Fellow Traders,
This is a book I never thought I would write; how many times have you read that before? However, I never imagined doing this project. The genesis of this E-Book came about because I was (and still am) tired of Forex Trading being touted as a get rich quick scheme. I hear about these Black Box systems being sold for $79.00 and they tell you when to buy and sell. If any of these systems were worth anything, they would cost much more then $79.00 and major banks would use them instead of Human Traders. I, as a Chief Dealer would have loved to deal with computers instead of people any day. Computers don t come into the office with an attitude, they are never hung over from the night before, and always do what you command. Unfortunately and **fortunately** this is not the case. You need human interaction in Forex, because the Forex market is the sum of all fear and greed. (***The Forex Market is always thinking, it is alive, it is you and I and everyone else. It is Trillions large***.) These are the reasons that no program will continue to work, Forex trading is not a Mathematical Equation. Human Ideas and feelings about what the world financial conditions are, always in flux. There are no computers that can gauge the constant shift in money flows. Mathematical

Models have been around since the late 1970s, I have yet seen any that can out perform a well trained trader.

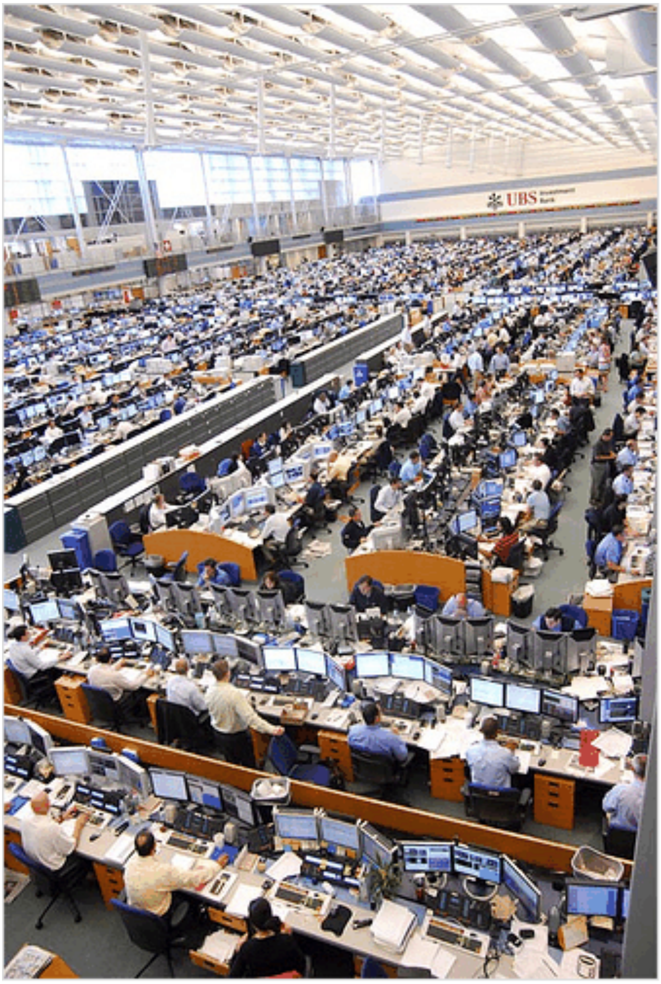
In the Forex market you are going to up against the biggest, brightest, most greedy minds in the world. They will have control of the worlds bank roll; have the ability to stay in the game when you can not. They are the smartest financial sharks in the ocean of investments. These predators are the International Banks. I have had the pleasure to trade with and against them. With names like Deutsche Bank(I started my career there), Credit Suisse, Citi Bank, Harris Trust Chicago, JP Morgan Chase Bank, Union Bank Of Switzerland, Credito Italiano, Swiss Volksbank, Banca CRT, Sakura Bank, Tokai Bank, Yasuda Trust of Tokyo, Barclays Bank the list goes on and on.

How can you expect to buy a system for $79.00 and expect to beat these guys? They hold your orders, they know were all the Stop Losses are. They know were all the orders for take profits are. You as a trader have to think like they think, (if you can t beat them, join them). It is my intention to give you the insights on how to be proactive in trading, and how to think like the bank guys (and gals) think. It is going to be a bit difficult to into your head, however, I am going to show you how ***you must act*** as a market maker acts ,you will learn to buy when everyone is selling, and sell when everyone is buying (at predetermined levels). It is only with your head in the game can you win. I have developed theses skills and tested them against some of the greatest traders in the world (George Soros of the Quantum Fund for one example. Take a peek below, this is what those $79.00 systems are up against.

A picture of a few friends in Bahrain.

.

Monster Room of UBS



This is Union Bank of Switzerland Trading Floor, 1500 Traders strong. One of the largest dealing Rooms in the world, if not the largest. JP Morgan Chase in NY is pretty large as well about the size of a U.S. football field. Keep in mind they have branches all over the world, not quite as large as their World Head Quarters though. The rooms I worked in were ¼ that size, but that’s still pretty large. I can remember times when I said,” I have a bunch of rocks and a quiver full of arrows, I am up against these guys and they have Nuclear Weapons.”

Here is a look into Citi Bank in London’s Trading room. When I am trading from my small office, I remember sitting in one of these large rooms and I laugh to myself as I enter trades for 1 tenth the size I used to trade. I can still see and hear in my minds eye how the room would react off of different price levels. As a member of the Elite Forex Club ACI(Associate Cambiste International) I can recall the slogan “Once a dealer always a dealer.” It holds true, Forex gets into your blood it becomes part of you. I do enjoy trading from my home as much as I did at the bank perhaps a bit more, you will as well with the techniques I am about to teach you.

Welcome To Foreign Exchange Trading, Let's Begin.
Technical Analysis

What made me desire to study, and trade by technical analysis? Let's get it straight, I am a student of Leonardo Bonacci.

When I first started trading for a major bank as a junior trader, I started with currencies that don't move very much (we all do); however when they did move it was violent and sudden (they were called minor currencies). These currencies very rarely had any orders to execute. I was looking for ways to capitalize on those moves. I was constantly trying to rationalize economic data that I was presented with. One piece of news was Bullish, another piece was Bearish, and two other pieces were neutral or slightly this or that! What do you do? It was information over load. I was getting stuck. I wanted to be long and short at the same time. It was with this dilemma that I discovered my niche.

I am an avid reader, one evening I was reading an article in National Geographic about ancient Rome. The author stated that the ancient Romans were wise enough to know that all commodities (Salt for example was commodity in their day. As a matter of fact it was so valuable that people were paid with it, hence the origin of the word salary.)Change and fluctuate.
They would look to the past, to forecast the future. Janus their Chief Deity symbolized this, with one head looking to the future as the other head studied the past. It was with this ancient idea that I devoted my studies to what is known as Pivots Trading. I began looking for pivot points that have high reaction one way or another (I also call them market rejection points.) I then applied certain techniques to react to these points, to catch traders off sides. Morarji Desai wrote "Life at anytime can be difficult, life at anytime can become easy. ***It all depends upon how one adjusts oneself to life."*** Trading becomes easy at these points; we are going with the flow and have ***adjusted to the breath of the market.***

I am a pure technical trader. I read no news, I certainly don't read anyone else's analysis of the market, and I listen to no ones stories. I trade in a vacuum. The market tells me what it wants to do. I just need to listen. Want to know the secret to why a market rallies? Are you ready? There are more buyers then sellers at the time. Why Bearish? You guessed it, more sellers then buyers at the time. I don t require any more information then that.

I have written this book with the complete novice and the seasoned trader in mind.
We will start from the beginning with the Bid and Offer spread.
We will be dealing off the market spreads, because you can't join a bid or an offer, or make an IBP (in between point).An IBP is going in between the price, example the bid/offer is 1.23 40 43, as a market maker I can go in between. If I wanted to buy Euros I would bid 41or 42. So the new price would be 1.23 41 bid one point better. Maybe I would get hit, saving me a point and brokerage costs. In my electronic brokerage world only the aggressor paid the Bro!
So let's begin!

Here’s a look at a Reuters dealing Screen, an inter-bank trading system. This system was around before the internet(Although it was not in color.) All major banks have these at their trading stations. It is the fastest way to get a price quote, and have a record of the trade so no one can dispute the transaction. With these systems a team of traders can move massive amounts of money at the speed of light. In the large rooms the Chief Dealer would orchestrate the selling or buying of Dollars, to cover a customer order, or deal out of a Global Bank Position. It’s a huge rush, when you feel the sting of a financial battle, now you have the power as well.

Get Ready To Move Money at the Speed of Light $E=MC^2$

The Beginning

The Bid~Offer Spread

Dollar Yen as An Example: 106.12 mean that there are 106.12 Yen to the One Dollar.

There are two components to a price the Bid and the Offer. In this currency pair when you “***hit the bid” you are Selling Dollars*** and

Buying Yen. When you "***take the offer" you are Buying Dollars*** and ***Selling Yen.***

Example

Bid Offer
106. 10/15
(Between the bid and offer there is the increments, 10 bid, 11,12,13,14, 15 offered. So anyone can bid higher and offer lower.)

You ***Hit the Bid*** by saying" ***Yours***" to your broker (You Place the Amount you want to sell before Saying Yours.) If you wish to sell (Go Short) 3 million dollars against the Yen you would say "3 ***yours*** at ***10***."(Hit the Bid!) You are instructing your broker to Sell 3 Million Dollars against the Yen at 106.10.
What you are doing is Predicting the Dollar to go down against the Yen, thus if the price moves in your favor to 105.60 for example, you would have a nice little profit to feel good about.

When you ***"take the offer you are buying Dollars"*** (Going Long) and Selling Yen. You Buy Dollars and Sell Yen By saying ***"Mine"*** (again you place the amount you want to Buy Before saying mine) Keeping with our example above you would say "***3 Mine at 15***." In this example you are instructing your Broker to Buy 3 million dollars against the Yen at 106.15

Let's look at how to calculate Profit or Loss. For our feel good examples; we will make money on our trades. In our First example we sold 3 million Dollar Yen at 106.10 and we bought them back at 105.60.
So how much Money did we make?
106.10
-105.60
.0060 pips multiply that by your amount of 3,000,000 you have a profit of 1,800,000 Yen.
In Dollars 1,800,000/105.60 = $17,045.45 Nice Move

In Our next example we will keep with the Golden Principle of Protecting Profits.

We bought Dollars on a Bounce off the support of 105.60. We have a buy signal if it breaks above 106.10. We follow our rules and Buy 3 Million at 106.15. The market fails and quickly reverse back down we hit our Stop Loss at 105.88. How much did we lose, and what was our Trading session worth?
Long 3,000,000 at 106.15
Stopped out at - 105.88
We Lose .27pips
3,000,000 X .27 = a loss of 810,000 Yen
810,000 Yen / 105.88 = $7,650.17 Loss in USD. So these to trades netted us

$ 17,045- $ 7,650 = $ 9,395.00

These two trades happened within 5 minutes of each other. No Other Market moves as quickly and at times violently as Forex. I gave you these examples to wet your appetite for getting involved in Forex. There are fortunes to be made and lost.

Value Added Currencies

The Euro and the British Pound

GBP is the symbol for British Pound also affectionately knows as Cable or Quid or Sterling Dollar. EUR is the symbol for the Euro Dollar. These two Currencies are what is know as value added. In other words the currencies cost more than the dollar.
Example you need to pay $ 1.87 For 1 GBP
You need to pay $1.46 for 1 Euro Dollar.
So when it comes to Bid and Offer components it will be a bit different. When Hit the Bid With these currencies you are selling GBP or Euro When You take the offer you are Buying GBP or Euro. OK Lets go over an Example.

The Euro Market Price is:
Bid Offer
1.47 20/25
(Again you have all the increments in between 20 bid, 21,22,23,24 and 25 offered. These are what are known as in between prices or pips. If I had an interest to sell I may offer at 22 so the Market now becomes 20 bid 22 offered. I someone takes me I am now short.)

If you wish to sell (Go Short) 1 million Euros you would say to your Broker “1 million **yours** at 20.” You are selling 1million Euro and

buying $1,472,000 dollars.
You are predicting that the Euro price will go down. Example would be 1.4700.

When you want to buy Euro (Go Long) you need to take the Offer. You would say to your Broker “1 million **mine** at 1.4725”. You are predicting that the Euro Price will go up. In this trade you are Short $1,472,500 dollars

Let’s Trade Some Euro

The market is:

1.47 20/25

Your system gives you a sale signal for the Euro at 1.4720. You enter the trade by Hitting the Bid for 2 million Euro at 1.4720. You have a take profit at 1.4685 and it slowly trades down to your target. The market now reads:

1.46 80/85

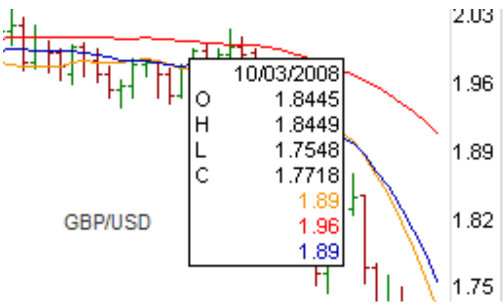
You take the offer for 2 million Euro at 1.4685 and square (Close) your position. Are you starting to understand this? So what’s our profit?

