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17 Proven Currency Trading Strategies

How to Profit in the Forex Market

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MARIO SINGH

Advance Praises

"This is an excellent primer for traders at the start of their Forex trading career. I especially like the fact that it is separated into two parts, with Part 1 covering a complete introduction to Forex and Part 2 covering the exact strategies. At the end, Mario provides two invaluable pieces of advice for continued success. Firstly, he provides the five rules a trader must adhere to. Secondly, he sets out the three character attributes a trader must have. I believe this book deserves a place in your bookshelf."

**Ray Barros, trader, private hedge fund manager,
and author of *The Nature of Trends***

"Since I have been investing in international equities for many years, this book was of particular interest. Foreign exchange impacts us all and particularly those of us investing globally. This book gives a fascinating insight into exactly how the Foreign Exchange market, the world's largest, actually works. I was particularly interested in the description of the six major players in the market: central banks, commercial and investment banks, multi-national corporations, institutional traders, retail Forex brokers and retail traders. One particularly fascinating feature in the book is a psychological questionnaire which determines "What kind of trader are you?" and also deals with trading strategies for various types of traders."

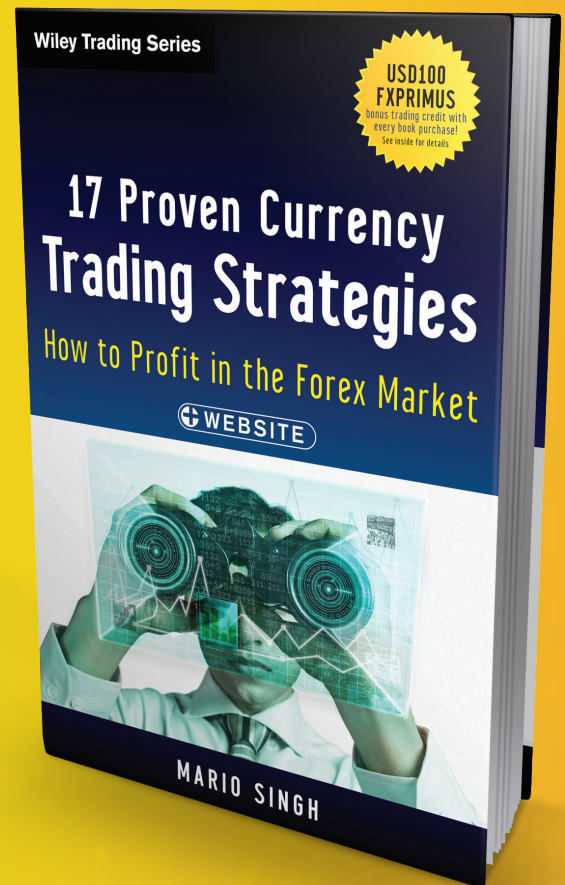
**Mark Mobius, Executive Chairman,
Templeton Emerging Markets**

"Success! Mario has created a series of powerful, easy-to-use trading strategies that anyone can use regardless of their level of experience. I've had the pleasure of knowing Mario and working with him for years, and there is no better person from which to learn about currency trading. 17 Proven Currency Trading Strategies gives the reader everything they need to succeed."

**Ed Ponsi, President,
FXEducator.com and EdPonsi.com**

"Mario Singh is the King of Forex in Asia! He is one of the few people who truly understand the importance of combining fundamentals with technical and does it extremely well. He is a great friend and his passion for trading and teaching others comes through clearly. This book is jam-packed with useful trading strategies for all types of traders. You can literally pick up this book and start trading. Well respected throughout Asia, this book will quickly become a staple on the bookshelves of all Forex traders in the region."

**Kathy Lien, CNBC Contributor,
Managing Director of FX Strategy,
BK Asset Management**



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Preface

You can't afford to ignore forex anymore.

This is an urgent message I carry everywhere I go. It really doesn't matter who we are or what stage in life we're at. You could be in school and you can't seem to figure out the rules of global finance. You could be holding down a job but you desire to make a decent second income in your spare time.

You could already be involved in the financial markets as a retail trader or investor, but with low yields and depressed growth all around the world, you are searching for an asset class that offers unparalleled returns. You might even be a fund manager who holds an international portfolio in different asset classes, such as equities, bonds, and commodities.

However, with central banks lowering rates and injecting record amounts of liquidity into the financial system, you realize the importance of protecting your entire portfolio against currency risks.

Finally, you might be someone running a multinational company. You could be based in one country, but your offices span across many countries all around the world. Expenses for salaries, infrastructure, machinery, and supplies are paid out in different currencies every single month. As the business gets larger, you can't turn a blind eye to the currency fluctuations, which have a significant impact to the company's bottom line every month.

If you find yourself in any one of these categories, this book is for you. The sooner we all understand the forex "game," the better it is going to be for us. Forex is a game for three reasons. First, playing it must be fun. Second, we play it with an intention to win. Finally, it has rules. If you break the rules, the rules will break you.

HOW IT ALL BEGAN

I had a painful start to forex trading because I broke a cardinal rule. Allow me to share my story with you. I'll be the first to admit that I'm not a smart guy. I don't have a finance degree or an economics degree.

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I studied chemical engineering in school but graduated with third-class honors, dashing my mother's hopes of my becoming a top chief executive for a Fortune 500 company. After graduation, I proceeded to apply for a job at petroleum giant Shell, but I haven't heard from them yet.

Sometimes I console myself by thinking that my resume lost its way in the mail. I didn't have much materially then, but what I had was the burning desire to achieve success in life. It was this desire to succeed that led me to my first experience with forex trading.

Six years ago, I was with a friend in a local coffee shop when he suddenly flipped open his laptop to reveal a screen full of charts. Through the charts and jumping numbers on the screen, I asked him, "What's this?"

He coolly replied, "Forex trading."

Thinking it was some hobby he recently picked up, I asked again, "Real cash?"

"Yes." He nodded smugly. "Real cash."

That began to draw me in, slowly but surely. Looking back, it wasn't the fact that forex was the biggest financial market in the world that drew me in. What drew me in was the fact that all you needed was an Internet connection and a laptop to make money from this market anywhere in the world.

Fascinated, I started to ask my trader friend some questions. When he shared with me the story of how George Soros broke the Bank of England on September 16, 1992, and made \$1 billion in a day, I was hooked.

I'm the kind of guy who only needs one live example of someone who has done something to convince me that I can do it too. Excited about this new discovery called forex trading, I went off and started to do my own reading on free websites.

Soon I started my first account with USD3,000.

