually occurs.

The chart for the indicator usually has lines drawn at the -20 and -80 values, because these levels typically indicate a transition into the oversold (-20 to 0) or overbought (-80 to -100) areas.



These are often used by traders as warnings that a reversal is imminent and that it is a good time to buy or sell.

Calculating the Williams Percent Range

The Williams Percent Range indicator is common on many trading platforms. While the platform does all the calculations for you, we will break down the steps as follows.

Firstly, you choose a period over which the calculation is to be made. The default period for %R is 14, and it can be calculated on an intraday, daily, weekly or monthly basis.

Generally, the closer the closing price is to the highest high of the selected range, the closer the %R will be to zero, whereas the closer the closing price is to the lowest low of the range, the closer the %R will be to -100.

The following formula is used to calculate %R:

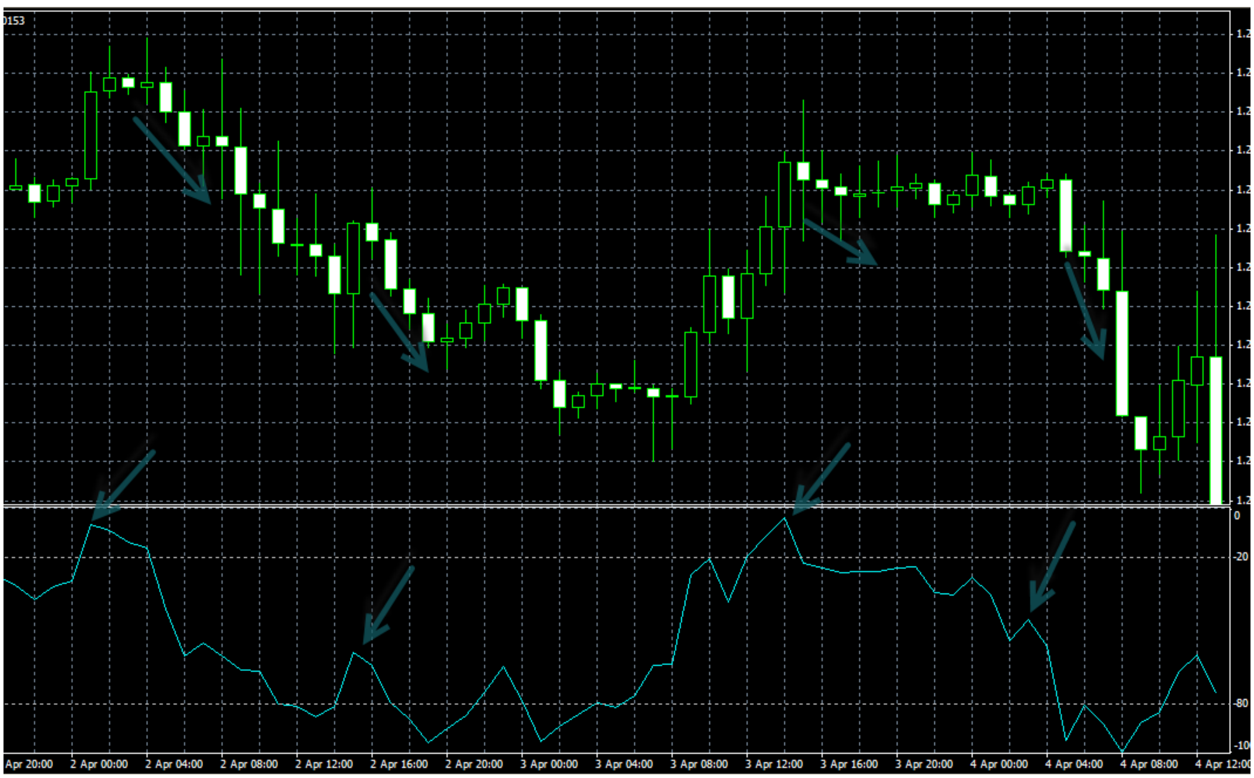
(H-C)(H-L) x 100

Where H is the highest price over the given period, C is the latest close price, and L is the lowest price over a given period.

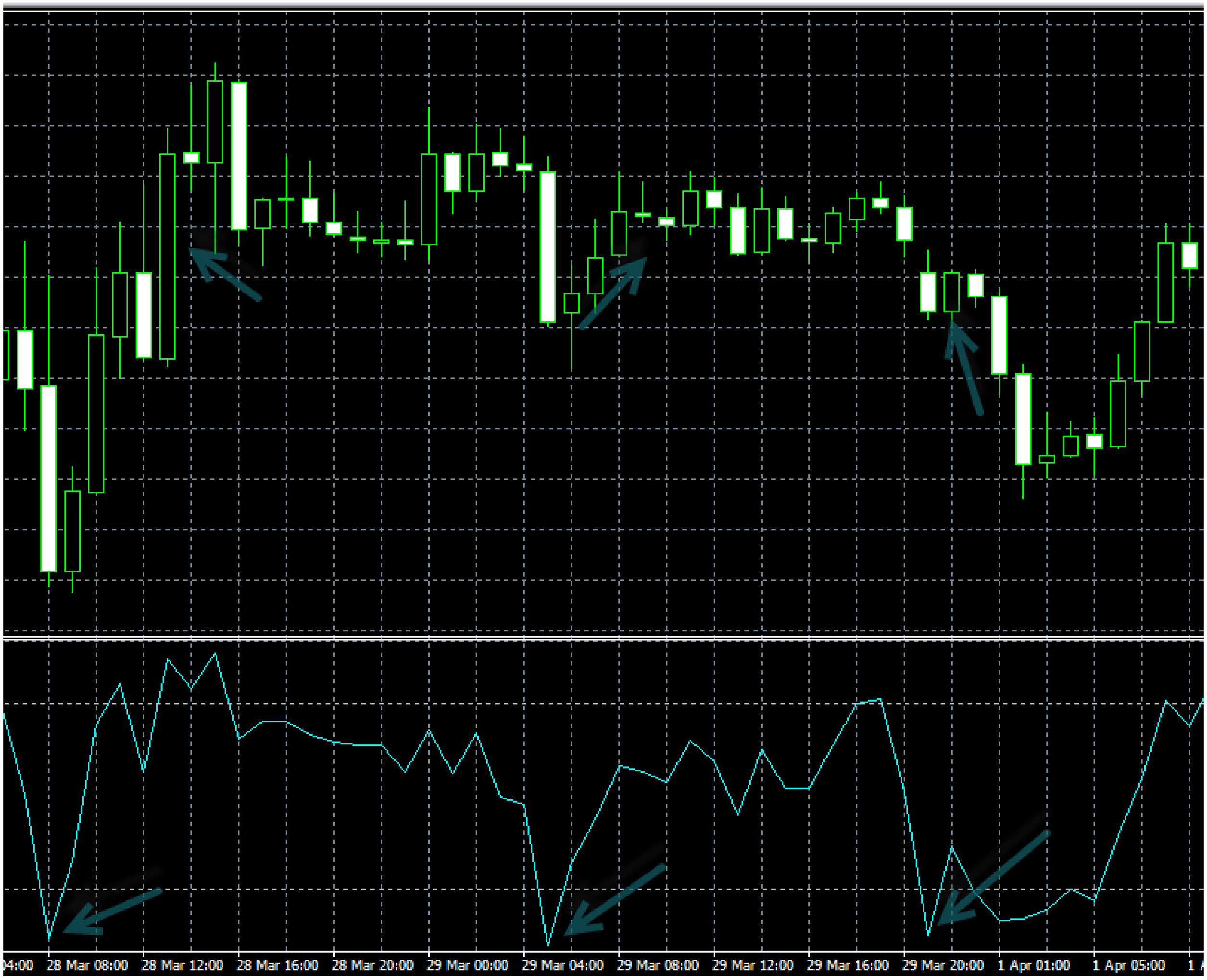
Application

The Williams Percent Range is well known for its usefulness in predicting price reversals or retracements.