1.4720
-1.4685
.0035 pips Multiplied by 2,000,000 Euro = a profit of $ 7,000.00 that’s dollars.

In these examples I am using amounts that you will be able to control by using leverage in you account. Obviously the larger your account the more you will be able to control. It is very important to mention

that you most trade within your means and not over leverage yourself. I will explain in more detail as we move forward how to approach money management.
That is one of the most important if not the most important aspect to trading.

I am giving you these examples also to give you the base line on how to calculate a profit or loss. In the next section we are going to go over trading Sterling or GBP or Quid or Cable. All synonyms.



GBP (British Pound)

Sterling and Euro follow the same rules. But it is a good reinforcement to go over how to calculate the Profit and Loss in this Currency. I have to warn you GBP has a nasty habit of disappearing and reappearing at a totally different price. It at times becomes very illiquid in the NY Forex market.
Major Banks get large orders and deal among themselves attempting to un- wind a position. It can become extremely frightening when you are long and there is no price. You have no idea whether you are in the money or you are 100- 200 points below your stop loss. It is important to note even though you leave a stop loss with your Broker,

at times like these your broker will do what known in the market an at Best price. Example if you leave a stop loss at 1.87 10. However there is a moment of liquidity at the price re emerges as
1.86 50 55 you will be done at 1.86 50. That's a big difference. But it sometimes happens. It s not the rule but the exception and you must be prepared for it.

Let's use a stable Cable market in our example:

The Market Is

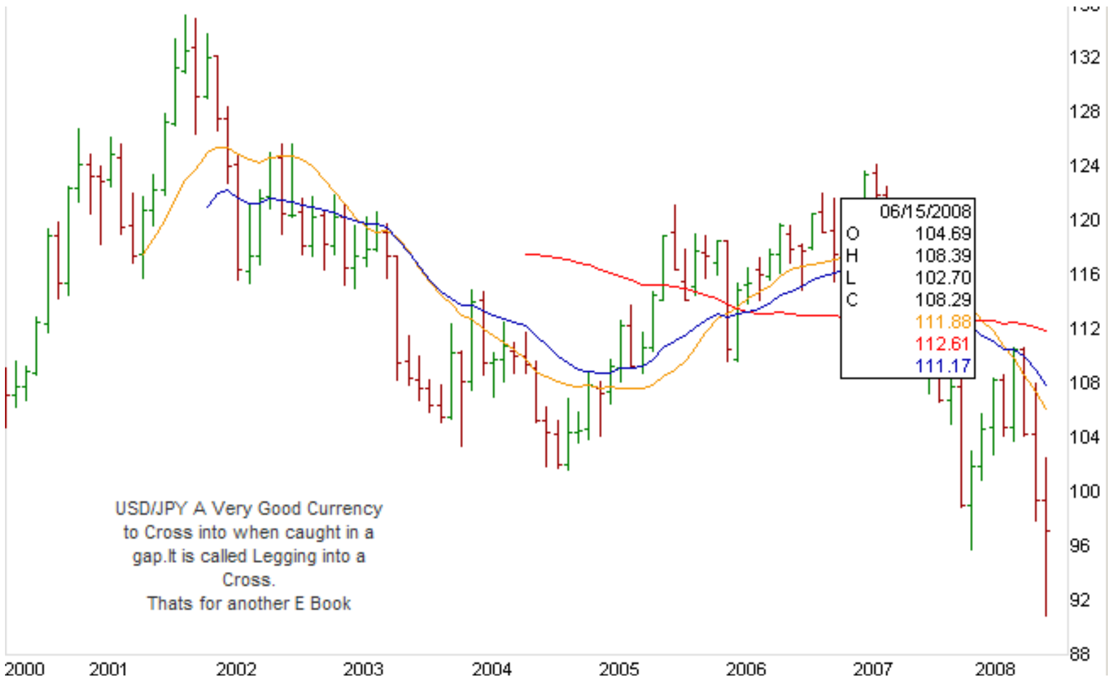
Handle Bid Offer
1.81   20/25

If Your System gives you a sale of GBP at 1.81 20 (You Hit the Bid Remember) you would Say to your Broker 2 million ***yours*** at 20. You are predicting that the price of sterling will go down to 1.80 80 85 level.
You have a take profit at the 1.8085 level; your stop loss that your Money management system gave you is at 1.8135.
The Market moves in your favor and you take the Offer at 1.8085 to square the position.
You say to your Broker 2 ***mine*** at 1.8085.

What is your Closing Profit on that trade?
1.8120
-1.8085
.0035 X 2,000,000 GBP= USD Profit of $7000.00

Study These Bid and Offer Rules. Study how to calculate a P/L (Profit and Loss)

It is very important that you know what you have at risk on every Trade.
We don't watch money during the trading day; however we do plan the trades with the capital we have available.



Dollar Yen Quiz

Market Price 106.30 35

1. What is the 106. Component Called?
2. At What price do you sell Dollars and Buy Yen?
3. At What Price do you Buy Dollars and Sell Yen?

4. When you Hit The Bid what are You Doing?
5. When You take the offer what are you doing?
6. If you buy dollars you predict the price will move in which direction?
7. If you sell dollars you predict the price to move in which direction?
8. If you are Long Dollars what have you done?
9. If you are short Dollars What have you done?
10. If you are long and the new market price is 106.00/05 are you in or out of the money?
11. If you are Short and the market is 105 25 30 are you in or out of the money?

You are long 5 million Dollars at 106.35, You Hit the bid at 106.70 What is your p/l?

GBP Quiz

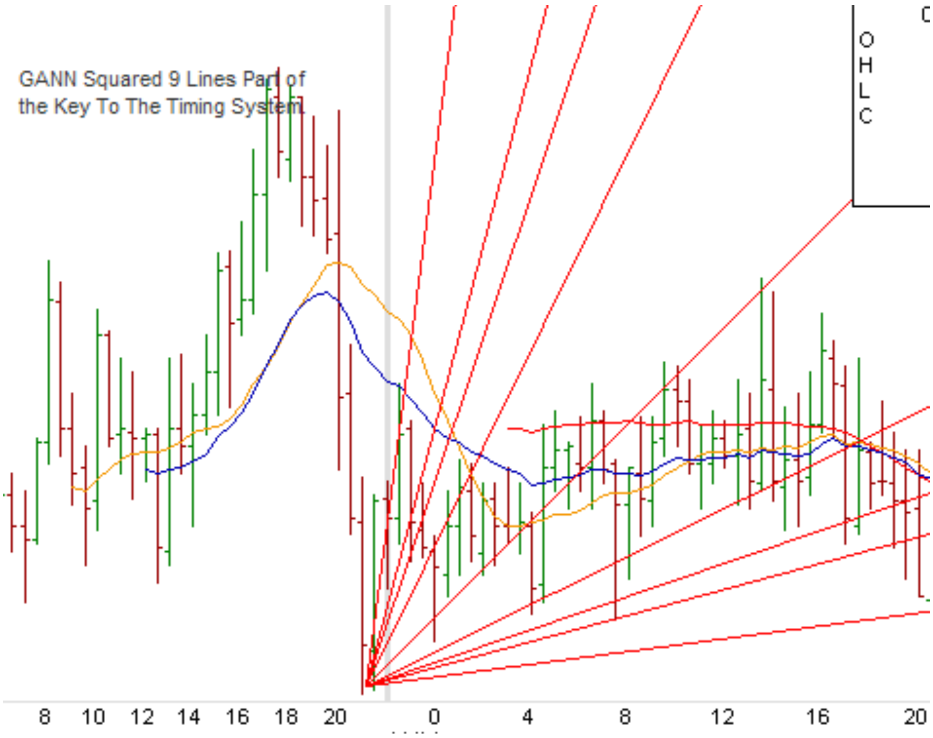
Market Price 1.81 37 43

12. What is the 1.81 Component Called?
13. At What price do you sell GBP and Buy Dollars?

14. When you Hit The Bid what are You Doing?
15. When You take the offer what are you doing?
16. If you buy GBP you predict the price will move in which direction?
17. If you sell GBP you predict the price to move in which direction?
18. If you are Long GBP what have you done?
19. If you are short GBP What have you done?
20. If you are long and the new market price is 1.82 25/33 are you in or out of the money?

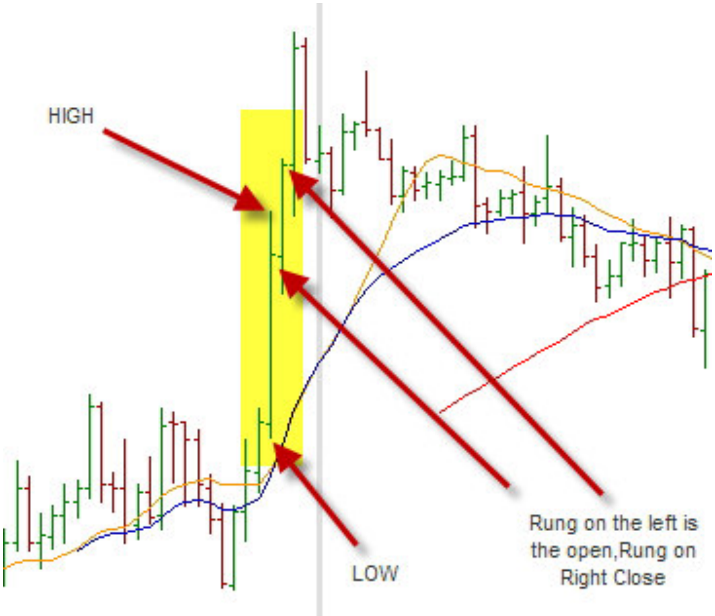
21. If you are Short and the market is 1.82 25/33 are you In, or out of the money?

You are long 5 million GBP at 1.8110, You Hit the bid at 1.8088 What is your p/l?



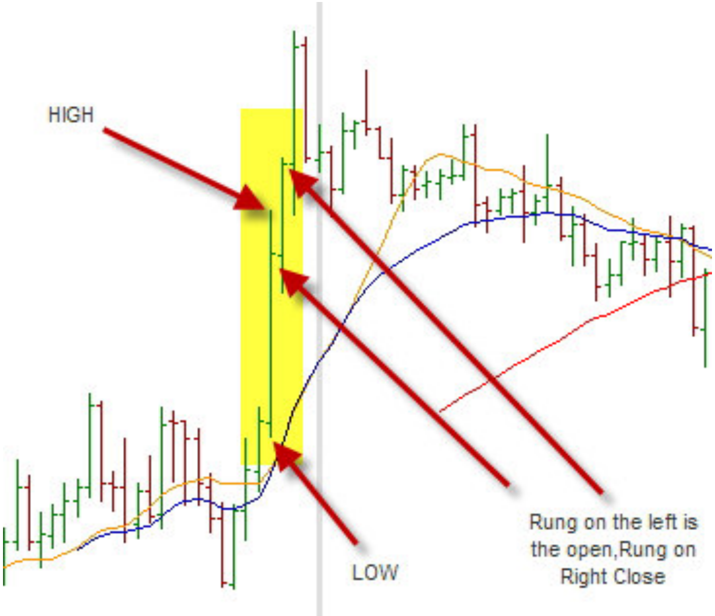
Anonymity of Bar Chart

If you are going to follow my trading system you are going to have to learn how to read and plot on Bar Charts. So let's break down a bar chart.
(It's very simple so don t panic)



The Top of the Bar is the high of the day, Week, Month or Year, whichever data we are looking at.
The Bottom is the Low of The Day, Week, Month, or Year, whichever data we are looking at. The rung on the left is the open of the day week Month or Year, whichever data we are looking at.