MY FIRST TRADE

My first trade was on the GBP/USD. It was on an uptrend, and the price had reached a new high. This is it, I thought, rubbing my hands gleefully. I'm going to be a millionaire by next Friday. Seeing that the price had reached a new high, I was convinced that gravity would pull it right down.

I clicked "sell." That poignant moment was the start of my painful lesson. After I clicked "sell," the price continued to creep up. That's not supposed to happen, I thought.

As prices continued climbing, I decided to hit the sell button again, only this time with double the lot size (and double the intensity) as my first trade. I reasoned that if I clicked twice the number of lots, all that needed to happen was for prices to fall a little before I could see some nice profits.

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After the second “sell” click, I couldn’t believe my eyes. The price went up further. My hands started to get sweaty. My head started to shine from the beads of sweat that started to trickle down from my bald head. Murphy’s Law was in full motion. In desperation, I actually grabbed the laptop and turned it upside down to paint me a picture of falling prices. My ego was badly hurt.

“It’s got to come down,” I muttered to myself. At that point, I clicked “sell” for a third time, with double the lot size of the second trade.

The numbers on my laptop screen at the time weren’t very far from the numbers my friend had shown me. The only difference was that mine had a stubborn negative sign preceding them that just wouldn’t go away. A couple of days after my third dreaded click, the broker closed off all my positions. I was hit with the dreaded margin call.

In a grand total of just six days, I had lost my entire account.

Whenever I share my story in my forex seminars, I replicate the scenario and draw an uptrend on the whiteboard.

“Would you click ‘buy’ or ‘sell’ over here?” I always ask, as I circle the highest point reached by the price. At every single seminar, most people choose to sell, confident that high prices will fall.

It’s almost a consolation to know that we human beings are wired in much the same way. Needless to say, after I blew up my account, I was devastated.

THERE ARE NO SUCCESSFUL BUSINESSES

Losing USD3,000 of my hard-earned money in a week was heart-wrenching. Self-defeating thoughts appeared in my mind incessantly.

“Forex is risky.”

“Forex is gambling.”

“Forex is not for me.”

I was tempted to wash my hands from the forex market and walk away.

However, it was at this low point of my life that the words of a rich and successful Chinese businessman who was my mentor came to mind.

世界上没有成功的事业，只有成功的人。

“There are no successful businesses in this world, only successful people.”

At this point, I stopped the pity party and asked myself two questions: *Do I know people who are making money in the forex market?* And: *Do I want to be in that group?*

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I picked myself up again after I answered yes to both questions. I started to work on myself. You see, it's very easy for you and me to get sucked into recognizing that 80% of people lose money in the forex market.

However, why can't we decide to be in the group that makes money? Isn't it just a simple switch in our thinking? If 20% of the people are making money, let's decide first to have our names in that special group. That self-talk was the turning point in my forex trading journey. I made up my mind to master forex trading.

Picking myself up from the setback, I began to equip myself with the right trading skills. I started devouring books by successful traders. Emulating their beliefs, knowledge, and habits, I worked hard on honing my trading skills every single day. My quest for mastery also led me to seek out two of the biggest names in the forex industry as my mentors: Kathy Lien and Ed Ponsi.

I reasoned that a mentor could help me to drastically cut short my learning curve. And cut short my learning curve they did.

Knowing what I know now, I recognize that the cardinal rule that I broke in my first live trading experience was to trade against the trend.

Within three years and several buckets of blood, sweat and tears later, I became an expert in trading the forex market. Less than a year later, I was invited to appear on CNBC to give my opinions on global finance.

WISH THAT YOU WERE BETTER

Given my bubbly character, many people think that it's easy being on camera, speaking live to a camera that holds the attention of over 300 million viewers. The truth for me is that it's not.

"Mario, what do you think the CPI is going to be for Singapore?"

"Mario, what's your view on the U.S. dollar this week?"

"Mario, do you think China will report a good number for trade surplus this month?"

The TV anchor and the reporters on site fire questions from every angle, and you need to have the answers at your fingertips. They expect you to know, or you have no business being on the biggest stage in international finance.

How ridiculous it would be if I were to fake an answer like "I think inflation in Singapore is going to hit 65% next year." I would be laughed off the chair.

So I had to study. In fact, to be in that three-minute hot seat, I had to study for three hours. That's right: three full hours of study for three minutes on CNBC.

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Thankfully, I did well. In fact, I did so well that I was called back, again and again. CNBC has three major shows that cover the financial markets. The early morning segment is called *Squawk Box*, in the early afternoon it's called *Capital Connection*, and the evening's slot is called *Worldwide Exchange*.

Eventually I was invited to appear on all three major shows. In fact, I was then asked to be a guest host on *Worldwide Exchange*. As guest host, I sat with the news anchor and instead of being there for three minutes, I would be there for a full hour.

My job was to have a conversation with some of the most brilliant financial minds on the planet who would come in and take their place on the hot seat. As I warmed up to the new role as a guest host, I had an important revelation. The job was getting easier. In fact, I didn't have to study when I was guest host.

Do you know why? Because this time, it was my turn to ask the all-important question, "So, Jack, what's your view on the U.S. dollar this week?"

This was my revelation: As you get better, it gets easier.

So, my friend, don't wish that it were easier, wish that you were better.

Kaizen is the Japanese word for improvement. When we embrace *kaizen* in any endeavor, mastery is bound to be the result.

My *kaizen* approach to forex trading has enabled me to be a consistently profitable trader. Today, I am living the dream of traveling and spreading the message of profitable forex trading everywhere I go. I've even had the privilege to coach forex traders in some of the largest banks in the world. Forex trading has given me this new life, and I know that it can do the same for you.

AUDIENCE

Today the Forex Market is considered the largest financial market in the world. With that famous tagline, thousands of books have sprung up giving people insights into this amazing market. I did not write this book with the intention of adding to the vast list of global resources already available on the topic of forex.

My inspiration for this book is drawn from three specific groups of people:

1. All forex traders around the world. It is my humble wish that this book will become the platinum standard in forex education. The rich content here will suit you regardless of which stage you are in your trading career: beginner, intermediate, or advanced. Pay particular attention to Chapter 5, which puts you through a fun and interesting quiz. At the

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end of the quiz, you will discover which one of the five categories of traders you belong to. If you stick to the strategies pertinent to your profile, you will be pleasantly surprised by the results.