Here you can see the indicator begin to move down before the price begins to trend downward:



Likewise, here you can see the indicator start to trend up before price begins to move upward from the oversold area:



However, the indicator cannot tell us why price is moving in this way. This is why it is important to use it in combination with other indicators, as we will see below.

Fibonacci Retracements

Fibonacci retracements and expansions are based on the Fibonacci sequence of numbers discovered by the Italian mathematician Leonardo Fibonacci (c. 1170-c.1250). Originally, the Fibonacci sequence had nothing to do with trading – in fact, Fibonacci originally used the discovery to predict the numbers of pairs of rabbits after a year of breeding.

You don't need to be a mathematician to use Fibonacci ratios, but it will be useful to understand what they are based on. The Fibonacci sequence is based on the concept of repeating pairs in nature, and is simply created by adding the previous two numbers in a sequence – 1, 1, 2, 3, 5, 8, 13, 21, 34 and so on.

However, the numbers themselves are not as relevant in trading as the ratios themselves. Each number is about 1.618 times greater than the preceding one. The most commonly used ratios used in trading are 23.6%, 38.2%, 50%, and 61.8%.

The key Fibonacci ratio of 61.8% is found by dividing one number in the series by the one following – for example, 8/13 = 0.6153. 38.2% is found by dividing one number in the series by the second number to the right of it, for example, 13/21 = 0.382. You get the idea.

These ratios, for reasons that are not clearly understood, play an important role in the Forex market, as they do in nature, and can be found to indicate key points causing price to reverse. A trend is likely to continue once price has retraced to one of the ratios.

When it comes to applying Fibonacci in this system, it's simply a matter of using the Fibonacci retracement tool to insert our retracements. In the next chapter, I will show you exactly how we accomplish this.

Buy Trade Rules

1. Draw a Fibonacci retracement on the previous month's data.

a. You can use the Daily or the Monthly chart.

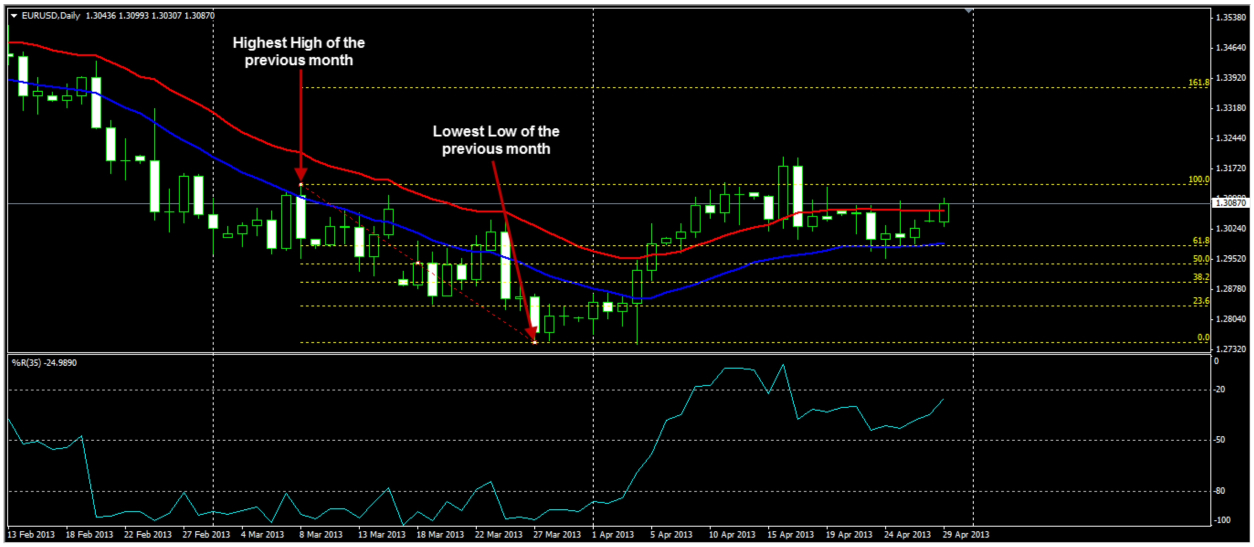
b. On the Daily chart, start at the beginning of the previous month.

In the following image, you can see a EURJPY Daily chart. The previous month’s data can be identified by the white vertical Period Separator lines on your chart. At this stage, all you need to do is identify where the previous month’s data begins and ends.

c. If the open at the beginning of the previous month is lower than the close at the end of the previous month draw your Fibonacci retracement starting from the low to the high.

d. If the open at the beginning of the previous month is higher than the close at the end of the previous month draw your Fibonacci retracement starting from the high to the low.

On the following image, you can see that the candle at the beginning of the previous month has opened higher than the close at the end of the previous month so we will draw our Fibonacci retracement from the highest high to the lowest low of the previous month’s data.



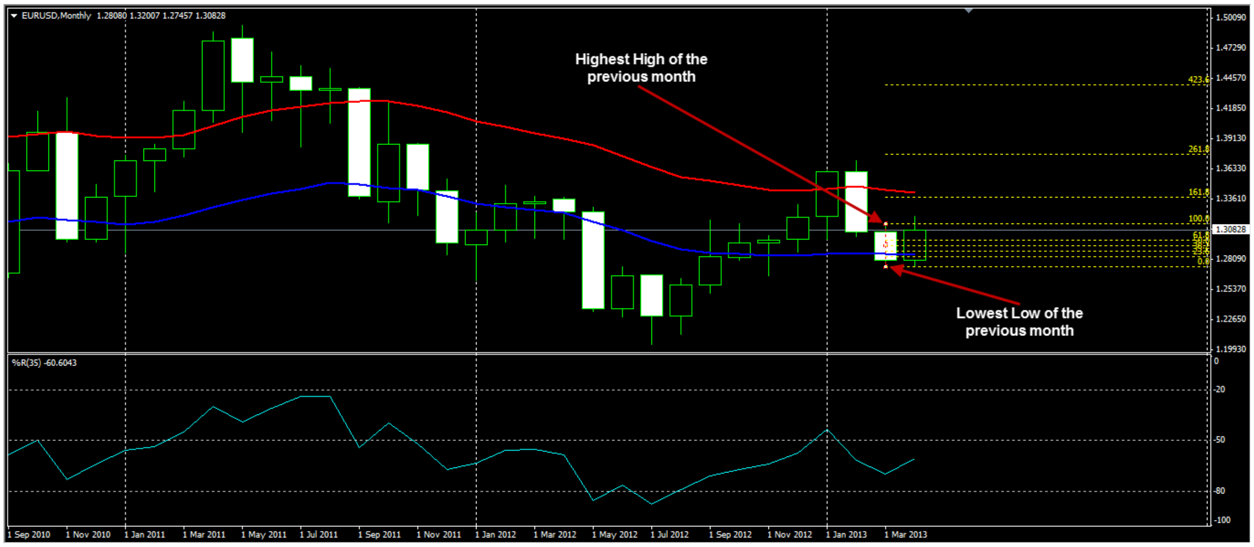
e. If you are using the Monthly chart simply look at the previous candle.