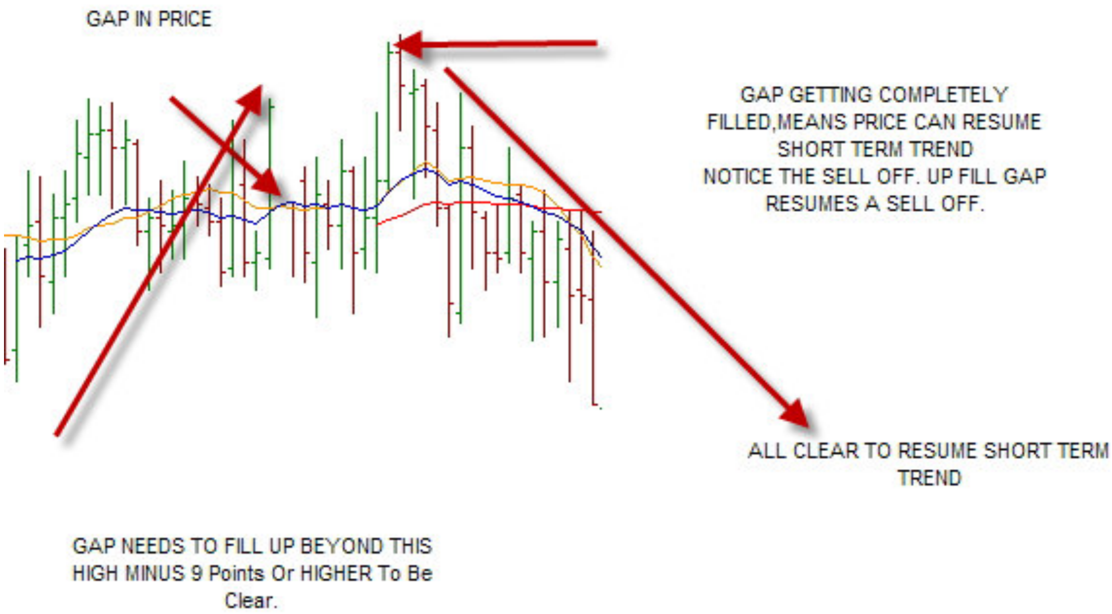
The rung on the right the right is the close of whichever data we are looking at. Thus our market place moves forward and leaves a history for us determine support and resistance levels. Our Goal is to enter a trade at the extreme levels of support and resistance.



Thus our market place moves forward and leaves a history for us determine support and resistance levels. Our Goal is to enter a trade at the extreme levels of support and resistance.

When we do this properly we lower our initial risk and maximize our gains. You will find later how we do this with some simple Low risk – High Reward trading Systems that I have developed and successfully used in the Inter Bank Market. But first let's understand how to read these charts.

We also have to understand Gaps in the Market Place. There will be times when market forces cause them. If you have a Position on the wrong side they are not pleasant. This is way I suggest the novice trader to close all positions at the end of the market session. Here is a market truism all gaps eventually get filled. Bank traders target those gaps. It’s a great way to head fake the weak traders, more about that in future course.



When you are caught in a gap, it is not fun. Price disappears and you do not know where it will re surface. USD/CHF has a nasty habit of doing this in NY. So does GBP/USD. I have been caught in gaps that came back around 200 points lower or higher. It is in these situations if your capital permits, it’s good to know how to leg into a cross trade. That is an art form into itself. I will teach you how to do that in a later course.

So my advice to you is that although gaps can happen in any CCY, but they most often happen in CHF, GBP. So stick to trading the most liquid CCYs. Euro, JPY(SAFEST).

How to Determine an Average

With my systems we will be building and averaging into our positions. That means we will be starting off with predetermined amounts and add as support or resistance is broken. I have ***other systems*** that I start off small, and add larger amounts as the market moves against me. Yes, I expect the market to move against me (I am not adding to an out of the money position.)
I am building a position, this is an advanced system that is designed and tailored to take advantage of false break outs. That one I teach through personal coaching!

You will need good discipline and the ability to follow our trading plans. If you can, you will learn one of the most real time tested trading systems and come out a winner.

Let's look at how we keep an average. Let's use the example of the Dollar verses the Yen.

Example:
Our System gives us a Sale signal at 106.30. (I will go over Stop Losses and Percentages of Risk Capital per Trade in a following Area.)

We sell 1 unit at 106.30/35 ***we hit*** the Bid for 1 million at 30.
Thus

Broker	Buy	Sell	Price	Net Position	Average
xyz		1	106.30	-1	106.30

We have another predetermined sale at 106.50 for again a predetermined amount of 1.5 units. The market moves to these levels and we execute our next trade. Sell 1.5 units at 106.50.

Broker	Buy	Sell	Price	Net Position	Average
xyz		1	106.30	-1	106.30
xyz		1.5	106.50	-2.5	?

Here is the math 1 X 106.30 = 106.30
1.5 X 106.50= 159.750

106,300,000+159,750,000= 266,050,000/2,500,000=106.42

Broker	Buy	Sell	Price	Net Position	Average
xyz		1	106.30	-1	106.30
xyz		1.5	106.50	-2.5	106.42

We Have another Predetermined sale and amount (all within our Risk Levels) of 3.5 million at 106.70 Market hits our target we execute or trade.

We have
2,500,000 USD Short at 106.42 Average = 266,050,000.00 Yen Long
We add 3,500,000.00 USD at 106.70= 373,450,000.00 Yen Long
New position and new average 373,450,000+266,050,000= 639,500,000/6,000,000= 106.58

Broker	Buy	Sell	Price	Net Position	Average

xyz	1	106.30	-1	106.30
xyz	1.5	106.50	-2.5	106.42
xyz	3.5	106.70	-6.0	106.58

Now, I want to make a note that as the market move away from our average (higher) we are moving further out of the money. As it move toward the price the less we are losing. Our Break Even Is 106.58. We are predicting that we will go lower to the 106.10 level. We have a reversal at 106.10 where we will turn our position around at that price and become long 2 million at what price?

We need to Buy 8 million units at 106.10 to turn our position around and be long 2 million USD units. Market Hits our Target at 106.10 and We Buy 8 million
At 106.10.
6,000,000 at 106.58=639,480,000
8,000,000 at 106.10=848,800,000
848,800,000- 639,480,000=209,320,000/2,000,000=104.66
We are now long at 104.66 in a market trading 1.5 Big Figures above

Broker	Buy	Sell	Price	Net Position	Average
xyz		1	106.30	-1	106.30
xyz		1.5	106.50	-2.5	106.42
xyz		3.5	106.70	-6.0	106.58
xyz	8			+2.0	104.66

We are now long 2 million USD at 104.66 in a market trading 1.5 Big Figures above.

Did you get confused?
We were in the money when turned our position around. We became long Dollars at a much lower price from our initial short position. Let’s break the trade down from a different perspective.

Let's assume we just squared our position at 106.10.

We were short 6 million 106.58 and we Close the trade at 106.10. So what's the P/L?

6,000,000 X 106.58= 639,480,000
6,000,000 X 106.10=636,600,000
106.58
-106.10
.48 X 6,000,000=2,880,000 Yen Profit/106.10=$27,144 USD Profit. Now let's add our USD profit into our next trade to see what our average becomes.

Let's Take the $27,000 USD and Roll it into the next trade we take.

We get a signal to go Long $ million USD against Yen at 106.10. Let's Roll our Profit into the Position and see our new average.

Broker	Buy	Sell	Price	Net Position	Average
Xyz	2		106.10	+2	?

Take the USD 27,000 X 106.10 = 2,864,700 Yen

New position 2,000,000X 106.10= 212,200,000 Yen

So Lets roll in the Yen We made (It really means take it out.)

212,200,000- 2,864,700 = 209,335,300/2,000,000=104.67

See it all works out.

Japanese Candle Sticks (Just a side note, since we were discussing Yen.)
In my opinion this Charting Style is a total scam, and total waste of time; and in trading, as in life, when you waste time its worse then losing money.
Money we can recover, we can never get a day back.
The only thing you should be doing with a Japanese candle; is use it to light some Geisha Girls Apartment. You know what I mean?! ;-)

Euro and GBP P/L

We have to keep in mind that when we trade these bad boys that they are very expensive. Each pip against us is value added so it hits the trading account hard when we are on the wrong side. However, it feels great when we are on the correct side. Let's look at the pip difference.

In JPY 106.10/20
We buy one at 106.20 and Sell it at 106.00 We Loose .20 pips
 106.20
-106.00
 .20
 .20 x 1,000,000 = 200,000 Yen Lost 200,000/106.00=
 $1886.79 USD Lost.
Thus every pip costs approximately $94.00 dollars per $1,000,000 Traded.

Let's look at GBP and Euro

We buy 1million GBP at 1.8170 and sell it for a loss at 1.8150.
 1.8170
-1.8150
 .20 pip lost
.0020 x1, 000,000=$2,000.00 USD Lost.

Let's Look at the Euro.
We sell 1,000,000 EUR at 1.4710 and we buy it back at a loss at 1.4730
 1.4730
-1.4710
 .0020 We lost 20 pips

1,000,000 x .0020 = $2000.00 USD Loss Same as GBP.
Again, EURO and GBP are value added so no need to convert, They are already in Dollar terms.

Now that we have the basics of P/L down, we are going to get into the rules of trading for survival and profits. As you begin your FOREX trading, you have to understand, there is no easy road to profits. As a matter of fact it is going to more difficult to teach those you who had made some fast profits. I have been in charge of a large currency desk, and had the most difficult time hiring and training other

“seasoned” traders. The institution that I worked for was not one that allowed the desk to use Customer Orders against their Trading P/L. In other words the easy cream profits went to the Bank. You had to trade just as if it was your own account. Many traders from other banks were not accustomed to that. They quickly lost the money allotted
too them and washed out. In my Bank you were judged on your own Profits.
You were required to make 8x your salary. If you did not you were out.
If you reached your Global Stop Loss, you were out.

So my trading systems and rules were adopted to keep my job. (I was fortunate enough to work as a position clerk for one of the best European traders in the world.(Italo Aldo Pizzoferrato was his name. He was ½ French and ½ Italian. Raised in Europe he spoke 7 languages.) He taught me, fire and brimstone style. He expected only the best from me at all times, and was always challenging me to become better. I was exposed to trading of every freely traded major and minor currency. He was The Treasurer of the bank and I was his water boy for 5 years.) It was here that I learned my skills. I would take his trading notes out of the garbage at night, read them to get insight. I clawed my way up and fought my way in Chief Dealer Position. I had to out perform many a seasoned Gent and one woman I might say. I did it, and that’s when the real challenges began. I had to consistently make the most money to keep my position (and the respect of the desk.) as Chief Forex Dealer. On top of that issue I was responsible for 15(in total) other guys and ladies (this one lady I took the job of Chief trader from, we had a rocky relationship at best. But we respected each other.) their losses were my losses

So you could bet your ass that I fine tuned my trading techniques (and stayed on top of theirs.) What I need to stress with you is, I understand that many people that have bought this course have a limited bankroll to trade with, and when that’s the case don t have a lot of room to maneuver. One small or medium loss in a day, and you could be nursing your wounds for a long time.
Forex markets are very volatile, so if you have traded before forget what you know. You must look at this material with a mind that is a

clean slate.

What we are going to go over is a game plan. Ways to pick spots in the market that are lower risk areas. You will learn to plan your trades, and in doing so you will be more fluid in your trading. I like to refer to it as ***aerodynamic trading***. When you have a plan you can think and execute your positions with ease. You will fly though the market with ease. You will not get whip sawed.
(Buying at the top of a run and Selling at the low. Getting frustrated and doing it again.)

IF YOU FAIL TO PLAN; YOU PLAN TO FAIL!!!!!!

Let's get into the Golden Rules.

CONFIDENTIAL FOREX TRADING GOLDEN RULES

Success in the FOREX Market is a product of your psychological make-up, discipline and experience. These are the reasons it is very difficult to isolate universal rules which must never be disregarded. We are all different. However without these hard and fast rules, every professional trader will tell the novice (Or any Professional trader that breaks them.) they will lose their trading capital.

These are my rules and they are the ones that have helped me survive in a world that is very volatile. I had to think long and hard to produce rules that will fit most peoples psychological make-up (The group that I was responsible for.) These rules are the frame work that all speculators must adhere to in order to survive and thrive in these explosive markets.

What are these rules? How is one to master them? Are there exceptions?

Let's answer those questions one by one.

What are the rules?
The rules will be listed in the coming paragraphs.

How is one to master them?
You master them by studying them and making them your own.

Are there exceptions?
No!

These rules are not only designed to preserve your capital, but also to help prevent you from being demoralized. What good would it be if you have a sound and perfected trading system but can't pull the trigger, when the moment of execution arrives? You will need to follow these rules so you have a tangible frame to work with, in an intangible Market Place.

PRE GOLDEN RULES

I have compiled some ideas that I would like to review with you before I introduce you to the rules of the game. One of the most important pre trading rules is "don t trade with scared money!" You have decided to trade, and have money set aside to trade with, so, understand you are going to risk the funds.

What I am saying is *never, never think about the money*. If you do you will be a proverbial mess. You will be gun shy and not enter the market at the correct time, or, not enter the market at all. You will find yourself pulling the trigger late and missing your target, and having the market target you.

When you are focused on money you think of your market position in terms of profit or losses. This flawed thinking leads to major market

mistakes. You enter positions erratically and the head games start. You begin to beat yourself. Self sabotage is a trader's worst enemy. You will begin second guessing yourself. "I can't get in now the move happened" or if you're in a trade and you break your stop loss rules. You will go through the mental torture of saying to yourself" I can get out now; I've lost too much money."
That's how traders think when money is at stake. The natural tendency of any rational person will be to try and regain losses, and it will turn into an ego issue.