2. Finance and business professionals who are not currently involved in the forex market. You may be involved in equities, fixed-income instruments, or commodities. An understanding of global finance and forex movements will greatly help you in your decision making. Remember, capital flows into a country first, before it flows into any specific asset class. An understanding of the forex market puts you in prime position to anticipate these flows. Chapter 3 is dedicated to business corporations that must understand the importance of hedging. Hedging helps corporations gain certainty of price, even when payments are made or received in different currencies. Hedging thus helps corporations to mitigate the foreign exchange risk exposure.
3. Ordinary folks outside of the finance industry who are looking to create a powerful second income. With a potent combination of unprecedented liquidity and sovereign debt levels in the world today, there truly has never been a better time to get involved in forex. I ask you humbly to consider this opportunity.

OVERVIEW OF THE CONTENTS

The book is broken into two parts:

Part One: Forex Is a Game

Part One of this book is divided into five chapters, and it centers on the core description of forex as a game. We discover insights on the rules of the game, the major players, and how money is made.

Chapter 1 introduces the forex market. It begins by describing the total daily turnover and the seven major currency pairs. It then explains how to read a forex quote and how prices move. The chapter ends with a framework of how margin and leverage are employed in a forex trade.

Chapter 2 focuses on how money is made in a forex trade. We learn about long and short and the three points in every trade. We then move to the four big reasons that cause currencies to move and get a grasp of the fraction theory. Chapter 2 ends with an understanding of market structure.

Chapters 3 and 4 cover the six major players in the forex market and the numerous advantages associated with trading the market. Some of the major players include central banks, commercial banks, multinational

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companies, and retail traders. We also get a glimpse of three of the biggest blow-ups in proprietary trading in banking history.

Chapter 5 is devoted to discovering your unique profile in trading. It includes a profiling test to help you find out how your personality can help or hurt your trading style. There are essentially five types of traders: scalper, day trader, swing trader, position trader, and mechanical trader. By the end of this chapter, you will know which group you belong to.

Part Two: Strategies to Win the Game

Part Two is also divided into five chapters. Each chapter covers strategies for the five profiles of scalper, day trader, swing trader, position trader, and mechanical trader.

Chapter 6 covers two strategies for scalpers, called the rapid fire and the piranha. These strategies are used on the shortest time frames, namely the minute chart and the 5-minute chart.

Chapter 7 covers four strategies for day traders. The first two strategies are focused on breakouts while the next two are centered purely on trading the news. A unique way of trading the news, called the Rule of 20, is also discussed here. All four strategies are employed using the 15-minute and 30-minute time frame.

Chapter 8 covers five strategies for swing traders. As swing traders typically exit their positions within two to five days, the time frames used for the strategies are longer than the day traders. Hence, all five of the swing trading strategies are used on the 1-hour and the 4-hour time frame.

Chapter 9 covers three strategies for position traders. The first one, swap and fly, takes advantage of the interest rate differentials between the currencies and aims to earn maximum returns by holding on to positions for an extended period of time. The next two strategies are used specifically for the two most popular commodities in the world: oil and gold.

The final chapter covers three strategies for mechanical traders. Traders in this category are oblivious to the passing of time. This is why all strategies discussed here employ three different time frames from the other categories: the 5-minute chart, the 15-minute chart, and the daily chart.

CHAPTER 5

Play It Your Way

Understanding Your Profile

This chapter provides insight into the five different categories of forex traders: scalpers, day traders, swing traders, position traders, and mechanical traders. After reading it, you will understand the differences among the five and the three advantages of each category. This chapter also includes a test to help you determine which category you belong to. Once you discover your category, you will learn how your personality can help or affect your trading.

I have had the privilege to speak to large audiences all over the world. The most common question thrown at me is “Should I buy now or sell now?” Each time I hear the question, I can’t help but smile. After all, that was my biggest question when I first started trading forex. “Tell me what to do now, and we’ll talk about trading later!”

My answer, as always, goes like this: “You can buy now if your trading strategy tells you to buy now. You can also sell now if your trading strategy tells you to do so.”

This answer always draws one of two responses: confused looks or exasperated ones.

However, the answer is precisely that—you can buy or sell at anytime. Let’s see why.

As shown in Figure 5.1, Trader A goes long at Point X and exits at Point Y. Simultaneously, Trader B goes short at Point X but exits at Point Z. In both cases, each trader ended up with a profit.

In each case, both traders entered at exactly the same time and price. The only reason why both traders ended up making a profit is because they had different exit prices. This example also tells us that both traders executed their trades using different strategies.

You see, one of the key elements of successful trading is having a specific strategy that tells you what to do. Human beings are emotional

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FIGURE 5.1 Traders Making Profit at Different Exit Prices

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creatures. This is the reason why fear, greed, and hope are antithetical to successful trading.

When you follow a concise strategy, nothing is left to emotional triggers and everything boils down to following the rules of the strategy. The sentence “When you fail to plan, you plan to fail” rings true in the trading world as well as in life.

However, over the years as a trader and coach, I unearthed a disturbing pattern that seemed to permeate the global trading community: Even with a successful trading strategy, traders still seemed to suffer consistent losses rather than consistent profits.

THE EXPERIMENT

This finding led me to conduct an experiment at my forex academy. The experiment involved two traders whom I shall call Mike and Amanda. The test was simple. All Mike and Amanda had to do was to follow the trading plan I gave them. The trading plan consisted of a trading strategy, complete with specific rules on how to enter for a long trade and how to enter for a short trade.

We even spent two days together to ensure that they fully understood the rules of the trading plan. In fact, to ensure that I left no stone unturned,

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I sent both traders alerts via their mobile phones to watch for any upcoming trade setup.

At the end of one month, their results were very different. Mike ended up having a net return of 10% for his account; Amanda managed a return of only 2%. This result was all the more interesting considering that both Mike and Amanda:

1. Started with the same capital
2. Took exactly the same number of trades
3. Entered all the trades correctly
4. Faithfully called me after they entered every trade

How could this be?

After an in-depth study on their trades, I found that the biggest reason for the difference in their accounts was that Amanda constantly meddled with her trades. Although she executed the entries perfectly, she messed up the exits. A common and truthful statement she shared with me was “I was too impatient to wait for the trade to exit so I got out earlier.”

Mike, however, had no problems following through on trades after he entered them. Essentially, he did not meddle with his trades after he entered them but allowed them to hit either their stops or their targets.

In short, although both traders had the same strategy, Amanda’s personality caused her to exit some trades prematurely. Those actions caused her account to have a different result from Mike’s, although both had access to the same resources and the same trading strategy.

The result of that experiment became the driving force to write this book. The message is simple: Having a successful strategy is only the first step. Pairing a successful strategy with your personality is far more important.

In essence, there is no perfect strategy. The perfect strategy is the one that perfectly suits you.