In the following image, you can see a EURJPY Monthly chart. The previous month's data can be identified by previous candle from the hard right edge.

f. If it is a Bullish candle draw your Fibonacci retracement starting from the low to the high.

g. If it is a Bearish candle draw your Fibonacci retracement starting from the high to the low.

On the following image, you can see that the previous candle has opened higher than it had closed. It is a bearish candle so we will draw our Fibonacci retracement from the high to the low of this candle.

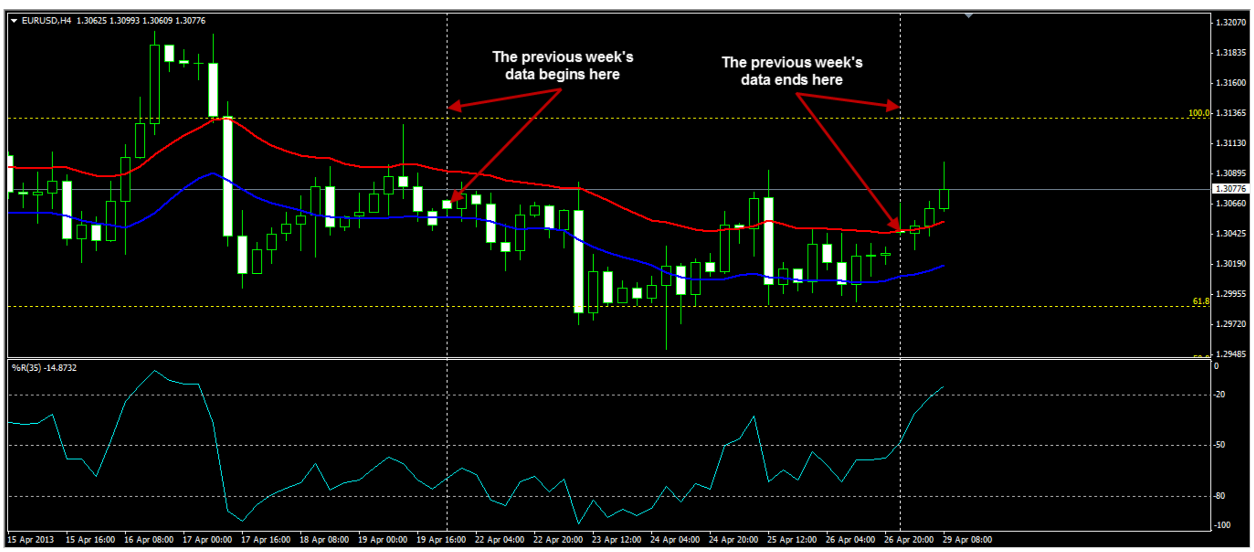


2. Draw a Fibonacci retracement on the previous week's data.

a. You can use the Weekly or the 4 Hour chart.

b. On the 4 Hour chart, start at the beginning of the previous week.

In the following image, you can see a EURJPY 4 Hour chart. The previous week's data can be identified by the white vertical Period Separator lines on your chart. At this stage, all you need to do is identify where the previous month's data begins and ends.



c. If the open at the beginning of the previous week is lower than the close at the end of the previous week draw your Fibonacci retracement starting from the low to the high.

d. If the open at the beginning of the previous week is higher than the close at the end of the previous week draw your Fibonacci retracement starting from the high to the low.

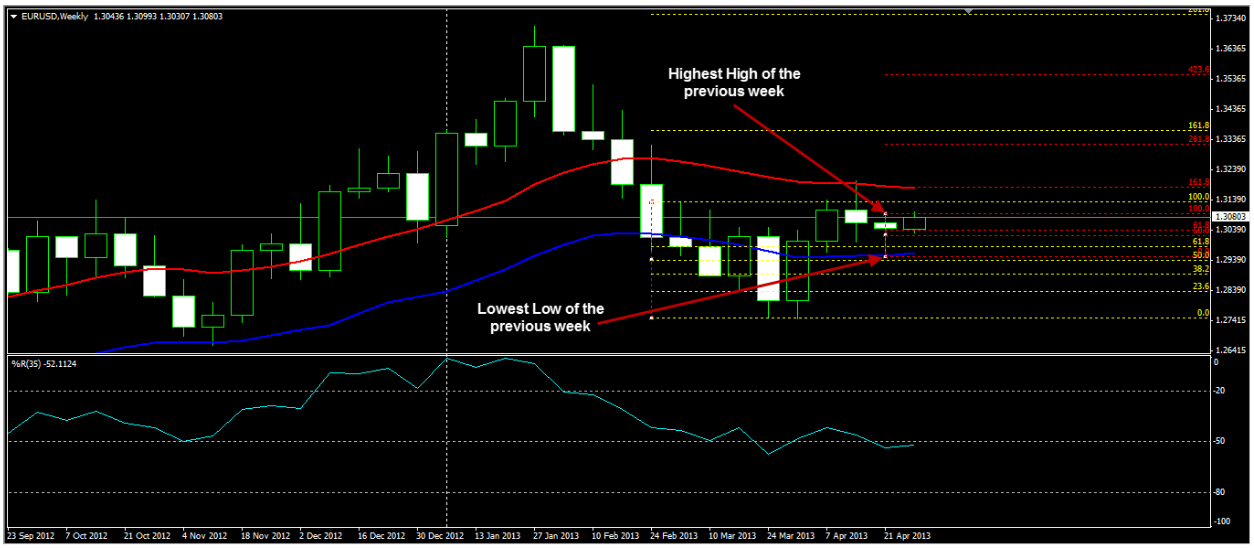
Or you could use the Weekly chart to insert the Fibonacci retracement instead.

e. If you are using the Weekly chart simply look at the previous candle.

f. If it is a Bullish candle draw your Fibonacci retracement starting from the low to the high.

g. If it is a Bearish candle draw your Fibonacci retracement starting from the high to the low.

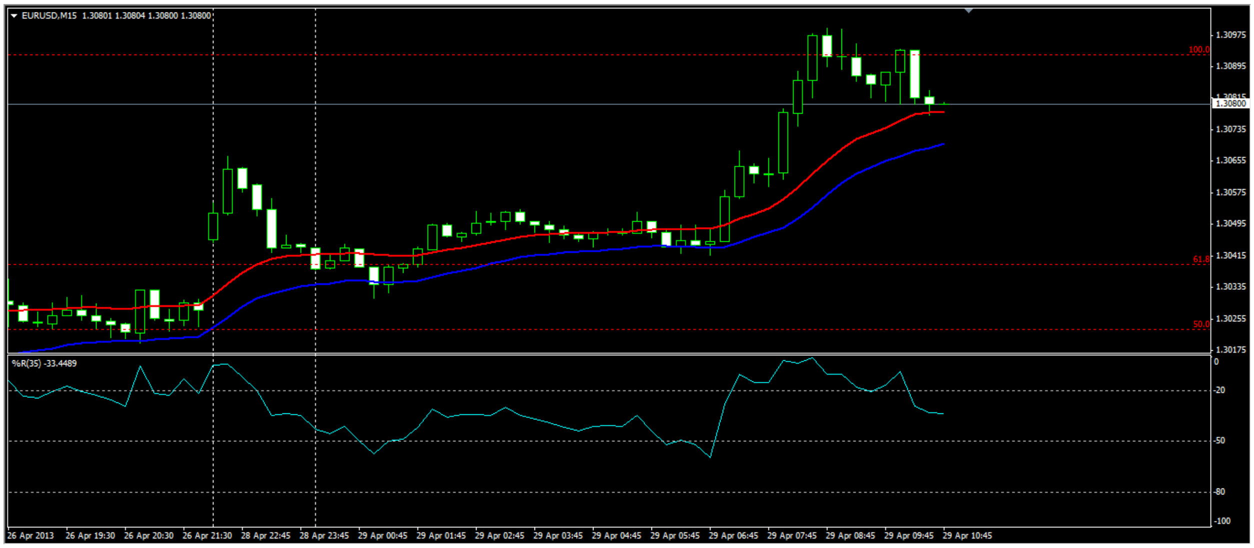
On the following image, you can see that the previous candle has opened higher than it had closed. It is a bearish candle so we will draw our Fibonacci retracement from the high to the low of this candle.



h. The Fibonacci retracement on the Weekly chart does not require the 23.6 and 38.2 levels.

