
THE

BUY ZONE

FOREX TRADING

STRATEGY

BY

AVERY T. HORTON, JR.

THE BUY ZONE TRADING STRATEGY – FREE VERSION

ACKNOWLEDGEMENTS

Bob aka SirSedgewick – who introduced me to FOREX.

Petey aka Sheldon – who told me to “find the pattern” and holds down the fort while I’m away.

And to all those who I didn’t name but offered help and support, you have my sincere appreciation.

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INTRODUCTION

Let me introduce myself. My name is Avery T. Horton, Jr.

You may know me by my internet handle – TheRumpledOne or TRO for short. You probably also know that I have been BANNED from more than one forum and chatroom for helping my fellow traders profit.

I have been a computer programmer and a trader since 1977. I have a B.S. degree in computer science.

Buy Zone Trading is a simple strategy that keeps you on the profitable side of a trade.

It doesn't matter if you are a swing trader or day trader, Buy Zone Trading can work for you.

After you read this book, you can throw away all of your indicators. You won't need them. When it comes to trading, indicators are for suckers!

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CHAPTER 1 – BUY ZONE TRADING

One lesson I learned was NOT to chase the price. All of the books tell you that. But then they go on talking about some indicator that, if used, causes you to chase the price.

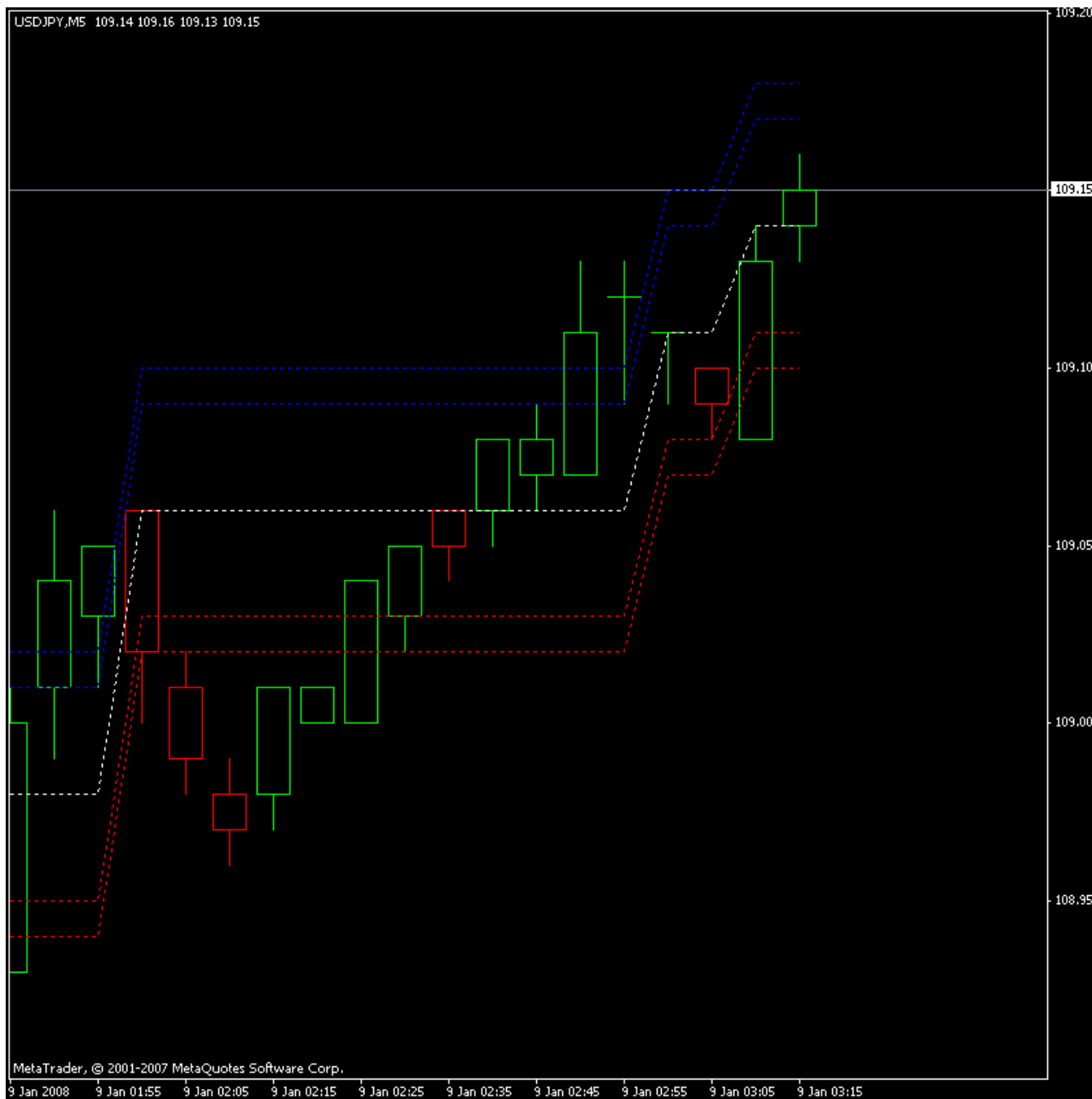
If you use indicators, you will get entry/exit signals all over the chart. Sometimes you profit and sometimes you don't. There is no consistency. The market gurus then talk about position sizing, risk management, stops, trailers, etc... Once again, there is no consistency.