Sports Illustrated

Let’s look at an example in sports. If I were a sports coach and a budding athlete came up to me and asked, “Hey, coach, which sport should I play so that I can achieve mega success in the sporting world?”

As a coach, I would consider five options. Option 1 could be baseball.

One of its greats, Babe Ruth, has been named the greatest baseball player of all time in various surveys and rankings. In 1998, the *Sporting News* ranked him number one on the list of “Baseball’s 100 Greatest

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Players.” In 1969, he was named baseball’s Greatest Player Ever in a ballot commemorating the hundredth anniversary of professional baseball. In 1993, the Associated Press reported that Muhammad Ali was tied with Babe Ruth as the most recognized athlete in America.

In his career, Ruth had an eye-popping batting average of 0.342 en route to winning the World Series seven times.

Option 2 could be soccer. One of its greats, Lionel Messi, has numerous accolades. In 2010, *France Football* ranked him at the top of its list of the world’s richest soccer players, ahead of David Beckham and Cristiano Ronaldo, with £29.6 million in combined income from salaries, bonuses, and off-field earnings.

In 2011, Messi won the prestigious Fifa Ballon d’Or, making him the first player in the world to win three straight Fifa world player trophies. In 2012, Messi made Union of European Football Associations (UEFA) Champions League history by becoming the first player to score five goals in one match.

The third option could be motor racing. The official Formula 1 website states that Michael Schumacher is “statistically the greatest driver the sport has ever seen.” He holds many of the sport’s records, including race victories, fastest laps, pole positions, points scored, and most races won in a single season—13 in 2004.

In 2002, he became the only driver in Formula 1 history to finish in the top three in every race of a season and then also broke the record for most consecutive podium finishes. To date, he is the sport’s only 7-time world champion.

Option 4 could be track and field. Usain Bolt is a Jamaican sprinter who has netted five gold medals in two World Championships and six gold medals in two Olympics. At the time of this writing, he is the world record and Olympic record holder in the 100 meters, the 200 meters, and (along with his teammates) the 4×100 meter relay. He is also the reigning Olympic champion in these three events.

In 2009, Bolt stunned the world in Berlin with a record-breaking effort in the 100 meter final, finishing in an astonishing 9.58 seconds.

The fifth and final option could be boxing. Manny Pacquiao is boxing’s first 8-division world champion, having won six world titles. He is also the first fighter to win the lineal championship in four different weight classes. He was named “Fighter of the Decade” for the 2000s by the Boxing Writers Association of America (BWAA). He is also a 3-time “The Ring” and BWAA “Fighter of the Year,” winning the award in 2006, 2008 and 2009. Today, Pacquiao is rated as the best pound-for-pound boxer in the world.

In all five of these examples, the athletes would be considered extremely successful in their chosen sporting field. Some even feature regularly in the

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annual *Forbes* list of the world's highest-paid athletes, earning millions of dollars from salaries, bonuses, and sponsorships. However, pointing young athletes a certain way just because others have been successful in that field may not yield similar results.

In fact, it would be hard to even imagine soccer great Lionel Messi having the same level of boxing success as Manny Pacquiao, should he decide on a career switch one day.

Recently, global TV giant Entertainment and Sports Programming Network (ESPN) came up with a list of ten skills that it determined make up a successful sports person. These were:

1. Endurance
2. Strength
3. Power
4. Speed
5. Agility
6. Flexibility
7. Hand–eye coordination
8. Nerve (defined as the ability to maintain composure in a fearful environment)
9. Durability (defined as the ability to withstand constant physical punishment)
10. Analytic aptitude (defined as the ability to evaluate and react to strategic situations)

ESPN then analyzed 60 sports and asked a group of experts made up of sports scientists, kinesiology academics, and sporting journalists to assign a number from 1 to 10 to each of these skills.

The Results Among the 60 sports analyzed, baseball came out tops in the hand–eye coordination category with a rating of 9.25. Soccer led the pack in the agility category with a rating of 8.25. Motor racing was number 1 in the nerve category with a rating of 9.88. Track and field sprinting was placed first in the speed category, also with a rating of 9.88. Finally, boxing emerged victorious in the durability category with a rating of 8.5.

Hence, to ensure the highest chance of success in any given sport, a sports coach would put an athlete through a series of tests to determine his or her strengths and weaknesses. If the athlete scored the highest in the hand–eye coordination category, the baseball route would be apt. If the athlete came out tops in the agility category, soccer would be the top

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choice. If the athlete had the best score in the nerve category, a career in motor racing might beckon.

Track and field sprinting would be the answer had the athlete aced the speed category, and, finally, an illustrious boxing career wouldn't be too far off if the athlete led in the durability category. Your best chance of achieving greatness in the sporting world is choosing the sport that best resonates with your dominant strengths.

Forex trading is like sports. There are many fields where success can be achieved in the forex market. A certain strategy in the forex world corresponds to a certain discipline in the sporting world, whether it is soccer or boxing. Similarly, the best chance of succeeding in forex trading is selecting a toolbox of strategies that complements your personality.

FIVE CATEGORIES OF FOREX TRADERS

Style is important. We hear about style on a daily basis from the mass media. Not a day goes by without the newspapers, magazines, radio, or TV promoting a perfume, apparel, a luxury car, a watch, or a mobile phone. Advertisers know that style is an integral part of our personality.

This is why products are painstakingly created with different textures, smells, or purposes. Everyone is different, and the best product is the one that best suits your needs. The products that you buy tell a lot about the kind of style that you like and reveal much about your personality. They define who you are.

It is the same with forex trading: No two traders have exactly the same style. That's why it's important for you to choose a style of trading that resonates with your personality and defines who you are. Forex traders the world over fall into one of five categories: scalpers, day traders, swing traders, position traders, and mechanical traders. The main difference between the categories of traders is the time frame employed while trading.

Essentially, the length of time in which a trading position is held increases from a scalper to a day trader, to a swing trader, and finally to a position trader. Mechanical traders are oblivious to the passing of time. Their trades are based on a fixed routine, regardless of time frame and regardless of market activity.

Scalpers

Scalpers are traders who like fast action. They enter and exit the forex market multiple times a day, taking a few pips each time. Typically, profits can range anywhere from a single pip to 10 pips. These trades can last anywhere

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from several seconds to several minutes. In terms of time frames, scalpers prefer looking at M1 and M5 charts (minute charts and 5-minute charts).

Their actions are mostly centered around the overlapping sessions of the major regions, typically during the Asia close/Europe open, Europe close/U.S. open. Scalpers trade during these hours mainly because these are the busiest hours in the forex market on any given day. This business tends to generate more volume, which in turn presents more trading opportunities.