3. Go to the 15 Minute chart to identify an entry.

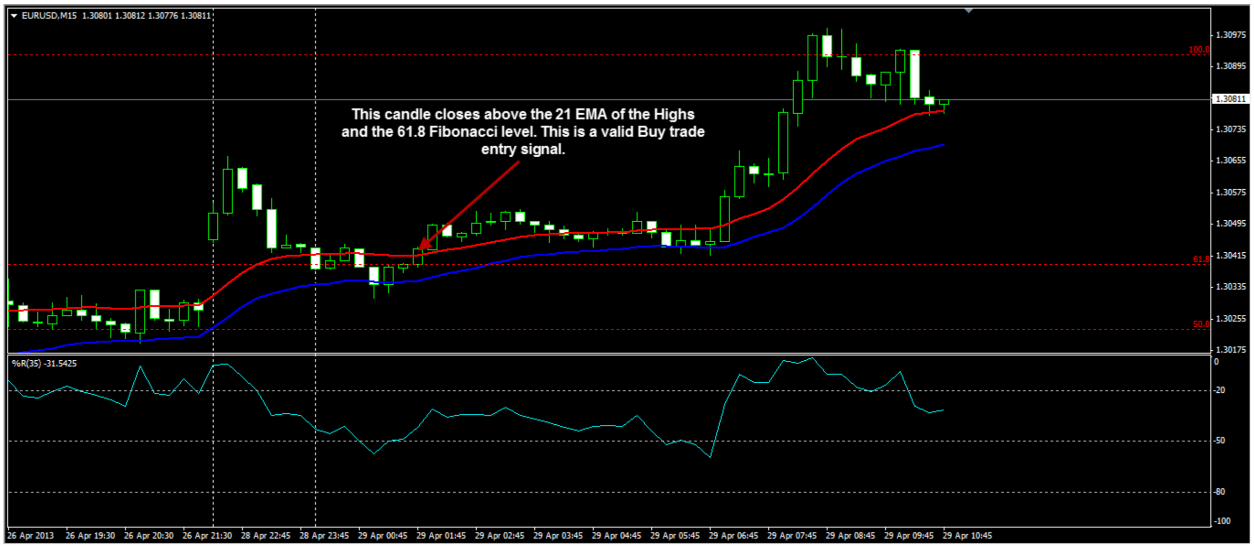
At this point, your 15 Minute chart should look like this:



4. Wait for a candle to close above the 21 EMA of the Highs.

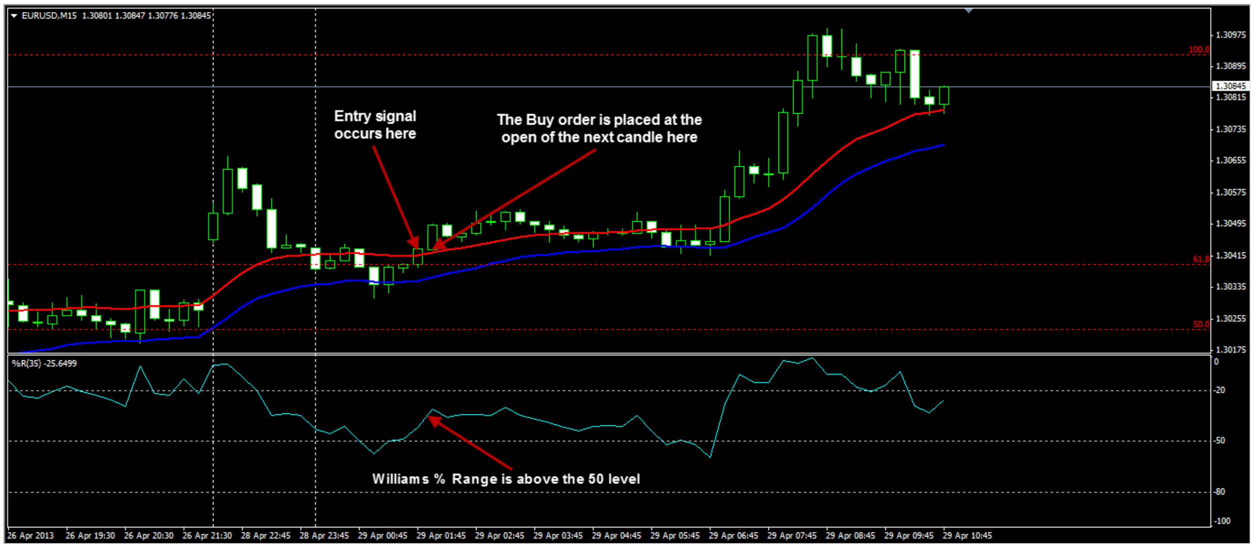
5. As long as price remains above the 21 EMA of the Highs wait for a candle to close above any of the Fibonacci retracement levels.

In this particular example, you can see that the candle closed above the 21 EMA of the Highs and the 61.8 Fibonacci level on the same candle. Take a look at the image below.

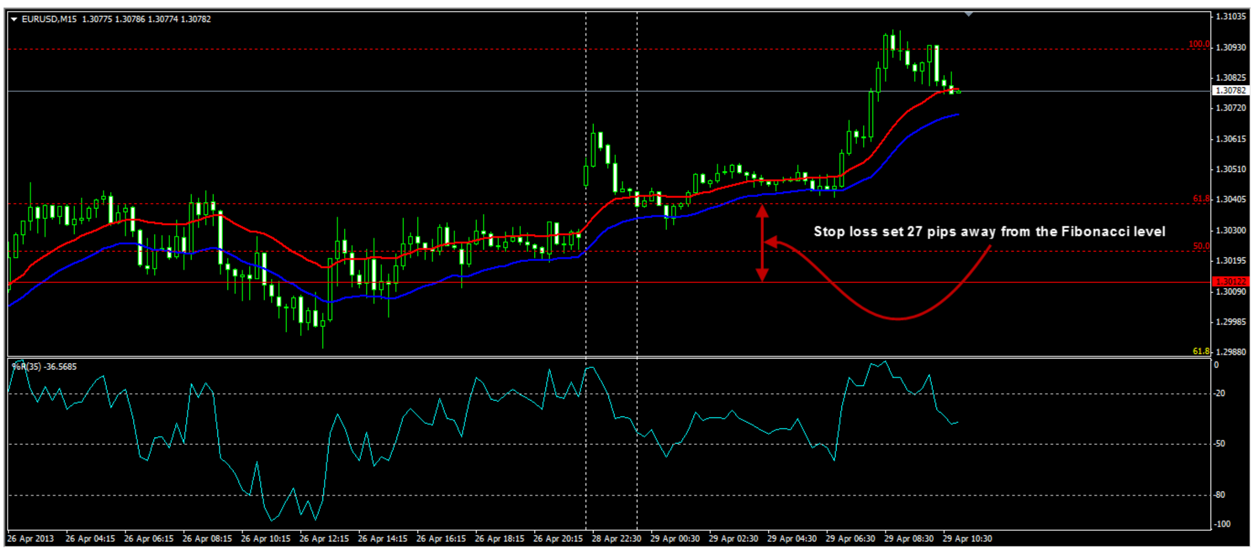


6. If both the conditions above are met and the Williams % R is above 50 enter a Buy trade at the open of the next candle.