Trading is simple. People have been trading for centuries. The essence of trading is to wait for an opportunity, enter the trade, wait for an opportunity and exit the trade with a profit.

Trading is NOT rocket science. But many of the gurus with PhD's, who create fancy named indicators using higher math, would lead you to believe otherwise. Think about it... what do sigmas, alphas and deltas have to do with trading? Why do I need an exponential or smoothed anything to trade? Isn't trading more common sense and market knowledge than anything else?

The Buy Zone Trading Strategy is simply entering the trade in the "zone".

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The long zone (blue lines) is the Open Price (white line) + .0003 and +.0004.

The short zone (red lines) is the Open Price (white line) - .0003 and -.0004.

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For the USDJPY use .03 and .04 instead.

Go long on green (bull) candle in the long zone and short on red (bear) candle in short zone.

I reset the Buy Zone at the start of the hour.

Or you can use the London, New York and Sydney open prices.

SL is 5 to 7 pips.

TP is whatever you can get before it goes against you.

There are no other entries for this strategy.

The Buy Zone may look simple. That's because the Buy Zone IS SIMPLE!

Trading does NOT have to be complicated to be profitable.

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CHAPTER 2 – EXITS

In FOREX, each time the price moves 1 pip, you are up or down 1% due to the 100% leverage.

That means if you are short EURUSD at 1.2800 and it drops 100 pips to 1.2700, you just doubled your money!

One exit strategy is to wait for your money to double, exit ½ the position and let the rest ride.

Another exit strategy is to sell a portion at the next fib retracement line, some at the next and so on.

Another exit strategy is to sell at the psychological price levels that end in x.xx00, x.xx25, x.xx50 and x.xx75.

Learn to take 3 to 5 pip profits at first. Then as you master this, you will learn how to take more.

Just make sure to TAKE PROFIT WHEN YOU CAN because the only thing the market gives you is opportunity.

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CHAPTER 3 – When and Where to Trade

FOREX trades 24 hours a day. Trading starts Sunday at 5 PM EST and ends Friday at 5 PM EST.

When you trade the The Buy Zone Trading Strategy, the when is not important.

You have defined entry points. You enter the trade at that point.

Also where you trade, your broker, is important.

Most brokers charge a 3 pip spread on the EURUSD. Some say they only charge 2 pips. The reality is those brokers are dealing against you. They take the opposite side of the trade. That's why they profit.

There is no fixed spread in FOREX. Those spreads are artificially made up.

But there is one broker, EFXGroup (www.efxgroup.com), that does NOT charge a spread. Instead, EFXGroup charges a small commission.

When the EURUSD price is in the 1.28xx range, you pay about \$.64 commission per mini lot per trade. So if you buy 10 minilots, same as 1 lot, you pay \$6.40 in commission. When you sell, you pay \$6.40. That's \$12.80 round trip.

Compare that to the 3 pip spread or \$30 you are being charged elsewhere where you have to make 3 pips to break even.

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If you make 3 pips at EFXGroup, you have made \$17.00 profit!

Now, doesn't it just make sense, as in dollars and cents, to have EFXGroup as your broker?