As they need to react to market movements quickly, scalping is most suitable for traders who can devote their undivided attention and focus on the charts for a couple of hours at a time. In addition, scalpers need the ability to think on their feet and switch the direction of their trades fast if the situation calls for it.

Due to the numerous times in which scalpers enter and exit the markets, there are three simple rules in their toolbox:

- 1. Spreads.** The spread on currency pairs is a significant factor in the scalper's strategy. Scalpers tend to stay away from currency pairs with large spreads and focus only on the major pairs, such as EUR/USD, GBP/USD, and USD/JPY. They do this because the spread on the majors is normally the tightest, and the majors have the highest liquidity.
- 2. News.** Scalpers tend to avoid trading during major news announcements. This is because major news can evoke different emotions in the markets and cause wild swings in currency pairs. The unwelcome volatility during such news announcements can be the difference between a winning trade and a losing one.
- 3. Leverage.** Scalpers tend to use high leverage because they are in and out of the market repeatedly with only a small profit. The high leverage amplifies their returns significantly.

Due to the fast-paced nature of scalping, it is not uncommon for traders to employ automated trading systems to execute trades on their behalf.

Scalping offers these top three advantages:

- 1. Risk exposure.** Due to the nature of scalping, traders stay in the market for brief periods each time. This reduces their risk of getting stopped out by any unforeseen adverse events.
- 2. Easier bites.** Markets can't make big moves without first making small ones. As commonsensical as that sounds, it is also why scalpers love small moves—they happen more frequently, so scalpers' chances of winning are bumped up.

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- 3. Frequency.** For markets to achieve significant up or down moves, a major change in expectations is required. Such changes normally are caused by primers, such as a major news release. The good news for scalpers is that even in the absence of news, profits can still be made.

Day Traders

The main distinguishing characteristic of day traders is that they don't like to hold a trading position overnight. Day traders typically put on a trade at the start of the trading day and tend to close it out before the day is over. To day traders, finishing the day without an open position is more important than the actual result of the trade itself. This means that the trade could either be a profit or a loss.

Depending on the currency pair, the profit potential per trade for day traders can range from 20 pips to 40 pips or more. In terms of time frames, day traders prefer looking at the M15 and the M30 charts (the 15-minute and the 30-minute chart respectively).

Unlike scalpers who avoid the news, day traders love trading the news. Keeping abreast of the daily news releases actually help them to plan their trades more effectively. Additionally, many day traders depend on news announcements as triggers for their trades.

Day traders are big momentum traders. This means that they look for a certain directional bias and go long or short based on the current movement, or wave, at that time. Part of the strategy entails looking for possible breakouts from tight ranges, especially when certain news announcements fare better or worse than forecasted numbers.

Day trading offers these top three advantages:

- 1. Peace of mind.** Day traders sleep soundly at night knowing that they do not have any open market positions. As long as a position remains open in the forex market, it is exposed to risk. Examples of risk include market gapping, which happens when prices are non-existent during brief periods because of market volatility.

If a trader's stop loss is located in the gap, the trade might not close out. If this happens, the trader has a higher risk exposure. Since day traders close out their positions by the end of the trading day, market gapping risk is hardly present.

- 2. Easy analysis.** Day traders love the news, because news often injects momentum and causes currencies to move up or down. As positions are closed out every day, day traders do not subject themselves to analysis paralysis. This trading disease happens to many news traders

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who grapple with the concept of how much markets tend to price in upcoming news or released news.

Since day traders are momentum traders who take advantage of the first moves, analysis is easy and straightforward.

- 3. Structured calculations.** This is also one of the benefits of starting with a clean slate every day. When trades are left hanging in the market, equity and margin levels constantly fluctuate to reflect the current size of the open position. This fluctuation can confuse traders who need to make adjustments when they calculate their lot size for the next trade.

Day traders do not have this problem because trades are closed out at the end of the day, and lot sizes are calculated on a clean slate the next day.

Swing Traders

Swing traders normally hold trades beyond a day but never beyond a week. This trading style is most suited to part-time traders who have full-time jobs because not much time is needed to analyze the markets and set up the trade.

Depending on the currency pair, the profit potential per trade for swing traders can range from 50 pips to 150 pips or more. In terms of time frames, swing traders prefer looking at the H1 and the H4 charts (the hourly and the 4-hourly charts respectively).

Swing traders tend to be a bit more conservative than scalpers or day traders; they typically wait for several confirmation signals before triggering a trade.

At the same time, swing traders are not bothered by intraday volatility and price swings because they are more concerned with catching the medium-term trends. Profit targets and stop-loss levels are naturally larger for swing traders because they have a slightly longer-term view than day traders.

Since trades usually have larger targets, spreads won't have as much of an impact to overall profits for swing traders. As a result, trading pairs with larger spreads and lower liquidity is acceptable.

Swing trading offers these top three advantages:

- 1. Favorable risk to reward.** Swing traders normally are not concerned with intraday movements of the market because they have a slightly longer time horizon in watching the markets.

As their time horizon is longer than that of day traders, swing traders normally set favorable risk to reward ratios of 1:2, 1:3, or more.

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If the stop loss is set at 50 pips, the profit target is normally 100 pips, 150 pips, or more.

- 2. Save time.** Swing traders are mostly technical traders, which means they do not have to spend time every day to keep abreast of financial news.

This is not to say that news is not important, but due to the swing trader's trading style of exiting positions in two to five days, daily news events don't matter much. This is one of the biggest draws of swing trading and makes the method perfect for new traders or part-time traders who have full-time jobs.

- 3. Hassle-free.** Many traders feel the need to meddle with ongoing trades or to trigger unnecessary ones. This normally happens when traders trade several times a day.

As swing traders depend on a trading plan to trigger long and short positions, they do not fall into this trap. In fact, swing traders thrive on following a structured plan. Following a plan keeps human error to a minimum and enables swing traders to avoid emotional trading.

Position Traders

Position traders have the longest time horizon of the different categories. The total opposite of scalpers, position traders can sit on a trade for several weeks to several months. They have a very strong grasp of market fundamentals and are able to spot changes that could lead to highly profitable long-term gains once trades are locked in. Depending on the currency pair, the profit potential per trade for position traders can range from 500 pips to several thousand pips or more.

In terms of time frames, position traders prefer looking at the D1, W1, and even the MN charts (daily, weekly, and monthly charts respectively). Position traders are usually sophisticated investors with two distinct characteristics: Their astute reading of the financial markets makes them totally unconcerned with the short-term or even the medium-term movements of the currency market, and they own a large trading account. This size is necessary because capital is needed to withstand large floating losses should trades go against the trader for an extended period of time.