Ego issues will certainly be the death to any trading account. The market is bigger than you, and has the ability to wipe you out, if you choose to be stubborn. At best it will demoralize you and that in itself, will lead to losses after losses. You will have lost your courage and ability to trade well. It is a negative pattern, a place you don't want to trade from.

You have to realize that the market is indifferent to your position. It doesn't
care that you are Short 8 units from 80 points lower, and you are ***HOPEING***(Hope is a four letter word in trading.)to see a correction.

On the contrary the fact that you holding on to a losing position that should have been cut, suggests that you are being stubborn and breaking the rules. If you break the rules the market will punish you.

Why attempt to fight against the market? Too many traders (When they break the rules.) base their decisions on ***the irrelevant issue of an outstanding position.*** The time for counting money is when the trading is done! It's your execution of positions that is important. How the position is monitored and closed that matters. Concentrate on those skills and the money will take care of itself. Become Aerodynamic. See The Chart below, print it out, and blow it up, Put It Where You See It. **Remind yourself,**

Everyone has a trade with their name on it that can destroy you.

It is out there waiting, and if you don't have rules, and the correct psychosocial makeup (Don't let a loss become so big you can't take it. Then make up a story why the market is wrong!) You, I promise will end up the loser!

THE F/X MARKET IS NOT KIND; IT IS WHERE ***GREED*** AND ***FEAR*** RULE! WE ARE FU*KING TRADING ***MONEY!*** (THINK ABOUT THAT. VIOLENT MOVES ARE CAUSED BY ***FEAR*** OF LOSING MONEY! THAT IS THE ONLY REASON; OTHER TRADERS PILE ON FOR ***FEAR*** OF MISSING THE MOVE.) ***I WANT TO TAKE YOUR MONEY AND SO DOES EVERY OTHER PROFESSIONAL TRADER***. So please ***don't use*** what I teach you in this E-Book. I will have less a chance, and if you really become disciplined and continue with your journey***, you will also become a top predator. No longer prey.***

Confidential Golden Rules of Forex Trading

Rule 1

Once a position is ***built*** the golden rule is never, ever, under any circumstance
Should one add to a losing position...not ever!
Averaging down into a losing trade will assuredly take you out of the trading business. Don't believe me just go visit Nick Leeson (in a Singapore Jail somewhere I believe.) He single handedly bankrupted the 100+ year old Baring Brothers a top tier bank.

Rule 2

Don't fall in love with your positions!
Learn to trade from the strong side. (The side that is easy to be on.) We must be willing to be flexible and change sides immediately when we end up on the weak side. (The side that feels like shit, and is fu*king Annoying.) ***Don't marry your positions. Just date them.***

Rule 3

Don't hold onto losing trades. Cut losses short.
Aside from taking ones capital down, holding on to a loser has a negative psychological effect. It will cause you to become *stuck*. As the trade becomes a bigger loss you will start to hope (There's that four letter word again.)That it will move just slightly back, to a more neutral position. You will then become gun shy and not be able to pull the trigger to execute potential profitable trades.

Rule 4

Stick To Your Exit Rules!
In order for you to stay sharp you must exit at your stop loss points. In order to prevent the disaster described in rule 3. You must also exit at your predetermined take profit points. (Don't second guess yourself, you greedy bastard. ***Remember the Greedy become the needy.***) There is nothing worse when your profit target is hit, and begins to trace away. It is very demoralizing. Exit at Stop Losses and Take Profits.

Rule 5

Many Market Moves Are Meaningless!
Markets Trend Approximately 15% of the time.
Keep in mind that markets are in trading ranges 85% of the time.
Thus short term violent movements are meaningless ***most*** of the time.

Rule 6

Know your Longer Term Trend Lines
Make sure you know where your markets long term trend lines are for support and resistance. (Monthly) and (Yearly) this will help you understand where you are on the market map. Example, if you want to trade hourly chart patterns (that's the minimum chart pattern I would trade.) Know where your daily Support and Resistance is. If You Trade Daily chart patterns, Know where you weekly Support and Resistance is. Always know where those greater levels are.
6a: Bonus Advice... The greater the amount of time involved, the stronger the signal. Example a weekly support or resistance level is stronger then a daily, A monthly is stronger then a weekly, ETC.
Look for when they line up, to take advantage of the novices.

Rule 7

KISS Keep your system simple!
Keep it simple stupid,
Keep your trading system simple. Take what you learn from me and apply what makes sense to you. However don't over complicate your trading system.

.

Rule 8

Enjoy the party, but dance near the door!
You want to be the able to swiftly enter the market at your levels, and exit at your take profits and stop losses. Always enjoying the party, but being one of the first to leave with the hottest chick. (Money) Before, she gets all drunk and sloppy.
Get her out when she can still stand and so can you.

Rule 9

Everything always moves to the middle!!

The market will move to extremes and then back to the middle. ***Everything always moves back to the middle. Your trading runs in cycles.***
You will have groups of winners and then you will move back to the middle, by having groups of losers, the object is to make more on the winners and lose less on the losers. There is nothing we can do about that other than accept it and act accordingly by following our rules.

Rule 10

Hit the Gas or Hit the Brakes
When we are winning we will trade larger. When we are losing we will trade smaller. Keep in mind everything always moves back to the middle.

Rule 11

Remember what the market is.

The market is buyers and sellers. It is a zero sum game. There can only be winners and losers. So for me the market is the sum total of all the morons and geniuses of the moment. I have been a moron and a genius many times. Sometimes in the same day!

Rule 12

Never Paper Trade
Never Paper Trade, really don‘t.
If, you do, you have the ability to disregard stop losses and be able to hold onto losers much longer than reality. Also, people seem to forget

the bad trades and focus on the winners. Don't paper trade! There is a difference; it is testing your strategy, keeping a written log of all your results by following pre-determined rules of entry and exit. Obviously, you want to test a systems position with all stops in place taken into account.
I other words don't say I would buy here and 8 days later say "Oh I made money." The market has been to Hell and Back, and you have the Balls to say you made money. It's easy in hindsight. Let's see how you fair in the real market place cowboy.

Rule 13

Never Place stops Just below or above Support or Resistance Levels.

Never place stop loss orders just above or below market Resistance or Support levels. Stop running is a favorite practice of bank traders. We make an excellent living on it. You can be sure many novice traders ***"watching the money"*** will place stops slightly below these points. As a matter of fact one of my trading systems takes advantage of this. Leave enough room for stops; ***I use a Fibonacci point ratios minus 9 points on a down side, and, a Fibonacci Point ratios + 9 on an upside***.
I will explain how to do this in up coming paragraphs. Now take these rules and make them part of you.

Understanding Forex Trading Truisms

If you have been around Forex Trading for a day, you have heard the popular truisms "Cut Losses short", "Let Your profits run"," Never Add to a loser"," Always use stops", and "Go with the trend". These are some of the popular ones. I will show you how to apply these truisms. The traders who state these, without explaining the proper principle behind them will cause a novice to lose their capital. You have to remember that no single rule (or truism) will spell the difference between Profit and Loss. It is with the use of a system and money management that you will come to understand these truisms. In the following paragraphs I will give you the tools.

My Personal Truisms:
My mentor Aldo told me all the time that: in his words "***Tom it is better to live your life one day as a lion, then 100 years as a lamb. You will never get rich in trading by following the crowd."***

My second favorite:
He also always said to me "Tom you have to be ***in the train*** *before it moves. Have the courage to sell when everyone is buying. Have the balls to buy when there is blood in the streets. "*

Why I Am a Technical Trader (Chartist)?

There is a French Economist named George Anderla, he had done some interesting research. He has measured the rate of speed at which information flows to us in this day and age, compared to many years before. He found that during biblical times through the Renaissance, information flow doubled. That time period between Jesus and Leonard DaVince was 1500 years. It then doubled again between the Renaissance and 1750 (about 250 Years.) The next doubling took about 150 years to the turn of the century.
In this computer age the amount of information we are exposed to doubles every year.

The human brain in a trading situation cannot process all this information and (In my opinion) make sound trading decisions. A trader looking at every market in the world with all the news and data

hitting him simultaneously ends up overloaded. Don't believe me, try it; go sit in front of live trading screens, with the news alerts from Bloomberg, Reuters, API and Knight Ridder etc, feeding you all that market data.
You will end up Dizzy!
How can anyone process all that information?
My answer is “I can't.” Believe me in my early career I thought that I could.
I quickly learned the opposite. In my career I tended to see weak traders
Use all this information as a ***crutch,*** **an excuse to need more time to analyze Data, to make the perfect trade.** I watched them stay glued to their screen, trying to process as much information as possible, for as long as their brain would permit.

What happened to these Traders?

The answer is that in order to make a trade and justify all their calculating,
They are forced to generalize, delete and distort information to which they are exposed. Then they force a trade based on that data. What happens next is really amazing to these guys. They build beliefs around their distortions. It’s like they now have a story and by telling it over and over (to who will ever listen) they reinforce the crap! I have talked to traders that were long in a market 700 points lower, and they were telling me how wrong the market is. Its not suppose to be there! The GDP numbers of 2nd quarter against 3rd,
Compared to the moving average of 6 years, were out of the Bollinger bands.Blah..Blah..Blah.. Who cares!! I know one thing, and that one thing is you are losing money. The market is kicking your ass!!
Save your stories for the fireside, save them for the Kids, but get the hell out of that Bulls hit position, and stop fu*cking telling me your Crazy story.
You are the same as an insane person at this point, and you suck as a trader.
Your no market wizard, you are a market sap. I digress, sorry. I had a

flash back.

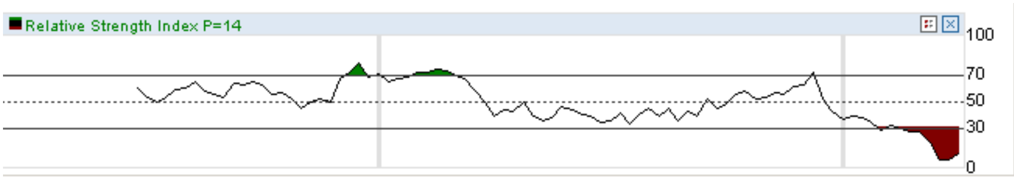
If you don't have a system, you will trade your beliefs about the market. Here is the sad news, once you made up your mind about your beliefs; you are not likely to change them. It’s is like you have become insane. The only time when the insanity is cured is when you are out of money. Then you ***may*** say to yourself I can t believe how stupid that idea was. (Here’s the really scary part, and most of the time this is the case.), you don‘t see your insanity, as soon as you get more money you are out to prove your beliefs again. ***Guess what happens?*** You lose all your money again. It’s amazing. It becomes a very profitable cycle for us professional traders. We ***love*** to take your money, and may even listen to your market tales. So a trading system for me solves that problem. My mentor told me **“If you want to win in trading, you have to have progress in knowledge. Progress in knowledge comes from your efforts to find fault with your theories, rather then prove them correct. We are not in this game to prove our theories correct. We are in it for Money.”**

In my career as a Chief trader I have had to fire many people for under performance. I did not like too, however when the P/L is not positive and the Treasurer says let that guy go, I had to. It was through one of these exit interviews that I had an insight. One of those moments that comes from a Higher Order. Many times people just took it in stride; they knew that it was coming. You have to make money, and, every month you report your P/L. You know where you stand at all times. One afternoon when I had to let a seasoned trader go, he asked me why I thought his performance dropped so badly. I had known him a long time and knew his personal history. It came to me that ***“Everyone gets what they want out of the market. Including losses.”*** He was going through a point in his life where he was striving for attention. Think About That! Some assholes love to be the ***victim***. Not Me, I like The Maserati GranTurismo,and will happily take the stooges money.(Oh, I bet you thought I cared about him,)

What keeps me in check?
My money management system keeps me in check for one, and my technical analysis of the market keeps me focused on current price

action.
In my professional opinion, a bar chart offers me all the information I need. It tells me were supply points are (Resistance.) It tells me where demand points are (Support.) It shows me all the noise in between. I can look at it and test my theories in order to prove them wrong. I can then develop a game plan to enter low risk, high reward trades. Technical trading comes with a well known truism. ***“Buy the rumor, Sell the fact.”*** News in this day and age is already priced in. It’s those information junkies that always lose when it is released. I can hear them crying now “the news was good for the dollar, why is it going down?” Because the market already discounted that news, in fact in this day and age its old news you sap!

RSI Relative Strength Index (Side Note for You.)



RSI OR RELATIVE STRENGTH INDEX
Invented By Welles Wilder,this indicator in my humble opinion is a total piece of shit, useless.Ask Any Three Trader's how they use it no one knows. Although Welles is a nice guy. He advance the Delta System,Discovered by James Sloman.