One other benefit is EFXGroup gives real time LEVEL II for FOREX. The other brokers do NOT want you to see this:



Level II - Euro Dollar/United States Dollar (MBT;MBT;EEEZ;E...

EUR/USD ▲ Last: 1.2681 Change: -0.0095 Volume: 0
High: 1.2692 Low: 1.2680 Open: 1.2689 Last Trade: 14:54
Bid: 1.2681 Ask: 1.2683 Close: 1.2776 Last Vol.: 0
Size: 1,500 Size: 300 Spread: 0.0002 Mkt: FX

Price	Size	Time	Price	Size	Time
1.2681	1500	14:53:49	1.2683	300	14:54:25
1.2680	1002	14:36:32	1.2684	2100	14:53:49
1.2679	500	14:53:50	1.2686	1000	14:53:50
1.2678	500	14:53:50	1.2688	10	14:39:59
1.2677	25	14:06:49	1.2694	300	14:53:49
1.2672	3	14:06:01	1.2700	12	14:22:15
1.2671	300	14:53:49	1.2701	25	14:06:01

Lots (1=10k): 10 Limit price: 1.2683 Stop price: 1.2681 Route: MBTX Type: Limit
Buy EUR/USD Short EUR/USD Cxl EUR/USD GTC Part

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Here's Level II just 7 minutes later:



Price	Size	Time	Price	Size	Time
1.2683	200	15:01:16	1.2684	500	15:01:16
1.2682	1300	14:59:07	1.2685	2000	14:59:07
1.2681	1000	14:56:37	1.2688	10	14:39:59
1.2680	2	14:36:32	1.2700	12	14:22:15
1.2677	25	14:06:49	1.2701	25	14:06:01
1.2672	3	14:06:01	1.2702	1	14:06:01
1.2664	5	14:06:02	1.2703	1	14:06:01

EUR/USD ▲ Last: 1.2684 Change: Level II - Euro Dollar/United States D
High: 1.2692 Low: 1.2680 Open: 1.2689 Last Trade: 15:01:41
Bid: 1.2683 Ask: 1.2684 Close: 1.2776 Last Vol.: 0
Size: 200 Size: 500 Spread: 0.0001 Mkt: FX

Lots (1=10k): 10 Limit price: 1.2684 Stop price: 1.2684 Route: MBTX Type: Limit
Buy EUR/USD Short EUR/USD Cxl EUR/USD GTC Part

Instead of a 2 pip spread, the spread is only 1 pip.

Sometimes the bid equals the ask and sometimes the bid is higher than the ask. If you are quick, you can take advantage of these situations.

Do you think the other brokers want to you see the real spread when they are charging you more?

Just tell EFXGroup TheRumpedOne sent you!

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TRADING RULES

Trading: Rules and Philosophy by Linda Bradford Raschke.

You should read these until you know them by number!

TRADING RULES

1. Plan your trades. Trade your plan
2. Keep records of your trading results.
3. Keep a positive attitude, no matter how much you lose.
4. Don't take the market home.
5. Successful traders buy into bad news and sell into good news.
6. Successful traders are not afraid to buy high and sell low.
7. Successful traders have a well-scheduled planned time for studying the markets.
8. Successful traders isolate themselves from the opinions of others.
9. Continually strive for patience, perseverance, determination, and rational action.
10. Limit your losses - use stops ! (mental imo)

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11. Never Cancel a stop loss order after you have placed it!
12. Place the stop at the time you make your trade.
13. Never get into the market because you are anxious because of waiting.
14. Avoid getting in or out of the market too often.
15. Losses make the trader studious - not profits. Take advantage of every loss to improve your knowledge of market action.
16. The most difficult task in speculation is not prediction but self - control. Successful trading is difficult and frustrating. You are the most important element in the equation for success.
17. Always discipline yourself by following a pre - determined set of rules.
18. Remember that a bear market will give back in one month what a bull market has taken a three months to build.
19. Don't ever allow a big winning trade to turn into a loser. Stop yourself out if the market moves against you 20% from your peak profit point.
20. You must have a program, you must know your program, and you must follow your program.