Position trading offers these top three advantages:

- 1. Lower transaction costs.** Brokers charge a spread for every position executed in the forex market. Thus, scalpers incur the highest costs by virtue of their trading frequency. Position traders are on the opposite

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end of the pole. Instead of executing many trades, position traders execute very few trades and prefer to manage those trades effectively. They do this by tightening the stop loss for open positions, which is a technique of dynamically shifting the stop loss level to chase the price.

As an example, for long positions, the stop loss is continuously shifted upwards. For short positions, the stop loss is continuously shifted downwards. This technique helps position traders to lock in profits along the way.

- 2. Earn swap.** In every forex transaction, the trade involves borrowing one currency to buy another. Interest or swap is paid on the currency that is borrowed and earned on the one that is bought.

As an example, if you are buying a currency with a higher interest rate than the one you are borrowing, the net interest rate differential will be positive, and you earn interest for every day that the trade remains open. This is sometimes called the carry trade. Position traders stand to gain a huge amount of swap when they hold trades for an extended period of time.

- 3. Character building.** Emotions sometimes set in when trades are held for a long time. Both greed and fear can take over during the course of the trade. Position traders have to learn to manage greed when a sizable profit builds up. They have to weigh the decision of exiting the trade early to bank the profits against holding the trade longer for even bigger returns.

The opposite is also true. When trades go against position traders, fear is bound to set in. They then have to weigh the decision of exiting the trade early to realize the loss against holding on to the position in the event markets reverse. Over their trading journeys, position traders must cultivate patience.

Mechanical Traders

Mechanical traders are usually beginners in the forex market. Their main focus in trading the markets is not time driven but system driven.

After mechanical traders go through a period of back-testing with historical data, they deem a particular strategy sound. Thereafter, these traders focus only on the execution of that strategy based on its rules. This method allows them to enter and exit trades without emotions or stress.

Due to the robotic application of mechanical trading, it is not uncommon to find mechanical traders coding their strategies into automated trading systems that can be fired off on cue. Once these systems are

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trading automatically, traders have the added advantage of further back-testing the automated systems with more historical data to ensure that it remains robust.

However, the very nature of robotic application is a double-edged sword. Since no discretionary trading takes place, an automated system can lull mechanical traders into a false sense of security.

This false security becomes a problem when market conditions change, as when interest rates are raised or lowered or when central banks intervene to pump liquidity into the financial system. Such acts undoubtedly affect the currency volatility and trading ranges.

If automated systems are not tweaked periodically to reflect changing market conditions, mechanical traders can be in for a rough time with prolonged losses on their trading account.

Mechanical trading offers these top three advantages:

- 1. No monitoring needed.** Once mechanical traders are confident that the system works, absolutely no monitoring of the market is needed, because mechanical traders are mostly system driven. Trades are executed faithfully (sometimes several times a day) regardless of how the market moves.
- 2. Flexible trading.** Since mechanical traders are not dependent on any specific time frame, they are able to formulate trading systems to exploit the movements of any currency pair. This gives them the flexibility to trawl all available currency pairs on the broker's platform and build a mechanical system around it.
- 3. Free time.** A fair amount of mechanical traders utilize expert advisors (EAs) on their trading platform to assist in trade execution. EAs are essentially automated trading systems. Because the model is hands-free, these mechanical traders have the time to pursue other work interests and hobbies.

YOUR PERFECT STRATEGY

We are how we trade and we trade how we are. No two traders are exactly alike. Your unique personality will cause you to trade differently from someone else. If you enjoy a fast-paced life filled with action from the word Go!, you most likely fall into the scalper category.

If you are holding down a job and don't have too much time to monitor the markets, you most likely fall into the swing trader category. It is important to note that no one category is better or worse than the other. They are all the same in terms of making you a consistently profitable trader.

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The key here is to discover which category you are in, based on your lifestyle and personality, so that you can flow with your dominant strength when trading the forex market. Failure to do this right will result in the single biggest stumbling block to achieving consistent profits when trading the forex market from the very start.

Would you like to find out your predominant trading style? Then take this short quiz to find out what kind of trader you are. Once you find out which category you belong to, the next step is to select the right trading strategy that flows with your personality and current lifestyle.

Are you ready? Then let's go!



WHAT KIND OF TRADER ARE YOU?

Answer these 25 questions as accurately as possible to find out.

1. At a social event, do you:
 - a. Find your best friend as soon as possible.
 - b. Move around and interact with as many people as possible.
 - c. Look out for interesting and popular people/groups.
 - d. Sit in one corner and wait for people to talk to you.
 - e. Find a group of friends and join in the conversation.
2. How often would you like to trade?
 - a. A few times a week
 - b. A few times a day
 - c. A few times a month
 - d. More than 10 times a day
 - e. A fixed time every day
3. If you could have it your way, what would you be?
 - a. Formula 1 racing driver
 - b. Accountant
 - c. Research analyst
 - d. Doctor
 - e. Professional chess player
4. Your favorite band releases a new album. How would you get a copy?
 - a. Plan a day to visit your favorite CD shop and get a copy.
 - b. Order it online.
 - c. Check around for any special promotion.
 - d. Download it immediately via the Internet.
 - e. Wait for a friend to buy it and borrow theirs.

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5. You are in a long GBP/USD trade. You watch the news and discover that a famous fund manager is in a short GBP/USD trade. You:
 - a. Shift your stop loss to entry price and proceed to short GBP/USD.
 - b. Stick to your trading plan.
 - c. Start to research on CNBC and Bloomberg for any news concerning GBP and USD currencies.
 - d. Close your existing order immediately and short GBP/USD.
 - e. Change the channel to watch a movie.
6. You ride past a motorcycle showroom. You:
 - a. Ask the salesperson which models are on sale.
 - b. Decide to test ride a model you like.
 - c. Stop and take a quick glance.
 - d. Study the brochure for specifications.
 - e. Continue riding on.
7. Which sport helps you to unwind?
 - a. Bungee jumping
 - b. Basketball
 - c. Golf
 - d. You prefer watching sports to unwind
 - e. Tennis
8. How do you keep up with your social circle?
 - a. Write on their Facebook wall
 - b. Hang out with the same group once a week
 - c. Maintaining your social circle is not your priority
 - d. Meet up several times a year
 - e. Call them up regularly for a chat
9. You love a lifestyle that:
 - a. Offers a change only once in a while.
 - b. Doesn't disrupt your daily schedule of doing nothing.
 - c. Follows a fixed routine.
 - d. Packs your time with action and activities.
 - e. Throws regular challenges at you.
10. Someone cuts you off while driving. How do you typically respond?
 - a. You continue driving as per normal.
 - b. You step on the accelerator with your blood boiling and cut the driver off.
 - c. You steam quietly in your seat.
 - d. You flash your lights and toot the horn.
 - e. You take a deep breath and brush it off.