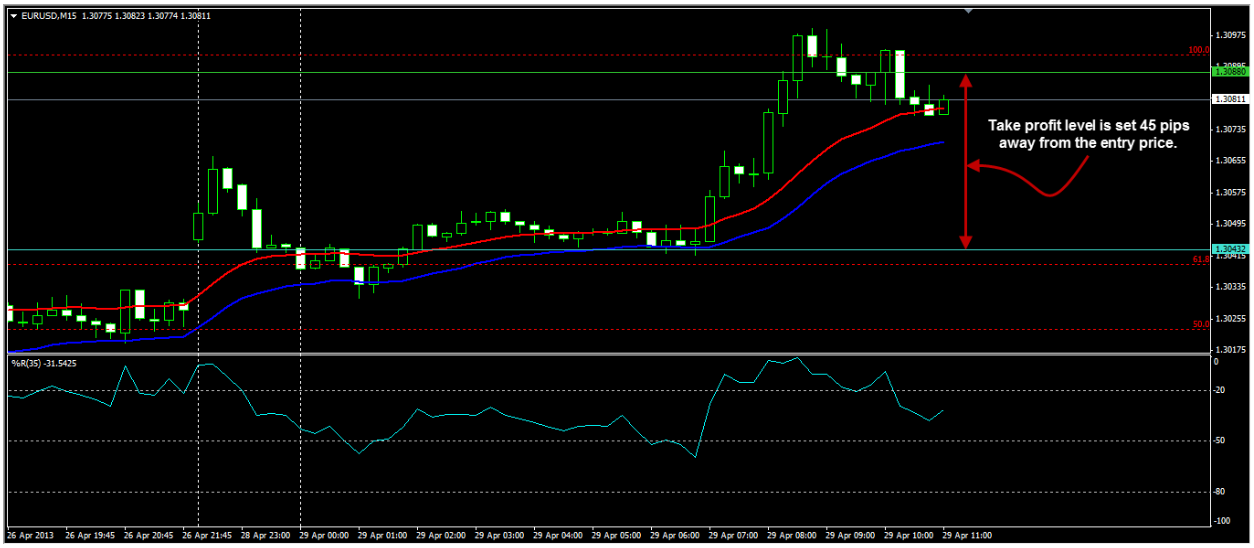
The next image shows where we would place the order to enter a Buy trade.



7. Place your stop loss 27 pips away from the Fibonacci level that was breached by the entry candle.



8. Place your Take Profit 45 pips away from your entry price.



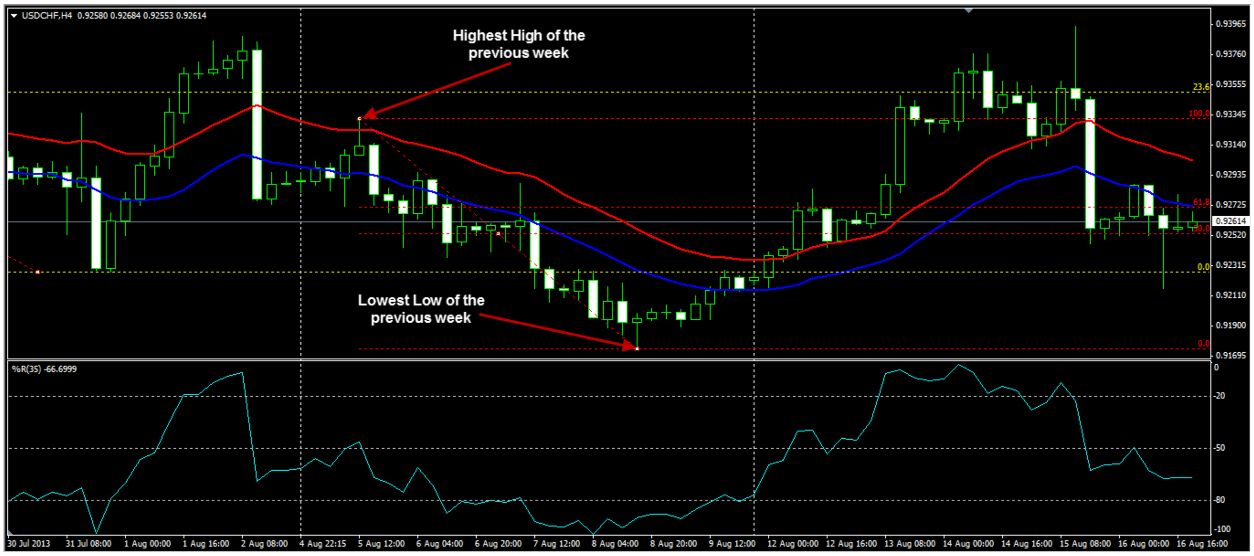
Buy Trade Example

Now that you are familiar with the rules for entering Buy trades, let’s take a closer look at an example of a Buy trade. For this example we will use the USDCHF currency pair and we will begin by inserting our Fibonacci retracement on the Daily chart.

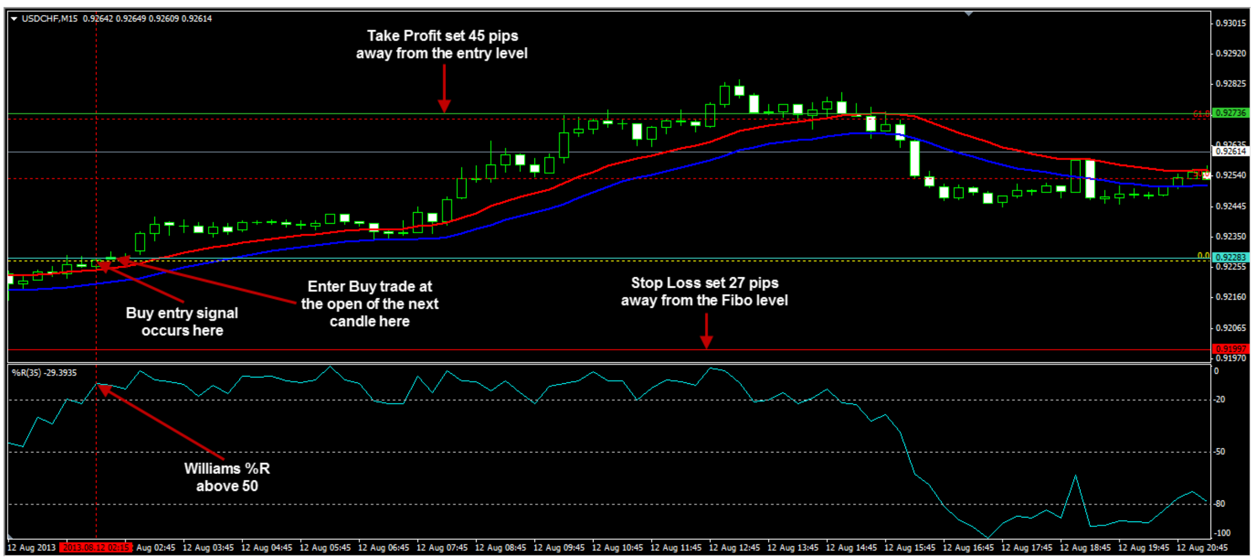
As you can see on the image below, the previous month closed lower than it opened so in this case, we can draw our Fibonacci retracement from the Highest High to the Lowest Low.