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21. Expect and accept losses gracefully. Those who brood over losses always miss the next opportunity, which more than likely will be profitable.
22. Split your profits right down the middle and never risk more than 50% of them again in the market.
23. The key to successful trading is knowing yourself and your stress point.
24. The difference between winners and losers isn't so much native ability as it is discipline exercised in avoiding mistakes.
25. In trading as in fencing there are the quick and the dead.
26. Speech may be silver but silence is golden. Traders with the golden touch do not talk about their success.
27. Dream big dreams and think tall. Very few people set goals too high. A man becomes what he thinks about all day long.
28. Accept failure as a step towards victory.
29. Have you taken a loss? Forget it quickly. Have you taken a profit? Forget it even quicker! Don't let ego and greed inhibit clear thinking and hard work.
30. One cannot do anything about yesterday. When one door closes, another door opens. The greater opportunity always lies through the open door.

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31. The deepest secret for the trader is to subordinate his will to the will of the market. The market is truth as it reflects all forces that bear upon it. As long as he recognizes this he is safe. When he ignores this, he is lost and doomed.
32. It's much easier to put on a trade than to take it off.
33. If a market doesn't do what you think it should do, get out.
34. Beware of large positions that can control your emotions. Don't be overly aggressive with the market. Treat it gently by allowing your equity to grow steadily rather than in bursts.
35. Never add to a losing position.
36. Beware of trying to pick tops or bottoms.
37. You must believe in yourself and your judgment if you expect to make a living at this game.
38. In a narrow market there is no sense in trying to anticipate what the next big movement is going to be - up or down.
39. A loss never bothers me after i take it. I forget it overnight. But being wrong and not taking the loss - that is what does the damage to the pocket book and to the soul.
40. Never volunteer advice and never brag of winnings.
41. Of all speculative blunders, there are few greater than selling what shows a profit and keeping what shows a loss.

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42. Standing aside is a position.

43. It is better to be more interested in the market's reaction to new information than in the piece of news itself.

44. If you don't know who you are , the markets are an expensive place to find out.

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45. In the world of money, which is a world shaped by human behavior nobody has the foggiest notion of what will happen in the future. Mark that word - Nobody! Thus the successful trader does not base moves on what supposedly will happen but reacts instead to what does happen.
46. Except in unusual circumstances, get in the habit of taking your profit too soon. Don't torment yourself if a trade continues winning without you. Chances are it won't continue long. If it does, console yourself by thinking of all the times when liquidating early reserved the gains that you would have otherwise lost.
47. When the ship starts to sink, don't pray - jump.
48. Lose your opinion - not your money.
49. Assimilate into your very bones a set of trading rules that works for you.

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THERUMPLEDONE'S FAVORITE TRADING BOOKS

TRADING IN THE ZONE, Mark Douglas - MUST READ TO GET YOUR MIND RIGHT

TRADING FOR A LIVING, Dr. Alexander Elder - THIS IS A REFERENCE BOOK

WHY SMART PEOPLE MAKE BIG MONEY MISTAKES AND HOW TO CORRECT THEM, GARY BELSKY & THOMAS GILOVICH - MUST READ

DAY TRADE ONLINE, Christopher A. Farrell - THIS TEACHES THE MECHANICS.

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"GREED IS GOOD"

Trading is about MAKING MONEY.

You make money by TAKING PROFITS.

The market gives you nothing but an opportunity.

What you do with it is UP TO YOU.

You either pass or enter, hold or exit.

It is ALL UP TO YOU.

It is NOT about the company.

I trade stocks that I don't even know the company name. I don't care. What they do is not of importance to me.

All I want is to MAKE MONEY by SELLING for MORE THAN I PAID. That is ALL that I care about.

Is that GREED? Who cares what you call it? I don't. It doesn't matter.

TRADING IS WAR.

IT IS A JUNGLE OUT THERE.

NO ONE CARES ABOUT YOU.

THEY ARE AFTER YOUR MONEY.

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YOU PUT YOUR MONEY AT RISK AND SOMEONE WANTS TO TAKE IT FROM YOU.

THEY WANT YOU TO BE STUCK WITH THE "OLD MAID".

THEY LIE, CHEAT AND STEAL.

THEY MANIPULATE.

I strongly suggest that you GET YOUR MIND RIGHT if you want to trade.

And the first step is to QUIT FOCUSING ON THINGS THAT DON'T MATTER.

You enter a trade, it goes up 1% and stops... what do you do?

YOU TAKE THE 1%! You have a profit and your money is no longer at risk.