This Thing looks great on your chart to impress the chicks. It’s got all the different lines shooting back and forth, and then it will dump a big blotch of color here and there. But that is all it is good for. I have tried to use it for 3 years; it never did me any good. If you’re smart you will heed my advice and stay away from it. It will just clog your brain with more useless Data.

I talked to Welles Wilder(Inventor of RSI) back in the late 1990s, I told him I can t figure out how to use his indicator. He just laughed. It was then I realized even he couldn’t use it. He would not admit that, but I knew it was true. I respect Welles (as a marketer.) He marketed a system back in the late 80s called DELTA. He sold memberships for

$100,000 I think. He bought the Delta System off a gent named Jim Sloman for one million Dollars (maybe Sloman is the master marketer!), back in the Early 1980s if I recall. It trades cycles on phases of the moon. You would mark off every full moon on your chart with different colors. You then have to find the pattern. I attempted to use it and lost truck loads of money. It was an interesting idea, but was like trying to catch smoke; it has too many grey areas for my style.

Money Management

This is the most important aspect to any trading system, and it is the most underutilized. Everyone who is new to trading is looking for the magic key. The easy sure fire way to profits; (And there are many who will sell you their magic box, to bad it's a box of shit.) Remember that mysterious Key from our childhood, the one that we heard about, it could open any lock?
The ***Skeleton Key*** it was called, I am here to tell you that Money Management is the Skeleton Key. Every trading system will go through negative periods, no one system can win every day. If anyone tells you differently, ***they are a liar***! Good Systems win over time, with proper ***Money Management***. You need to control yourself when you are in a negative period. Let's think about something. What are the odds of a heads coming up in a coin toss?
50%, right? ***Well, is it not true, that in any series of tosses you can have 10 tails in a row? Maybe even 15 tails in a row,*** just because you have a 50% ratio, does not mean that you have a 50% probability in a short series of coin tosses.

Good Money Management will help you survive when the coin tosses are out of whack. Remember everything moves back to the middle. Even in Nature we see this, a time of drought, then floods. However, the over all rain fall stays within the average over 10 years lets say.

We don t have unlimited money to wait out the time.
I should charge a lot more for this book; I am giving up to many secrets.

What is Money Management?

Money management performs many functions at once. It is a means of protecting yourself from becoming a victim of your ***emotions.*** It will add fuel when you are winning, and it will cool you off when you are losing.
It will help keep you insulated from extraneous items outside the realm of your market research. (You will know what your maximum risk is at all times.)

Money management will force you to look at capital preservation, and make you keep to strict trading discipline. Money Management answers the most important question of “How Much” (Position Size), the “How Much question is often overlooked. Proper Money Management will keep your risk/ reward ratios in tune. These are key components to trading success. If ever there was a panacea for all your trading ills, learning money management is the medicine you need.

How do you Approach Risk?

Most of the people who write articles for traders and investors (the old joke on Wall Street is” What’s the difference between a trade and investment?” the answer is “Whether you are in or out of the money.”) All mention money management, but rarely teach it. I am going to give you a winning system to follow. However, you will need to understand risk/reward ratios.

How do you learn money management, without risking money? The common advice given is to paper trade. ***Great advice***, paper trade ***without*** knowing the rules of money management, the reason this is the standard advice, is because it comes from ***Hacks***. People who never mastered trading or have ever traded for a living. I told you no paper trading and I meant it. I am going to teach you a game to play with   friends and family if you like. It will teach you good Money management, and you can have fun as well.

How Do You Assess Risk Verses Reward?

Let’s see how you think about Risk vs. Reward.

Truism: **Cut Losses short, let your profits run!**

Here are a few questions to see how you fair.

Pick one of the choices below.

Which would you prefer 1) A sure loss of $9,000 or 2) a 5% chance of no loss at all plus a 95% chance of a $10,000 loss?

Which would you prefer 1 or 2?

Now question 2
Which would you prefer 1) A sure gain of $9,000 or 2) a 95% chance of a $10,000 gain plus a 5% chance of no gain at all?

Which would you prefer 1 or 2?

In question 1 which did you pick?
The sure loss of $9,000 or the gamble?
If you are like 80% of the so called traders surveyed you pick the gamble. However, the gamble works out to be a bigger loss! How?

Well let’s do the math.
$10,000 x .095+ 0 x .05 = $9,500.00 dollar loss.
This breaks the first part of the truism, cut your losses short.
This is the flawed thinking that gets traders stuck. They will keep thinking that the loss will turn around. Odds are it will not. As a result it gets bigger and even harder to take.

Now with question 2 which did you choose the sure gain or the gamble?

If you are like the 80% of the traders that took the survey you grabbed the sure gain. In this case the gamble works out to be a larger gain.

How? Let's do the math again.

$10,000 x .095 + 0 x .05 = $9500.00
In this case we break the second part of the truism. Let Your Profits run.

These are examples why without the proper discipline and knowledge it is impossible to follow these truisms. People once they have a profit in hand, become so afraid of letting it get away, that they tend to take the profit at any sign of a turnaround.(Most of the time ***they make up the turnaround in their head***.) Without a system, they have no objective information and become a victim of emotions.

It is so tempting to avoid letting a profit get away (It feels so good to take it! Really it's like sexual.) Many traders continue ***to lament over the larger profits they miss, as they close small profits***. That is why we need to use my system and money management. Look at the chart below. So many traders miss the big moves for small thin profits. They may go in and out of the Market 30 times, for 2 point profits at a time, while risking 30 points. One bad trade wipes them out!
MORONS!

If you're looking for 2-5 pips, you can make more money with a part time job washing cars, and have no financial risk.

Look at the chart above, don't go in for 2 -3 pips at a time. Get in the game with a plan. Have a take profit and stop loss. Get in the train before it moves, ride in style and comfort to your predetermined station.

Let's hear from other professionals on the subject of Money management:

"Risk management is the most important thing to be well understood. Under-trade, under-trade, under-trade is my second piece of advice. Whatever you think your position ought to be, cut it at least in half."—Bruce Kovner

"You have to minimize your losses and try to preserve capital for those very few instances where you make a lot in a very short period of time. What you can't afford to do is throw away your capital on suboptimal trades."—Richard Dennis

Take this advice to heart and understand how important Money management is. Money management is the difference between being a big winner and going bust, the difference between peak performance and poor performance. To really stress how important this point is, I will recall what I witnessed when a trader blew out when I was a position clerk on the desk of Banca CRT.

A Lesson on Draw Downs!

It was in the fall of 1986, and I was just promoted as Head Position Clerk to the ***Treasurer***. I was coming off a small desk as a Jr. Trader for minor currencies. I was extremely excited at the prospect of working on the main desk, never mind that I had obtained the head position clerk desk assignment. My job was to keep track of all the positions on the desk; watch trader positions stop losses, help trade out of bank positions. I would confirm all the traders' positions and do reevaluations at 3:00 pm NY time. I would then report the daily P/L of the desk to the Treasurer. It was the position to prove you're self to the Treasurer and get a seat on the major currency desk. This excerpt is taken from my trading Diary, I have kept one since I started trading. It helps me to find my weak patterns, and to correct them, before they grow too big to stop. (Hint: you should keep a trading Diary.)

I had known all the traders from my past position as a Jr. Trader on the minor desk, and what I witnessed came as a shock to me. I saw first hand how a profit can turn into a loss; and a loss can quickly spin out of control, and destroy a person. I will call him Ron in my account of the situation.

Ron was in DEM/JPY(Deutsche Mark/Yen Cross; it no longer exists with the launch of the Euro.) He had built this position over the course of 2 months and was in the money. He was up over 350% and was very close to hitting his Profit target for the year.

He had left one evening with a 65 million DEM/JPY Long Position at 91.56, was the revaluation at 3:00 pm. What occurred over the course of the next few days left a scar on me. In the evening the market tanked in Japan it lost 5 yen in the Tokyo trading session. There was a rumor that the BOJ (Bank of Japan) Intervened and sold DEM/JPY, when they did, it triggered all the stop loss orders. The market opened in NY at 86.00, Ron not only was losing what he made, but was now digging into his Global Stop Loss.

The Treasurer was never in the office at the NY open he would stroll in about 10:00 a.m., however he always checked in with his mobile phone. I was required to report the news, knowing his personality I was not enthused to report the loss. He was not pleased to say the least and wanted to know why **I had not** put a Stop Loss in. I reported that ***I was given none***. I was then told to get Ron on the phone
ASAP.

Ron was Trading heavily trying to make back some of the lost ground. Unfortunately things were getting worse. DEM/JPY was once again slipping; it was breaking support levels at 85.35 price level. Ron Bought 10 million more on a head fake rally at ***86.33***. (That was costing another $73,000 to the loss racking up.) I could see the stress building up on his face; he was like a trapped animal. I had told him to call the Treasurer as soon as possible, to which he replied "F*ck you, can't you see I'm F#cked Here!!" I didn't take it personal; you need Dinosaur skin to work in a trading room. The tension was so thick I could feel it in my solar plexus. At the close of the day, it was not much better, DEM/JPY closed at 85.44 just slightly above the short term support price.

Ron's meeting with the Treasurer did not go well to say the least, Aldo never liked losing money, or giving back profits. He loathed giving up profits and also losing money all in the same trade. He always said that "losing profits was bad enough, but then turning a profitable trade into a loser is the mark of a weak trader." I was instructed to notify him if Ron's position lost another $250,000. I told

Ron that I would be calling him in the evening to see if he added or cut the position, and that the Treasurer had to be notified if the position lost another $250,000.He just looked at me with a blank stare.

Ron was shell-shocked over what had happened in the market over the last two trading sessions. He had lost his profits and was now losing 15% of his Global P/L. I had asked him "Why not just cut the position?" He was convinced he could make the money back. After all, he was up 350% just two trading sessions ago. What would happen in Japan would be the key; would they rally the DEM/JPY up again to test the BOJ resolve? I was not looking forward to staying up all night watching another trader's position.

What had happened in the evening was the destruction of a Trader, one that did not follow Money Management. He needed some system to protect ***himself from himself***. He did not have one. The story tragically ends like this. The market rallies up to 87.15 level, Ron Bought more on the way up, ***hoping for a breakout ,I remember him telling me on the phone after the purchase "I fu*kin got them by the balls now T"!*** What he got was a break down!
The Market reversed, and was costing the bank an additional $375,000 by the time I could get the phone call to the Treasurer. I can remember to this day how angry Aldo was all he kept saying was "He did what? I don't think I can hear you correctly Tom." Aldo was the ***king*** of second guessing, as Treasurer he had that privilege. He kept saying "Why didn't he reverse? What a Fu*cking Idiot! Tom cut the position by 75% NOW!!!" I couldn't t get a price from our correspondent bank in Australia, all the lines was tied up, the market was in a wild sell off at this point, blood everywhere. I then called First National Bank of Chicago and they gave me a price 95 points lower then the one I told Aldo the market was at. I hit bid and felt really *sick to my stomach with a lump in my throat.* I watched as the market just stood at the Asian Low of the day, the one I just made. I was just ***hoping*** that the market would not bounce up. I would look like an Idiot and get torn a new ass by Aldo. It was at this point that I learned how important S/L levels are. I watched the market all night; it proved to be a good sale. The DEM/JPY was 120 points lower then my sale price in the NY open. It ended up costing Ron 85% of his Global P/L. With Ron having only 15% left to make his number, the Treasurer

called Ron and me into a meeting. Here is what was said.

Aldo: “Ron do you agree with Tom’s numbers?”

Ron: “Yeah, I have ***small*** left to trade with to make my numbers though.”

Aldo: “How do you intend on making those numbers with such a small amount of capital? You have shot yourself in the foot Ron. You can t lose, in my experience *if you can’t afford to lose, you will lose*.”

Ron: “Aldo ***if*** the BOJ had ***not sold…***

Aldo quickly cuts in not wanting to hear an excuse “Ron ***if*** my grandmother had a pair of balls I would not be here, the simple fact is you’re out of the market. I have to decide what I want to do. Ron go to lunch, and Tom stay here.”

Aldo then went into the lesson that I should learn from this, and he asked me what I would do if I were in his position. I said Ron is a good guy, he has a family. Aldo then replied” so do I and the rest of the guys on the desk, I need to protect the group.” Ron was released that afternoon. Here is what Aldo taught me about draw-downs that afternoon. It is another table you have to print and keep with you.

It is at this point that I need to be straight with you; Account sizes of under $50,000 are considered small in Forex, but the average size account is approximately $10,000. Many people have the Dream of turning $10,000 into one million. While this feat is possible in Forex, the chances of ruin are also higher. Your mathematical odds of failure are very high just because your account size is small. You are caught in a paradox.

When you have a small account you need to risk more of it to succeed, when you risk more your draw-downs are larger. However, I have given you skills and a money management system that gives you the overwhelming edge to succeed with a much smaller account. So let’s look at the chart.