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11. You are waiting for a special date in a restaurant. You:
 - a. Order a glass of water and update your Facebook status.
 - b. Glance at your watch every three seconds.
 - c. Sit quietly and prepare for an enchanted evening.
 - d. Take out your seven-point checklist and tick off point 1.
 - e. Check that the table is set perfectly.
12. When you capture photos with your camera, you:
 - a. Take one shot and edit the picture to make it nicer.
 - b. Don't really care about the picture quality.
 - c. Adjust your position to get the best possible angle and lighting.
 - d. Always ensure that the flash is on.
 - e. Snap the shot a few times to ensure good quality.
13. Your primary reason for trading is:
 - a. To beat inflation.
 - b. Because you love the adrenaline rush when clicking the mouse.
 - c. To earn a second income.
 - d. To build up a sizable nest egg.
 - e. To follow a fixed set of rules every day.
14. You pass by a political group giving a speech. You:
 - a. Continue walking.
 - b. Listen attentively to what they are saying.
 - c. Make a note to watch the uploaded video on You Tube.
 - d. Pause and listen for 15 seconds.
 - e. Join the rally and make your voice heard.
15. You won the top prize in a lottery. You:
 - a. Check your number to reconfirm.
 - b. Jump up and celebrate.
 - c. Return to the same shop and purchase another ticket.
 - d. Collect your prize next week.
 - e. Hold an extravagant celebration for family and friends.
16. You have to present a new project idea to your boss. You:
 - a. Print out two copies of the 20-page proposal that you prepared in advance.
 - b. Speak in point form with animated body language.
 - c. Follow a standard template from your previous company.
 - d. Draw it out on the whiteboard.
 - e. Bring out the main points and emphasize the advantages.

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17. What type of music do you love?
 - a. Heavy metal
 - b. Sentimental
 - c. Classical
 - d. Rock and roll
 - e. No preference

18. Your idea of a vacation is:
 - a. A shopping trip to Champs Elysees in Paris.
 - b. A heart-thumping trip to Six Flags amusement park in the United States.
 - c. A spiritual trip in India.
 - d. A spa trip in Bali.
 - e. The same place you enjoyed visiting last time.

19. You learn better by:
 - a. Practicing past years' assessments.
 - b. Researching at home alone.
 - c. Asking a lot of questions.
 - d. Studying with a friend.
 - e. Group discussion with other people.

20. The following word describes your nature:
 - a. Excitable
 - b. Temperamental
 - c. Calm
 - d. Predictable
 - e. Satisfied

21. You spot a promoter who's giving out a \$10 free gift in exchange for your contact details. You:
 - a. Rush to get two gifts with your wife's details as well.
 - b. Whip out your mobile phone and pretend to call someone.
 - c. Smile/nod at the promoter and say "No, thanks."
 - d. Walk calmly and avoid any eye contact.
 - e. Stop to view the gift and check if you need it first.

22. When your boss scolds you, you:
 - a. Think the boss has had a bad day.
 - b. Get upset and flustered.
 - c. Make a note to improve.
 - d. Analyze the speech and think of your retort.
 - e. Pretend to listen.

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23. Someone knocks on your door and asks for a donation. You:
- Ask what the minimum donation amount is.
 - Get your sister to open the door to deal with it.
 - Ask more about the donation and verify its particulars before deciding.
 - Donate \$10 without hesitation.
 - Invite the person in for a drink to learn more about the donation.
24. You take a ride in your friend's new Porsche. He floors the pedal and hits 125 miles (200 kilometers) per hour. You:
- Ask him to slow down.
 - Warn him of potential dangers along the way.
 - Sit back and enjoy the scenery.
 - Tell yourself this will be the last ride in your friend's car.
 - Turn up the music and bob away ecstatically.
25. What comes to your mind as you answer all these questions?
- Are these the only questions?
 - I wonder which category I'll fall into?
 - I'll probably repeat the assessment and answer some questions differently.
 - I wish the options were only limited to true or false.
 - Just tell me what kind of trader I am already!

Tally up your points using this table:

Questions	A	B	C	D	E
1	5	1	3	4	2
2	3	2	4	1	5
3	1	5	3	2	4
4	2	5	3	1	4
5	2	5	3	1	4
6	2	1	4	3	5
7	1	2	4	5	3
8	1	3	5	4	2
9	3	4	5	1	2
10	5	1	3	2	4
11	3	1	4	5	2
12	4	1	3	5	2
13	4	1	3	2	5
14	5	2	3	4	1
15	3	2	5	4	1
16	4	1	5	2	3
17	1	3	4	2	5
18	2	1	4	3	5

(Continued)

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Questions	A	B	C	D	E
19	5	4	1	3	2
20	2	1	4	5	3
21	1	5	3	4	2
22	3	1	4	2	5
23	1	3	2	5	4
24	3	2	4	5	1
25	4	2	3	5	1

Total Score:

Scorecard

25–34: Scalper

You are a true-blue scalper. You like to have fun and variety is the name of the game. You get bored easily, which is why you live a life filled with activities. As an individual, you are not afraid to be original or contrarian. However, you display a mildly aggressive nature when things don't go your way.

You like the excitement of fast-moving markets, and you don't like it when trades take too long to exit. Your ability to focus on the charts for several hours at a time is an important part of your success.

Impatience stands out as one of your characteristics, because you expect your trades to become profitable immediately. As a scalper, impatience can work in your favor too, because you will exit trades promptly if they go against you. Additionally, this quick-thinking helps you to maintain a flexible mind-set when setting up new trades in the opposite direction when the need calls for it.

35–46: Scalper/Day Trader

You are an excitable and passionate individual. You are a person who does not do well with details as your current lifestyle does not have a fixed routine yet. As a scalper/day trader, you embody characteristics in both categories. Sometimes you love the action when markets are moving fast. At other times, you tend to get stressed in the same market conditions.

Due to your time flexibility, on some days you can commit several hours looking at the charts. However, on days when your schedule fills up, you can only afford to glance at the charts for several minutes each time. You like to vary your trading style according to the time you have. When time permits, you prefer to spend hours looking at the charts and scalp, taking a few pips each time. When time is a factor, you prefer to pick the best trade setup for that day.