The next step is to switch to the 4 hour timeframe and insert our Fibonacci retracement over the last week’s data.

As you can see on the following image, the previous week closed lower than it opened so in this case, we can draw our Fibonacci retracement from the Highest High to the Lowest Low.



Now that we have inserted our Fibonacci retracements we may switch down to the 15 minute timeframe to identify an entry point.



As you can see on the image above, the Buy entry signal occurred when price closed above the 21 EMA of the Highs and the 0 Fibonacci level. At the same time, the Williams % Range was above the 50 level so all the criteria required for a Buy trade had been met.

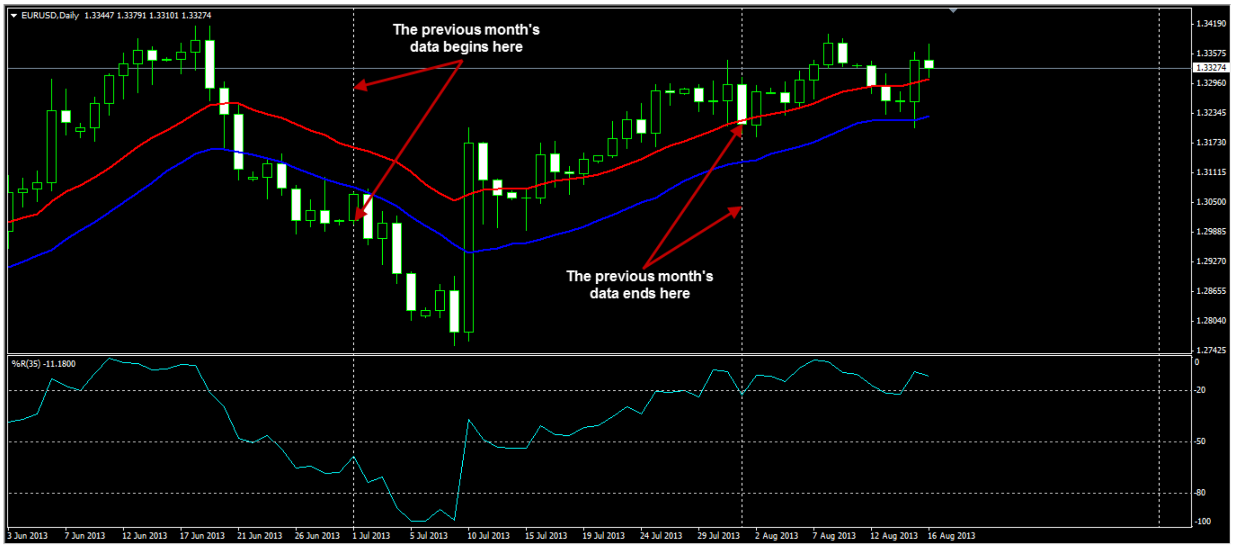
We entered the Buy trade at the open of the next candle and set our Stop Loss 27 pips away from the 0 Fibonacci level which triggered the entry. Our Take Profit was set 45 pips away from our entry level and as you can see, price moved in our favour immediately. We exited this trade with a profit within a few hours.

Sell Trade Rules

1. Draw a Fibonacci retracement on the previous month's data.

a. You can using the Daily or the Monthly chart.

b. On the Daily chart, start at the beginning of the previous month.



c. If the open at the beginning of the previous month is lower than the close at the end of the previous month draw your Fibonacci retracement starting from the low to the high.

d. If the open at the beginning of the previous month is higher than the close at the end of the previous month draw your Fibonacci retracement starting from the high to the low.

e. If you are using the Monthly chart simply look at the previous candle.

f. If it is a Bullish candle draw your Fibonacci retracement starting from the low to the high.

g. If it is a Bearish candle draw your Fibonacci retracement starting from the high to the low.

2. Draw a Fibonacci retracement on the previous week's data.

a. You can using the Weekly, Daily or the 4 Hour chart.

b. On the Daily or 4 Hour chart, start at the beginning of the previous week.

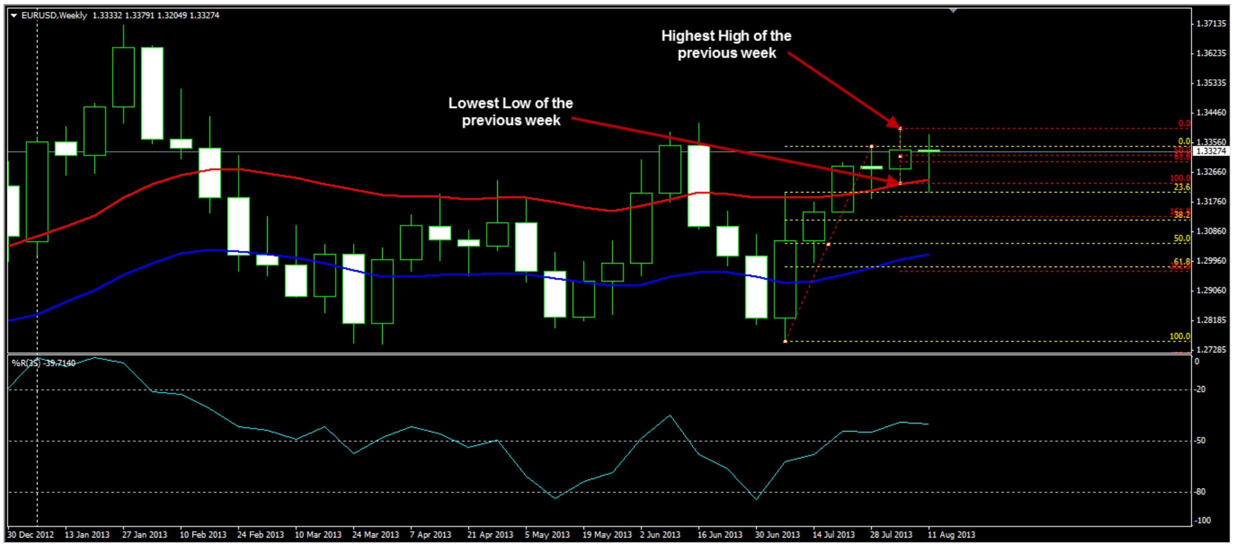
c. If the open at the beginning of the previous week is lower than the close at the end of the previous week draw your Fibonacci retracement starting from the low to the high.

d. If the open at the beginning of the previous week is higher than the close at the end of the previous week draw your Fibonacci retracement starting from the high to the low.

e. If you are using the Weekly chart simply look at the previous candle.