You can always buy back later, again and again, over and over.

There is always another opportunity on the horizon. Just learn to wait and recognize it.

Get your mind right and focus on what is important... TAKING PROFITS.

TAKE ALL YOU CAN. GIVE NONE BACK.

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WHAT TO DO IF YOU HAVE LOSING POSITIONS

A little experiment.

Most of us have a few losers in our portfolios.

Next trading session, instead of looking for winners, stop the bleeding. In other words, don't lose more. Sell your losers when your tools tell you to and buy them back cheaper/more shares or find something else to trade.

Many times you can get the same stock at a discount of 5% or more!

If you do this enough times, you may wind up with twice the shares!

Not to mention, by booking the loss now, you don't have to worry about the IRS giving you a hard time.

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TRADING VISUALIZATION

The action is fast sometimes and you have no time to THINK. You must react. To react properly, you must condition your brain to respond in the moment.

Let's say you bought XYZ at 2.36.

Visualize what you will do if it goes to 2.45 and then stalls. Same for 2.44, 2.43, 2.42, 2.41,

Visualize what you will do if it drops to 2.35, 2.34, 2.33, 2.32,.....

See the Level II window in your mind's eye. See the candles turn from green to red.

If you do this each day before the market opens you will have conditioned your brain to react.

REACT!

DO NOT HESITATE.

DO NOT SECOND GUESS.

DO NOT THINK.

REACT!

Let's say you want to buy ABC, it's exactly the same.

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Visualize what you will do **AFTER** the market opens. See the price move up and down. See when you enter your order. Once again, you are conditioning your brain to react.

Always use money management.

TRADING OR COVERING YOUR ASS

I love to say, "It's not what you trade but how you trade it."

Have you ever sold and then watched the price go up?

That happened to me so many times I had to "find the pattern" and I did!

The pattern was entering a trade and having the stock drop and then being stuck and then selling and then having the stock take off. But what was the driving force behind selling? It was to COVER MY ASS. In other words, after being in the hole, I would sell as soon as I could to get out even or with a few dollars burger money.

But what I was really doing was ABANDONING EVERYTHING I KNEW ABOUT TRADING AND FOCUSING ON THE MONEY. That is what doomed me! I quit looking at the charts and just focused on the price.

What I needed to do was analyze the trade from a detached point of view. Instead of focusing on bailing at the first opportunity, I needed to use my tools to look at the stock as if I was thinking about BUYING IT!! That way, I would NOT be selling a stock that looked like a winner, I would be holding or buying even more.

I joked with a fellow trader that if I could just "flip a switch"... Well I can! All I have to do is think "do I want to buy" rather than look to save my butt.

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THERUMPLEDONE'S FAVORITE WEBSITES

www.kreslik.com - where I post my code and comments.

www.edwdebono.com - I always read today's message.

www.ddmachine.com - one stop due diligence.

www.shrewinvestor.com - informative.

www.stockfetcher.com - where I run the filters.

www.efxgroup.com - my forex broker.

www.prophet.net - best free charts IMHO.

finance.yahoo.com – easy to use.

www.secform4.com - for those who like to follow insiders.

www.quote.com - use the I-Watch tab to watch the bigboys.

www.stockscores.com - great information and lesson.

www.smallcapcenter.com - great real time scans.

www.briefing.com - free news.

This is a must read on money management:

<http://www.optionetics.com/articles/article.asp?id=8558>

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FINAL WORDS FROM THERUMPLEDONE

What is trading? Trading is war. Trading is a war between buyers and sellers. In order to win the war (profit), as a trader, you must be able to determine who is winning or in control at any time.

Trading is a combination of buying, holding, selling and waiting.

Holding is waiting while being long or short.

It only takes a few seconds or minutes to buy/sell a currency.

Most of your time trading is spent WAITING.

Learn to WAIT for the opportunity to appear. Sometimes the wait is short, sometimes long. LEARN TO WAIT. BE PATIENT. If you miss your entry, learn to trust that you will get another chance. If you miss your exit, just take what you can and be happy.

To paraphrase the principles of Sun Tzu: “What you do determines whether you lose. What the market does determines whether you profit.”

Master the simple. Stay focused. That's all you need to profit in the market.

MAY ALL YOUR DEALS BE ACCEPTED.