Draw-downs	***Percentage Needed to Recover***
5%	5.3%
10%	11.1%
15%	17.6%
20 %(Danger level Yellow)	**25.0%**
25% (Stop Trading Regroup)	***33%***
30% (Nuts)	43%
40% (Need Medicine)	67%
50 %(Your Done)	100%

The next percentages are for those who just want to Blow up.

60%	***150%***
75%	***300%***
90%	***900%***

So from the table above you now know what your percentage of gains need to be to recover from a loss. A loss of 20-30 % can be recovered to get back even. But a loss of more then 30% would require huge gains to get even. Thus Ron needed a gain of over 900% just to get even, he had a small amount to trade with, and the odds were great he would have lost that capital too, hence Aldos decision to release him. So, Control your ***draw-downs*** please.

Trading Simulation Game

The game will consists of 60 trails of simulated trading. You will be trading a system that consists of solid marbles (win if you are long/lose if you are short) and marbles you can partially see through (lose if you are long/win if you're short)
The marbles will have the following payoffs.

Solids	See-Thorough
Blue 1:1	Dark Blue1:1
White 2:1	Green/blue2:1
Black 3:1	Red/yellow10:1
Green 5:1	Clear 20:1
Pearl 10:1	Grey Center 30:1

We don t know the odds of any of the marbles, since you never know what the market is going to do. However, I will give you what happened in the last game I observed played. 60 marbles drew, replacing each one after we drew it. The results were as follows

Solid marbles drawn- 32 solid blues, 6 solid whites, 7 solid blacks. It s rumored that there are others in there but none of them were drawn.

See-Through Marbles Drawn- 6 dark blue centers,6 green blue centers, 1 red yellow center, 2 clear.

Thus, 45 of 60 marbles drawn were solid(75%) while 15 out of 60 draw were see though (25%) From that information, you should be able to get some idea of the historical expectancy of the game. The expectancy of course is equal to the sum of(various probabilities of winning x the average amount won) less the sum of (the various probabilities of losing x the average amount lost).

You will also need one Die.
You will also have two brown sandwich bags. One will be a bag of news. Just write about 100 pieces of financial news and place in a brown bag (Copy Head lines from the Financial Times, WSJ, Investors Business Daily.) An example would be Fed Cuts rate by 20 bases points. The second bag will be slips of market moves. Example Dollar rallies against Euro by 60 points (pips); falls against Yen by 30 points. (Pips) Write all different market scenarios. The moderator will roll the die every 10-13 minutes. If he rolls a 4(You are free to choose any number you wish.) he will pull a piece of news
Out and read it. You are then allowed to adjust your trade if you feel you should. You will have 10 seconds to do that. He then reaches into the other bag and pulls out a Currency move.

This will help simulate the madness of the market. You may have good dollar news followed by a sell off. You will see this madness in the trading arena and must be able to react to it. You can then readjust again if you wish.

1)Each group will be give $50,000 to play with and your goal is to get the best possible performance with that money so your client won t take it away.

2) You can make it fun buy throwing $10.00 - $20.00 per person to play.

You can play as a group or as individuals. If you play as a group against group then you have to appoint a chief dealer. He or she must approve all strategies.

At the end of 10 trails, the winning group (having the largest percentage gain over the last 10 trades) should win a certain amount. Like $20.00 to divide amongst it s members. Losing groups must contribute another $10.00 or so.

Do a thirty trade's look over P/l

Finish the 30 trades. The group with the most money will get $30.00. The best risk to reward ratio will get the balance of funds in the pot. Use your imagination. Just get some skin the game by adding money.

Pick someone (not playing the game) to represent the market. He puts the marbles in the draw bag controls the percentages, gets to make rule changes to protect the best interests of all concerned. Roll the die and read the news etc.

Here is what your game sheets should look like.

New Equity	Amount Risked	Amount Won/Lost	Peak/Trough Draw-Down

Have fun and learn something new with the game.

Money Management Rules

These are my rules and they have worked for me. If you are going to change them I would not raise the percentages. Anything you can do to lower the risk I would say OK. I have stressed enough how important money management is, so I will not belabor the point.

This is what is known as the Base Equity Method, it is a simple formula to follow. It will determine your position size based on the amount of equity you have in your account. This system will have you trading larger when you are winning and smaller when you are losing. It will help preserve your capital. Here is a repeat of my article

Size does matter; Even in Forex Trading

Position Size is one of the most important aspects of trading Forex. It is what enables you to maximize your gains, and minimize your losses. Most novice traders take a flippant approach to their trading positions. They use what I call the “gut approach.” It goes something like this. They have certain levels that they are going to trade off of. As, the market approaches the level they get “a feeling” and that feeling starts to build up and they believe this move is going to be huge. So as the market hits their level they enter with a “size” that is massive as far as there account equity is concerned. (Many do not know that, but the majority of the time that is the case.) They have a $10,000 account and enter with a $500,000-$1,000,000.00 position. They are not crazy people so they put a razor thin Stop Loss on the trade, only to have the trade fail and stop them out.

The next time they get the same “ gut feeling” and they have a hard time entering with the same amount or they are now gun shy and either pull the trigger to late, or not enter at all. It becomes a vicious cycle forcing bad trading decisions, and frustration. Proper position size can fix this common trading error. With ***proper position size all trades become part of an overall process, not individual events.*** After all trading is a process not unlike a batting average.

If you are ever going to be a trader, I mean a real trader, one that makes money over all. (And does not blow up his account up) You are going to have to ditch the caviler attitude, well you can keep the attitude up in public, and after all we are swash bucklers at heart. But just be serious and sit down and learn some techniques to increase your profitability. One of the most important techniques is the one that tells you “How Much.” So without further adieu let’s begin.

My goal in this section is to introduce you to a technique to maximize your profit and minimize your losses. There are many techniques that you can implement into your money management some based on Percentage of Margin, Percentage of Volatility, and Portfolio Heat etc.

The one technique that I will showcase is what I call the ***Base Equity Method.***

The Base Equity method is a predetermined percentage that you allocate to each position. It then deducts that amount from your over all equity, until the position (or positions) are closed. I do not exceed a maximum of 5% of my base equity on anyone trade. As a matter of record I do not exceed 4.5 %, and build up to that when I am winning.

Let’s go over a simple example before I go into the extra filters I implement.

I will start off with a $25,000.00 account for our example. You decide that you will risk 4% risk per trade. You base that on a number of factors, the least not important your psychological makeup. Let’s enter the trading process. You first must calculate ***“how much”*** you can trade. Here is the Math

$25,000 * 4% = $1000.00 Stop Loss

So we know we can have 100 point loss with a 100,000 Euro Dollar trade, approximately 111 point loss in a 100,000 USD CHF trade at current prices. The Base Equity Method will deduct $1000.00 from our Equity until we close the trade. If we enter another trade we will do our calculating Based on equity of $24,000.00 We as traders have to take into account the amount of room we need in a trade in order to prevent a razor thin Stop Loss. So adjust your size accordingly. (The smaller your position size the more room you have in the trade.)

Here is the math

$24,000 * 4 %= $960.00 Stop Loss on our next trade.

Our risk capital on the new position will be $960.00***. "Size Matters"*** We need to focus on a position size that fits our Stop Loss. The Base Equity Method subtracts each open position from the total, and makes adjustments when the trades are closed. So to further our example lets assume we won on the first trade, and lost on the second. On trade one we captured 220 points for a profit of $2,200.00 and on trade two we lose $960.00. Here our account

Base Starting Equity $25,000

Euro $ $2,200

Dol/CHF $960.00

Account New Base Equity $26,240.00

26,240 * 4%= $1049.00 Risk Capital on next trade.

As you can see with the Base Equity Method you will be trading larger when you are winning and smaller when you are losing. Experiment with these ideas, add additional filters. Perhaps only risk 2.5% equity if you have two losses in a sequence, then increase back to 4% after a win. Just realize that the model is designed to ***"size"*** your position according to your equity, and thereby preserve your capital.

So Size does matter, however in the trading arena it is the guy with the proper percentage to equity that wins. Remember the more you win the bigger you get. ;-)

My Base Equity Method

Here are the rules I follow:

I start my trading off with a risk of 3% of total capital on my opening trade.

I will continue with that percentage.

When I have 3 winners in a row I will risk 4.5% of my total capital.

Example:

Equity	Risk Amount	P/l	New Equity
100,000	$3,000.00	+6,876.00	$106,876.00
106,876 x 3%	$3,206.00	+4,876.00	$111,752.00
111,752 x 3%	$3352.00	+7,876.00	$119,628.00
119,628 x 4.5%	$5383.00	+9,260.00	$128,828.00
128,828x 4.5%	$5797.00	-5,777.00	$123,051.00
123,051x 3%	$3691.00	-3688.00	$119,363.00
119,363x 1.5%	$1790.00	-1790.00	$117,573.00
117,573x 1.5%	$1763.00	-1763.00	$115,810.00
115,810x 1%	$1158.00	+3768.00	$119,578.00
119,578x 1%	$1195.00	+5758.00	$125,336.00
125,336x 3%	$3760.00	+4585.00	$129,921.00

If I have a loss, I will revert back to 3% of overall capital.

If I have two losses in a row I will risk 1.5% of total capital.

If I have 4 losses in a sequence 1% of total capital risked, until 2 winners.
Once a sequence of 2 winners; then back to 3% of capital put to risk.

As you can see, with this system we are trading larger sums when we are winning, and smaller sums when we are losing. This system preserves capital.
Every Month you roll over what the account is. Keeping track what percentage of risk capital you are trading with. Always follow the sequence.

How to Implement Money Management with Trading Techniques

Trendlines

I am going to teach you an important skill, how to draw Trend lines.

Here is an experiment, print the chart below and give it out to your trading friends. You plot out support and resistance levels, let them do the same (Don't show them your levels.) Compare the charts. You and your associate will have different levels. Which lines are correct?

I will teach you the proper way to find these points, and, levels if you choose, you can teach others (just send me a check for $50.00) you will realize that the correct lines will be very responsive in the market place (you will also see symmetry in motion) and you will be able to respond for profits.

How to Draw Trend Lines
(Support and Resistance)

This is a very important skill and I was taught these techniques by one of the finest Currency Traders in the world. He was the Treasurer of UBS (Union Bank of Switzerland.) He had amassed hundreds of million of Swiss Franc Profits, for his bank. He also did just as well for himself. So well, that he owns two private jets and all the other toys as well. Let's get started.

What is the market?

It is the sum total of all the buyers and sellers of the day. The market moves in the direction ***of least resistance***. Picture washing your car, the market is like a garden hose that you leave on, as the water runs down on the pavement ,the water will flow in one direction until it hits something, for example your car tire. It will then change directions, and flow into a different direction. So that is how I look
At what is know as Supply Points (Resistance) and Demand Points (Support).
The market will ebb and flow until there are more Sellers than Buyers (Resistance). It will also ebb and flow until there are more Buyers than Sellers (Support). These points are also what I call, ***rejection points***. It is the place where the market was most out of equilibrium at the time. So the market quickly rejects the price point, punishing the traders caught in the price action. You want to be going with the ***snap back*** price action at these points. We will go over how to do just that.

How do we find these car tires so to speak? Where are these support and resistance levels that cause the ebb and flow to change? What gives them their validity?

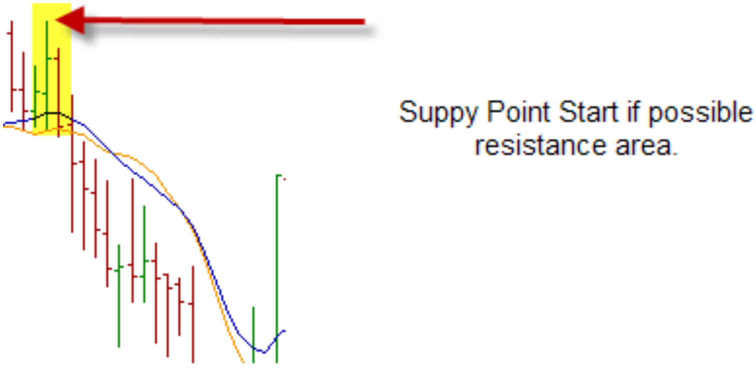
Let's look at what makes them valid first. Whenever a market finds a support or resistance point, there are fellow traders trapped at those levels. What we have is many traders that have bought, to only see the price retrace down, the market rejected that high price. On the converse, when a support level is made we have many traders trapped that have sold as price rebounded (Again the market rejected the price low.) So as we re approach, these levels, the people that are trapped are at this point an emotional wreck. They are eager and happy to get out. This is what causes lower highs or, higher lows until the market washes all those trapped traders out. The market will then go back into the natural ebb and flow. The series will repeat it self forever. The market always seeks Equilibrium that's the good news. There will always be new trades to execute. The challenging part is to forecast market elasticity. (Find the rejection points.)