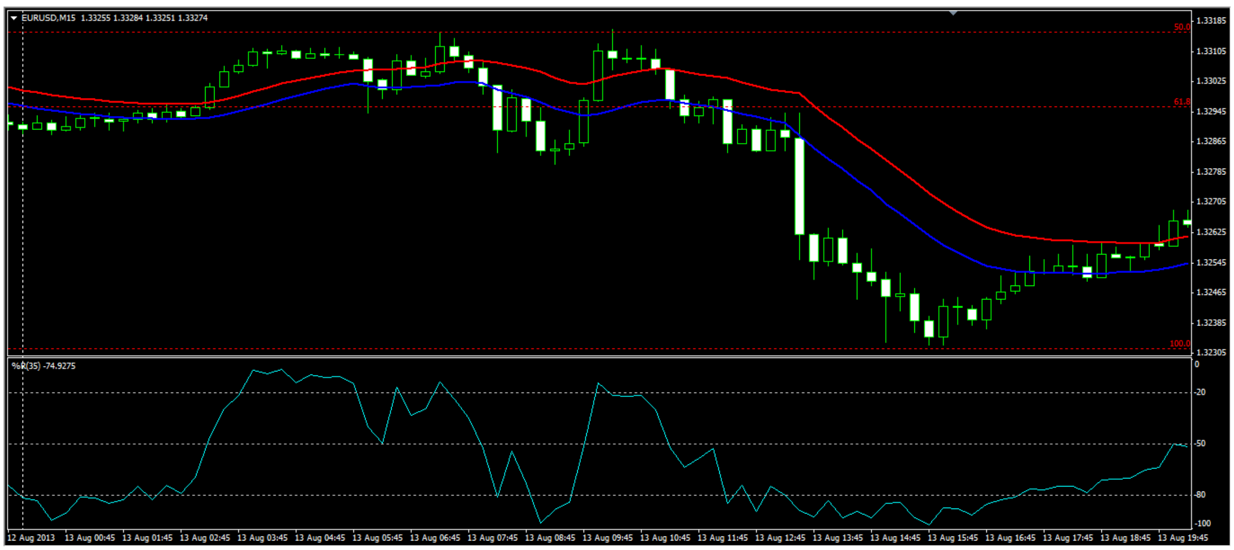
f. If it is a Bullish candle draw your Fibonacci retracement starting from the low to the high.

g. If it is a Bearish candle draw your Fibonacci retracement starting from the high to the low.



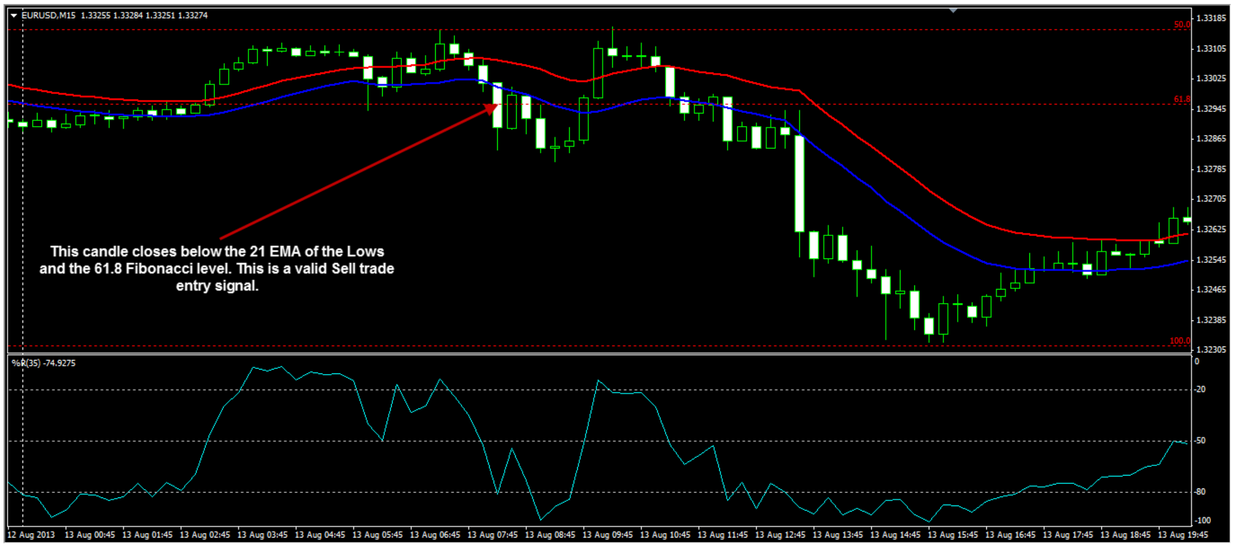
h. The Fibonacci retracement on the Weekly chart does not require the 23.6 and 38.2 levels.

3. Go to the 15 Minute chart to identify an entry.

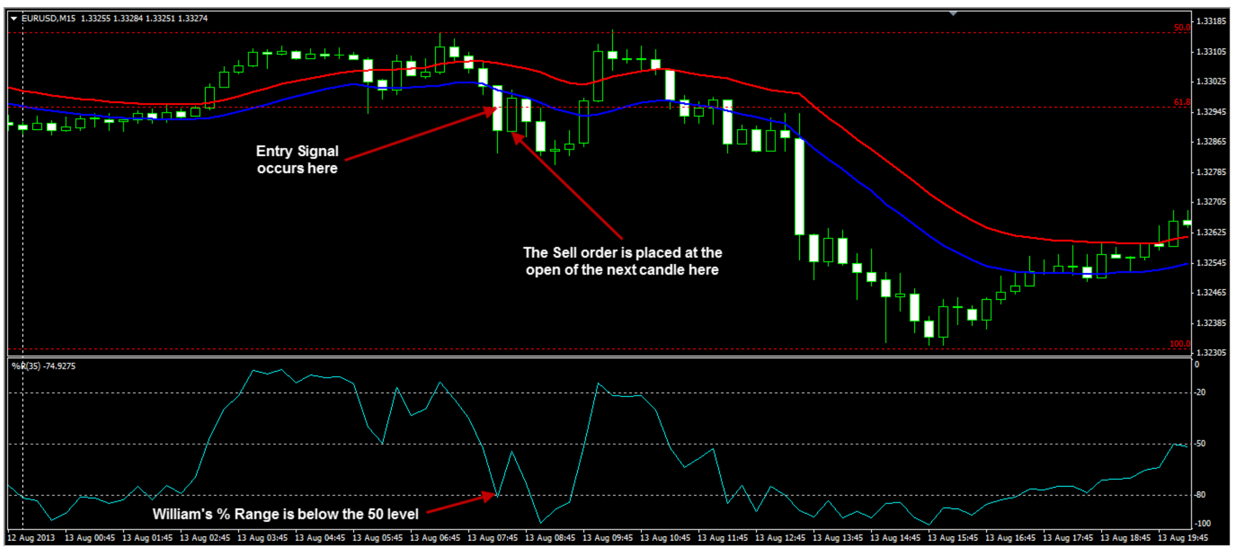


4. Wait for a candle to close below the 21 EMA of the Lows.

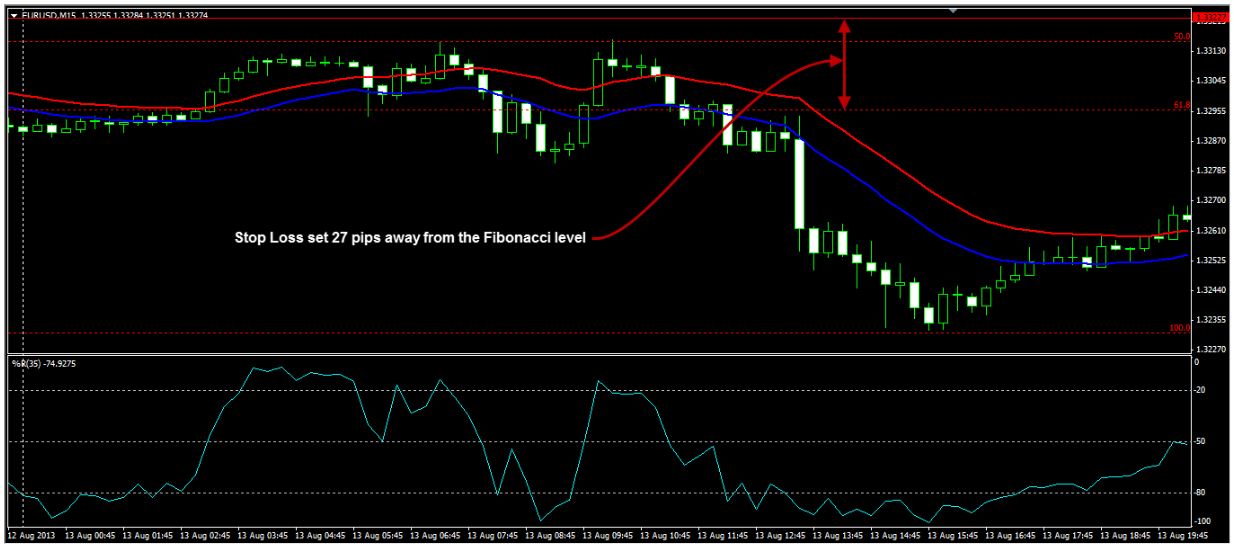
5. As long as price remains below the 21 EMA of the Lows wait for a candle to close below any of the Fibonacci retracement levels.