You are extremely delighted when your trade registers a profit, but your mood sours considerably when you hit a loss. The good news is that when you are wrong, you don't have a problem owning up to it. As part of your personality, you like to experiment with different trading strategies and systems to keep your interest from waning.

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47–56: Day Trader

You are a true-blue day trader. You like to keep abreast of news and watch the markets for any moves throughout the day. As a tech-savvy individual, you love your gadgets and probably own at least a laptop, a tablet, and a smart phone. These devices help you to stay on top of the markets. Analytical and unbiased, you take pride in crunching the numbers after you have done your research and data mining.

Sometimes you take it a step further and calculate all possible scenarios and outcomes for each trade before triggering it. You are not afraid of risk. In fact, one of your strengths lies in effective risk management because you might have a couple of open trades in a day. You are not known for reckless trading, but at odd times you throw caution to the wind and enter a trade when not all the rules have been met. During those times, you find it difficult to cut your losses because of your nature to defend your decisions.

The great part about you is that you like to face and solve challenges. Life is an adventure, and you look forward to new things every day. Your zest reveals your personality as an individual who does not allow problems to weigh you down.

57–68: Day/Swing Trader

You are an optimistic person who is dedicated to improving yourself every day. You are well-read and street-smart, and your life has pretty much settled down into a fixed routine in terms of work and play. As a busy person, you pride yourself in effective time management, and you usually keep a daily to-do list that helps you prioritize your activities. Due to your working hours, you are content to take a smaller number of trades daily or weekly.

You like to plan ahead, and the main reason for you starting to trade is to build up a second income to complement your active income. Occasionally, when you have some spare time, you tend to overanalyze your trade setups. This sometimes results in a tendency to abandon your game plan because you are swayed by different sources of information.

69–78: Swing Trader

You are a true-blue swing trader. Your day job takes up most of your time, but you enjoy trading on the side. In fact, because of your lack of time, you actually like it that you don't have to analyze the market too much.

You are comfortable to sit and wait for the best trade setup and are not at all bothered with how prices fluctuate during the day. In fact, you know too well that too much time spent looking at the charts can bring about the danger of emotional trading.

You classify yourself as a conservative person who doesn't enjoy taking unnecessary risks. Unlike most traders, who don't have a trading plan, you thrive on having a solid trading plan. Rules are clearly defined, and you know exactly when to enter and exit a trade.

Once you decide on a trade, you are not easily swayed to change it. You are perfectly fine to see your trade fluctuate between profit and loss, as your main concern is whether you followed all the rules and executed the trade correctly. Your eye is firmly fixed on a favorable risk to reward ratio.

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The best thing that you like about forex trading is that it doesn't cause you to alter your lifestyle. After all, when you execute a couple of trades a week, the result is a steady increase in part-time income.

79–90: Swing/Position Trader

You are an independent thinker who ignores popular opinion. As a rational and practical individual, you make your own decisions after taking in all the relevant information. You are fully aware that frequent trading leads to more mistakes. Hence, you adjust your trading style to take fewer trades with bigger gains. An avid reader of the markets, you have a good grasp of the fundamentals and how countries are managing their economies.

However, your depth and insights on the markets can sometimes be a double-edged sword. Due to your analysis of mid- to long-term trends, procrastination sometimes can set in. This keeps you from executing the trade even though all the rules have been met.

If left unchecked, your procrastination can slowly take root in your character. You now tend to look for more reasons to substantiate each trade entry, or lack thereof. This vicious cycle can affect your trading style if you don't take steps to rectify it.

97–100: Position Trader

You are a true-blue position trader. You are a calm soul who's sensitive to feelings and don't enjoy conflict. As an individual, you are more intuitive than analytical. Stress is a foreign word because you don't have much of it in your life. You are able to detach any emotional highs and lows you experience in trading.

Due to your trading style, you prefer to trade with a large account size to help you weather fluctuations of hundreds or even thousands of pips. You hardly ever look at technicals as your main focus is on the fundamentals of how governments run their countries.

You are able to see the big picture of how monetary policies and fiscal policies affect currency movements farther down the road. Your biggest virtue is patience, as you don't mind waiting several weeks or months for your reward.

101 and above: Mechanical Trader

You are a true-blue mechanical trader. You like routine and structure in life. Sometimes, eating your favorite food every day for a week makes you happy.

As a newbie in the forex market, you get overwhelmed with all the information out there. You want to get started, but you're just not sure how. Hence, you depend on a robust system to help you make educated decisions. The system you settle for either requires you to spend a few minutes a day to trigger the trade or trades on its own via automated software.

You have tried to make sense of the news that impacts the market, but that has been the cause of your stress. This is because you realize that news occurs on a daily basis, and you either can't keep up with it or you don't want to do so.

News is the main reason you have a love-hate relationship with the forex market. You know that fundamental news causes the prices to move, but you can't manage the unpredictable way in which it does. You settle for a trading methodology that disregards the impact of news. Doing this takes the stress out of trading and puts the focus on delivering a style that is both profitable and system driven.

17 Proven Currency Trading Strategies

How to Profit in the Forex Market

MARIO SINGH

SUMMARY

The perfect strategy to use in the forex market is the one that perfectly suits you. Two traders can employ the exact same strategy but have different results. This is mainly due to the trader's personality, which causes him or her to meddle with the trade as it is engaged.

There are essentially five categories of traders in the world: scalpers, day traders, swing traders, position traders, and mechanical traders. The main difference among the categories of traders is the time frames employed while trading.

Essentially, the length of time in which a trading position is held increases from a scalper to a day trader, to a swing trader, and finally to a position trader. Mechanical traders are oblivious to the passing of time. Their trades are based on a fixed routine, regardless of time frame and regardless of market activity.

No one category of traders is better than the other, as each category has its own unique characteristics and advantages. The end goal for all categories of traders is the same: to be consistently profitable when trading the forex market.

Just as sports coaches put athletes through a series of tests to ascertain their dominant strengths, budding forex traders must determine their own strengths. Finding your flow as a trader is critical to your goal of becoming a profitable trader once and for all.

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About the Author



Mario Singh is founder and CEO of FX1 Academy, the first and largest Forex education company in Singapore and Malaysia. He has personally touched the lives of over 20,000 people, helping them move closer to their financial goals through Forex trading.

Mario Singh is also the Director of Training and Education at FXPRIMUS, Asia's fastest growing Forex broker. He is featured regularly in My Paper, Smart Investor and Your Trading Edge, and has appeared on CNBC, Bloomberg, Channel NewsAsia, Personal Money, News Radio, City News, The Straits Times, FXstreet, and Your Choice.

He can be reached at
info@mariosingh.com.

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