It is at these points that we will be most active. We will fade the rallies (if our system signals that) or we will buy the breakout. (If our system signals that).

On the downside, we will protect the support level (buy at it, if, our system signals that.) Or we will sell into the support knowing it will fail (If our system signals that.)

RESISTANCE POINTS

Below is an isolated resistance point.



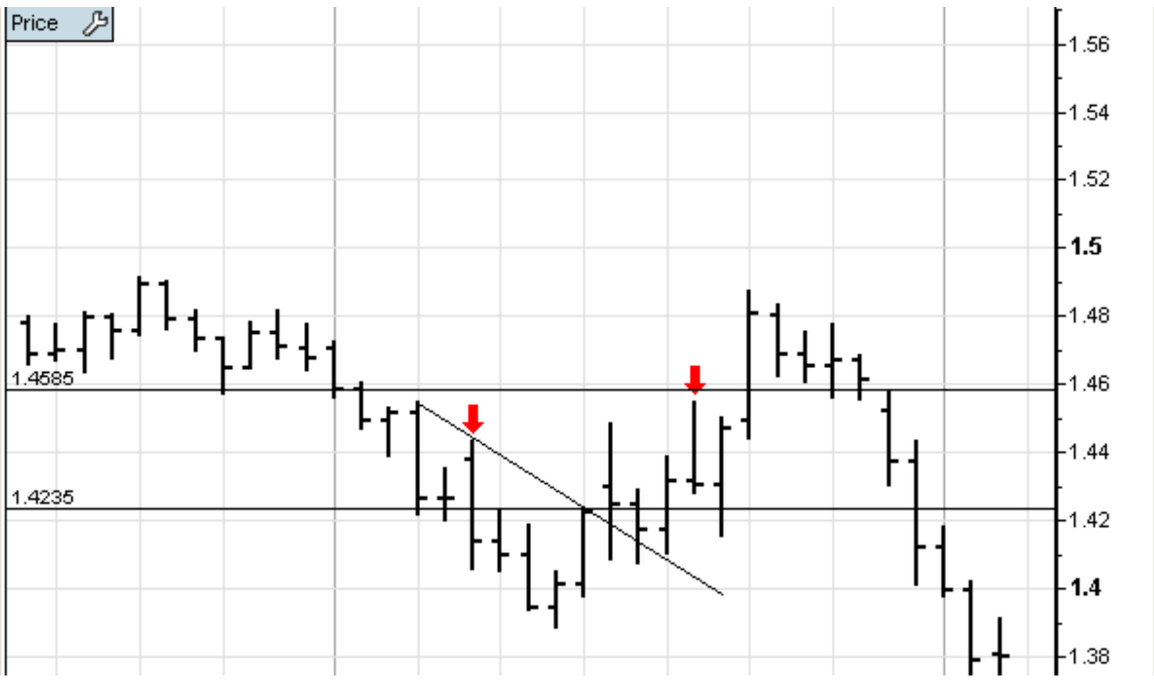
The definition of a resistance point is a High surrounded by two lower highs on each side.

Resistance Points (Supply Points)
Notice the tops that are surrounded by two lower highs. These are, know as supply points (beginning Resistance Point. It is also important to note that these are ***Rejection Points*** at this time) It is here where the markets retreated because there were more sellers than buyer's period.

Above is an example of a resistance line that holds up well, a series of a high surrounded by two lower highs that you connect. Below you will find a resistance point that gets breached.

Notice the close the day before the break up, it closed right at the resistance line; Amazing stuff.
I will teach you price projections in the next session on Fibonacci Ratios. I just want you to get accustomed to finding these points.

Two highs surrounded by two lower highs. Make up our Supply Line.



The Euro stopped at 1.4550, before it retraced and gathered enough steam to push through. I forecasted that move 3 days before.

Look at these two Resistance trend lines, Notice how the momentum of the market was making the lines steep. Can you see why they are called trend lines? Which way was this market going? Down I would say. So with the help of these lines you can get on the easy side of the market, that's being short for the time being.

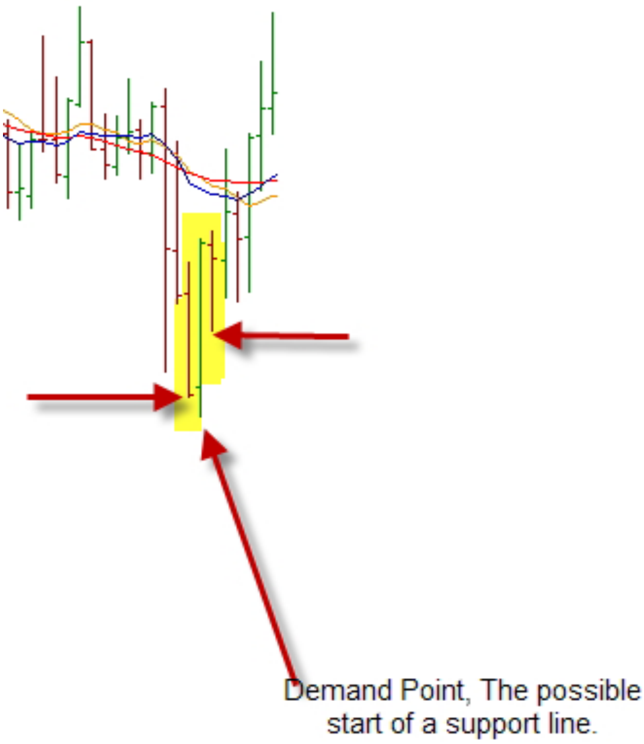
Next section we will go over Support Lines.

SUPPORT LINES

The Definition of support
A low surrounded by two higher lows.

Support Lines (Demand Points)
Notice the bottom (low) surrounded by two higher lows. These are what are known as Demand Points (beginning Support Point.) It is here were the markets rallied because there were more buyers than seller's period.
As we stated previously, the market is always in ebb and flow and what you are looking at, is the evidence of all those trapped traders, executing there trades to get out. Do all get out? No, however they will. Like I stated before we all get what we want from the market. Some people want losses and pain.
They will get it.

So these are points that you must look for to draw your trend lines.
The markets Demand Points
Are low points that are surrounded by, a bar before and, a bar after by higher lows.



Above is an isolated Demand Point.

When ever the market makes a series of theses points, we have our support line being formed. Look at the chart below.

We will now connect the demand points. Take notice how the lines validity is challenged in the next snap shot.

You can see that the line gets breached; this suggests that the line is suspect. It gets reset in the next snap shot. We always look to connect the lowest lows, for the line. Check out the next snap shot.


Price
demand points Start of support
1.52
1.5
1.48
1.46
1.44
1.42
1.4
1.38
1.36
1.34
1.32
1.3
1.28
1.2732
8
10
12
15
17
19
22
24
28
30

Look how this market took off from this line. Let's continue with this example. If we connect to the next demand point, you will see how the angle is too steep, and intersects the price action. That for me is not a valid line. I would look for another demand point to connect to.

Support Line not valid it is too steep. Three days later the new demand point revealed itself.

The Chart above shows the proper demand point to connect to.

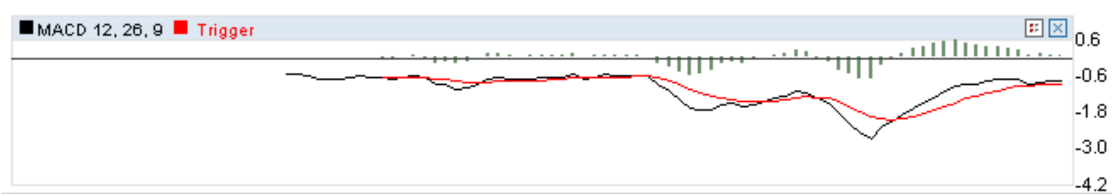
Below is a market that stood above a support line for quite some time. The original line was adjusted over time. See if you can tell where it was before adjustments. Just look for lows surrounded by two lower lows.

Once the support line broke it fell down over 10 big figures.

The break of this support line is worth over 10 big figures. These points are important.

NOTHING TO DO WITH TREND LINES:

On a side note here are my thoughts on MACD: Nothing to do with Trend lines.



This was the MACD that was showing at the bottom of the chart. It stands for Moving Average Convergence Divergence. Sounds Great, looks cool as well, however, in my opinion another piece of rubbish;

completely useless. Why? You ask. Well it's because these ***indicators move after price action not before. Who needs that?*** We forecast market moves, not report the news. But hey, they are great to know about so you can sound smart and BS people. "Hey Tom, how did you know to sell at that price?" Well Charles, My MACD was -.0678 and the RSI were positive, and we all know what that means. I guarantee you they will say "Oh Yes, of course, how did I miss that."

Final Note on trend lines:

Once we have isolated these points we are going to use the data to our advantage.
These are the points that we are going to use, to determine the future Demand and Supply points (Rejection Points.) These are the points that we will fade or trade into.

We move with the price action. We are dynamic.
Just as highs need lows to have a meaning; Lows need highs to also have meaning. Keep track of these points as they are being made during the trading session. Get ready to do quickly do on the fly calculations. I call them what if scenarios. What if we break this support, where is the first retracement level?

What is the Root Point Close (I will go over that in a later paragraph.) on this trend line? What can I afford to add to the trade, where will my stop loss be if I am not reading the market correctly? Where will my take profit be? Is the trade worth the risk? These are the type of questions you should be thinking about. You should be preparing for anything. ***Because*** in F/X; anything can happen at anytime. That's what makes it so exciting; it's like the Wild West.

End of Part One.

What should you know?

You should understand what a Bid and Offer Is. You should know that

when you are long currency X you are short currency Y.
You should know your pip costs.
You should know how to calculate a average.
You should know how to roll in profits, and roll out losses from an average.
You should have an understanding of how you approach risk.
You should understand how important Money Management is.
You should understand Draw Downs, and how you should stop trading if you breach 20%.
You should understand rejection points and how to draw support and resistance lines.
I will now go over the fun part the trading techniques within the system itself, the Codex System, and how to put it all together.

An Introduction to Fibonacci Numbers
And Price Projection

I am going to give you an over view to Fibonacci retracement levels to be use in conjunction with the Codex Trading System. I will then give you a complete example of how you should proceed with the system as a whole, with lots of chart example. Most people say a picture is worth a 1000 words, for me its worth about 6000.

Fibonacci was an Italian Mathematician very long ago. I am not going to get into a lengthy history about him, if you want more information on him Google the dude. As I have stated before, I am a student of the market and have tried numerous techniques to gain an advantage. ***The Golden Mean*** by Fibonacci is the only technique right out of the can, so to speak; that works. The Fibonacci series is rampant through out nature. An example would be the distance from the tip of you fingers to each of the joints all conform to Fib numbers.
What are Fibonacci Numbers?
1,2,3,5,8,13,21,34,55,89…..and so on. These numbers are obtained by adding the two consecutive numbers in a series to arrive at the next value. As the numbers increase in value, the ratio (divide a preceding number by a succeeding number) approaches .618 and when you reverse the process the ratio becomes 1.618 (the golden mean). This is the only number series that has this characteristic.

What astute traders have realized was that markets retrace and rebound approximately 3/8 to 5/8 a distance from tops or bottoms. It is finding the tops or bottoms that are the changeling part. I will show you my techniques for this. Please study the ratios below, once again print them out and have them handy. You will need them to do quick, on the fly calculations.

Fibonacci Ratios
.382
.618
.8200(my value)
1.382
1.618
2.236
2.618
3.00(my value)
3.618
***My Values are ratios that I have found that work well in Forex.**

HOW TO DO PRICE PROJECTION WITH FIBONACCI NUMBERS AND TREND LINES.