6. If both the conditions above are met and the Williams % R is below 50 enter a Sell trade at the open of the next candle.



7. Place your stop loss 27 pips away from the Fibonacci level that was breached by the entry candle.

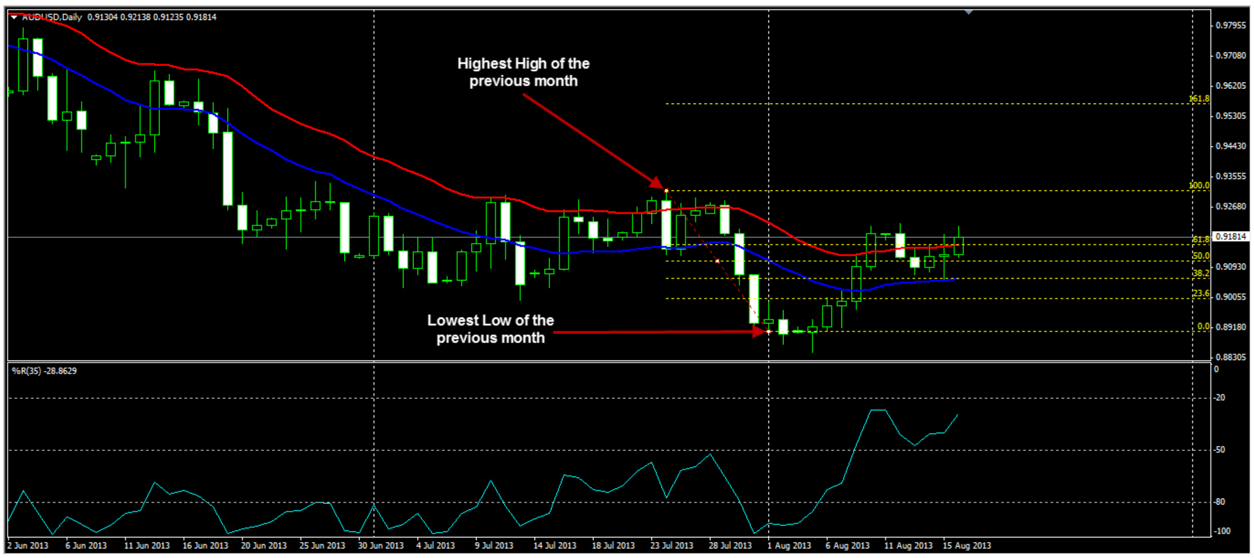


8. Place your Take Profit 45 pips away from your entry price.

Sell Trade Example

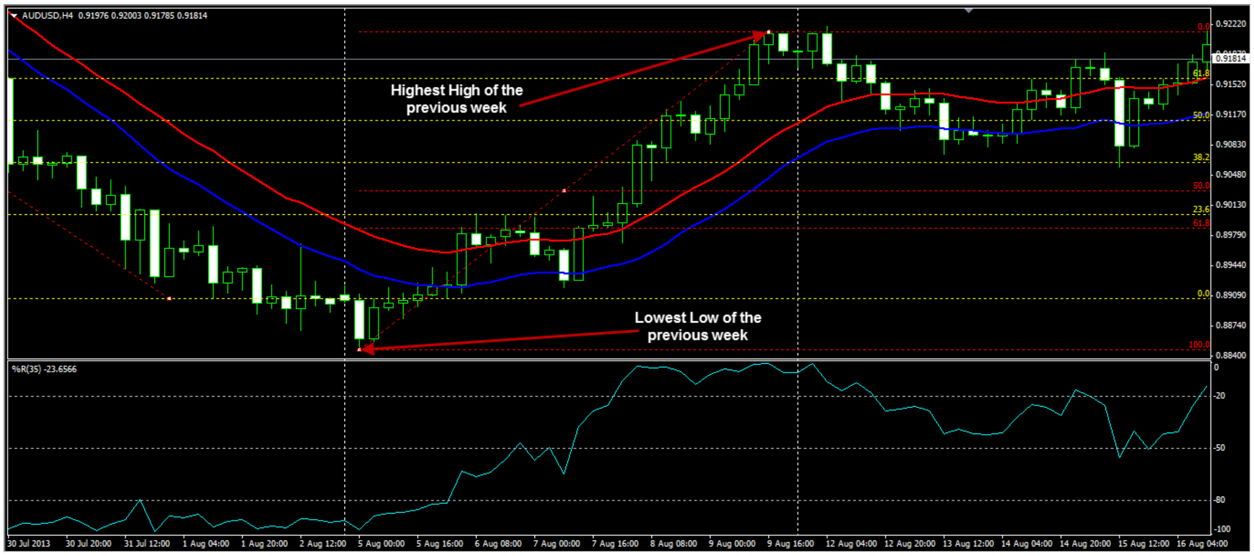
Now that you are familiar with the rules for entering Sell trades, let's take a closer look at an example of a Sell trade. For this example we will use the AUDUSD currency pair and we will begin by inserting our Fibonacci retracement on the Daily chart.

As you can see on the image below, the previous month closed lower than it opened so in this case, we can draw our Fibonacci retracement from the Highest High to the Lowest Low.



The next step is to switch to the 4 hour timeframe and insert our Fibonacci retracement over the last week's data.

As you can see on the following image, the previous week closed higher than it opened so in this case, we can draw our Fibonacci retracement from the Lowest Low to the Highest High.



Now that we have inserted our Fibonacci retracements we may switch down to the 15 minute timeframe to identify an entry point.

As you can see on the image above, the Sell entry signal occurred when price closed below the 21 EMA of the Lows and the 61.8 Fibonacci level. At the same time, the Williams % Range had just dipped below the 50 level so all the criteria required for a Sell trade had been met.

We entered the Sell trade at the open of the next candle and set our Stop Loss 27 pips away from the 61.8 Fibonacci level which triggered the entry. Our Take Profit was set 45 pips away from our entry level and as you can see, price moved in our favour almost immediately and we were taken out of this trade with a profit within a few hours.

Conclusion

By now I am sure that you will agree that the Forex Profitability Code trading system is a powerful system.

Remember, this system has performed very well during Demo and the Live Rounds of the recent Surefire Trading Challenge so I am sure that this system will work well for you when applied in the correct way.

This system can be a bit more complicated that most systems out there so be sure to practice trading it on a demo account until you reach a point where you feel more comfortable trading with it.

Take your time and practice using this system and you will see that this strategy can be very powerful in the hands of responsible traders. By trading this system you will always be on the right side of the trend and this is a vital part of being a profitable trader.

The breakout rules make it easy to identify the best times to jump into trades and once you have mastered this system you can be sure that you too can enjoy the success others have had with this system.

Stick to the rules and I am sure that you will be very happy with the results.

All the best!