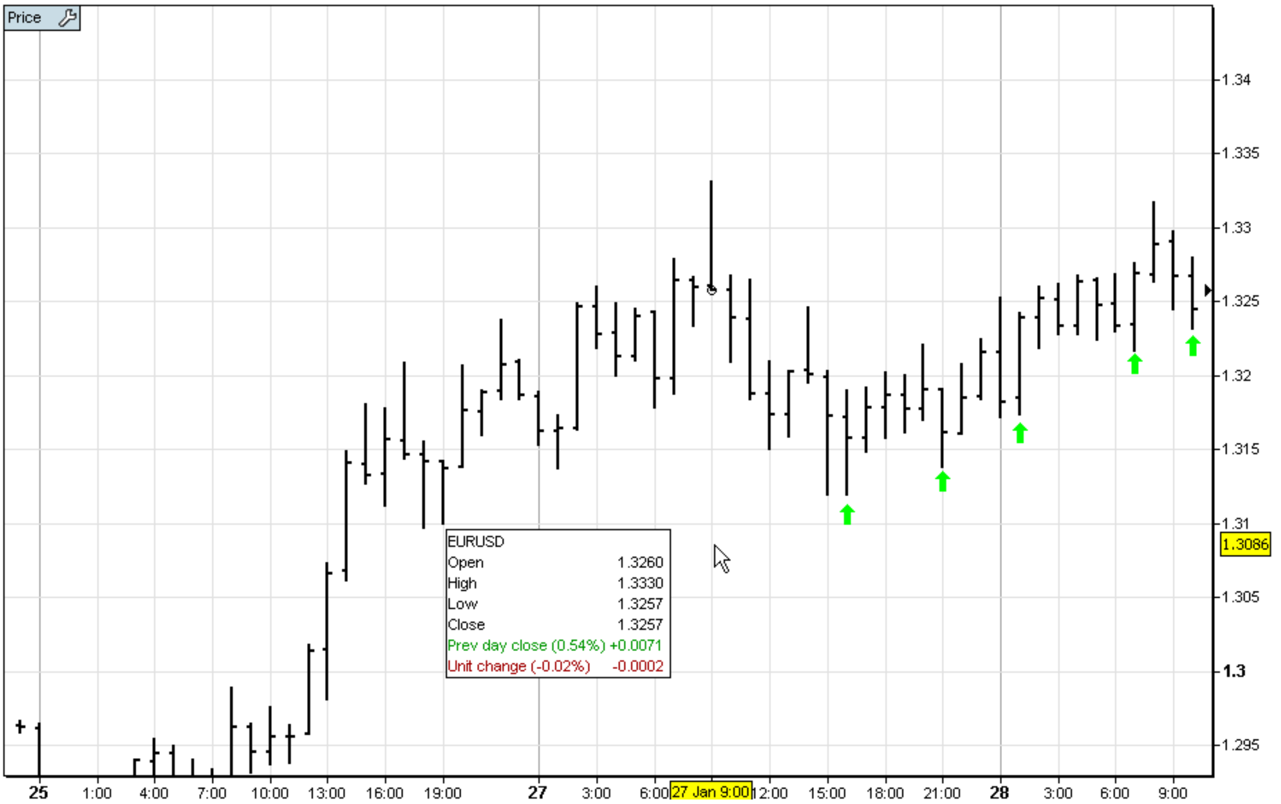
In our first few examples we will be look to project the future price of a currency, with what I call a “What if scenario”. What if the Euro breaks this support line, where should it fall too?

We must first construct a demand line (support line.) I will construct these on my daily charts, and I also use them intra-day on my hourlies. It helps me understand the ebb and flow of the market. Let’s look at and intra-day time frame and how and why I would use this indicator.
We first must construct the support line. We need to find low points surrounded by two higher lows, in a sequence ascending. We will then connect the bottoms to draw our line. Here are some important highlights. We must keep in mind that the market is in constant flux. If a line is pierced (8 pips or more), the validity of the line is suspect, and you should expect it to be broken and reset. Here is an example

of what I mean, from a previous chart above.

The line was pierced and reset a few bars later, only to be broken again.

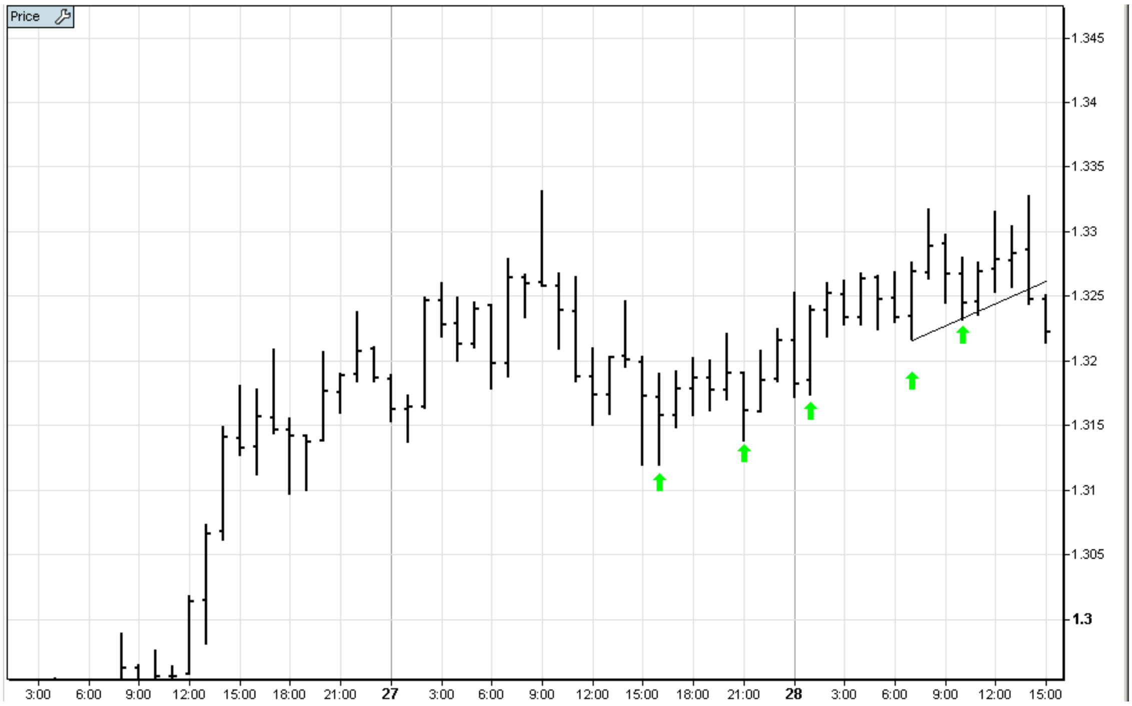
I will now go over a full example, so you can understand. I will take you step by step.
Look at the chart below I have all the demand points marked with a green buy signal arrow.



Here are your demand points.
As the market moves they reset and we follow the market, they are Dynamic Points.

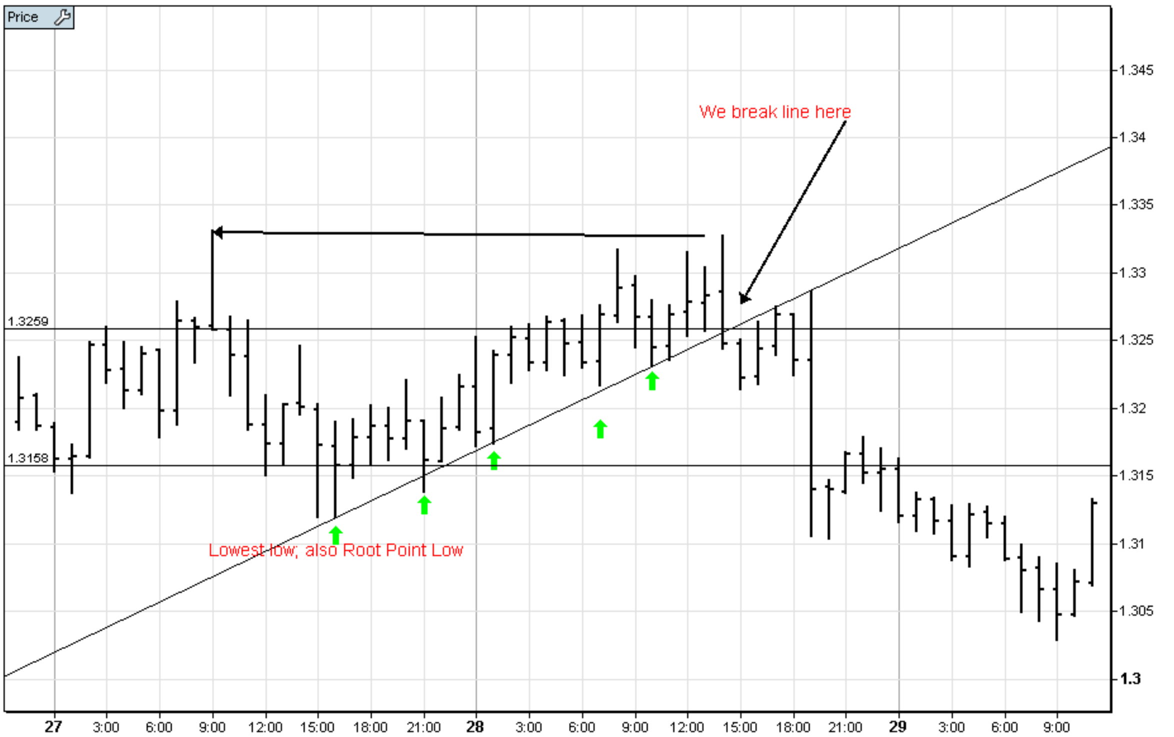
We have to now move our line to connect the recent price activity.

We connect our points and the line is extended into the future, the line gets pierced, and is starting to show price is slowing at this point. We have another demand point that we have to adjust for.



Line is broken and now we need to calculate retracement levels. How would I use these levels? If I wanted to participate in the sell off I would enter a short or add to a short on the break of the line. I would then use Fibonacci retracements to gauge market momentum, and areas of take profits.
Follow along below.

The point at which market breaks the line is the critical high. We move to the left to find a high a higher high. The lowest point in between is the pivot low. This point on this line segment is also what I refer to as the **Root Point**. It is the beginning of the whole line segment. It takes on a significant meaning.
Here are the price projection calculations.



High of the bar that pierces the trend line is 1.3327; we go to the left to find a higher high. The lowest point in between is 1.3119(subtract 9 pips becomes 1.3110) It is also the Root Point the origin of the support line. The ***Root point*** close is an important price point. (The close of the Root Point bar is 1.3158.)
Value of the trend line is 1.3259 we will subtract the difference of recent High of the bar that pierced the line from the lowest low, from the value of the trend line.

1.3327-1.3110=.0217
Trend line value is 1.3259

.0217*.382=.00823= 1.3259-.00823=1.3176

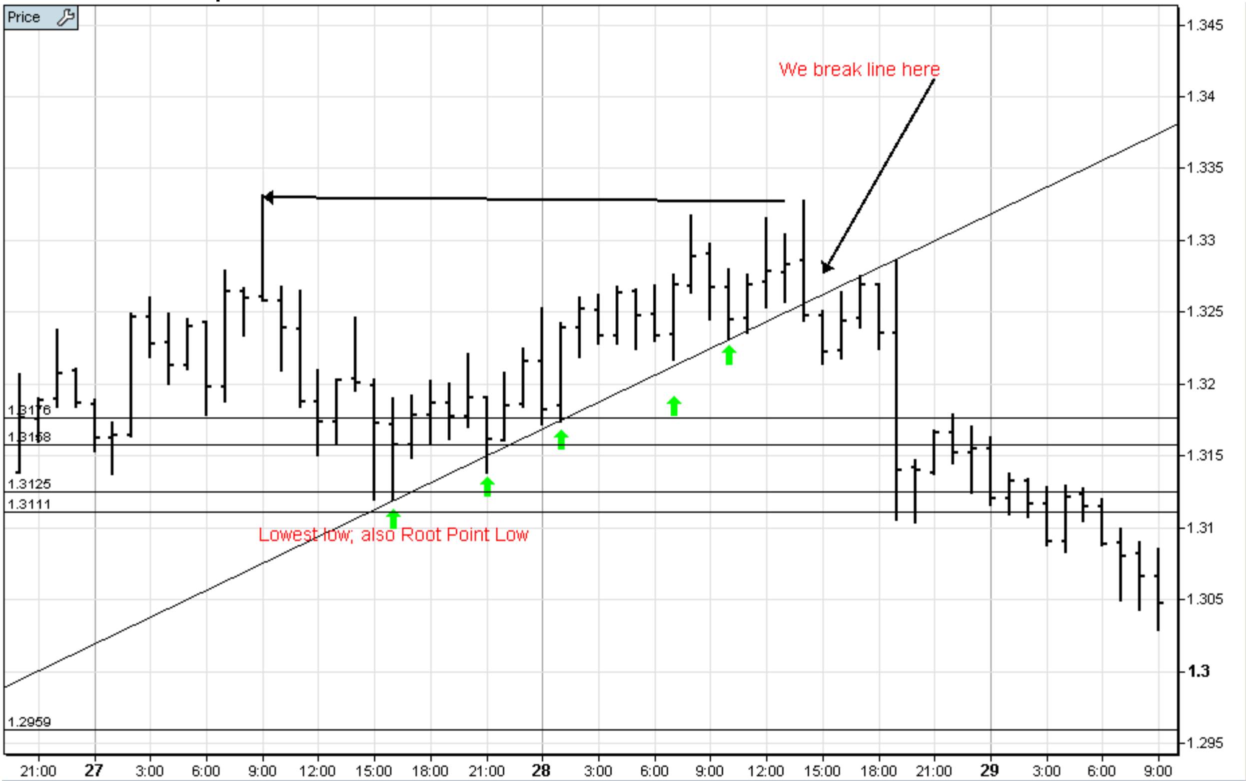
Root Point Close= 1.3158

.0217*.618=.0134=   1.3259-.0134= 1.3125

.0217*.8200=.0178=1.3259-.0178= 1.3111

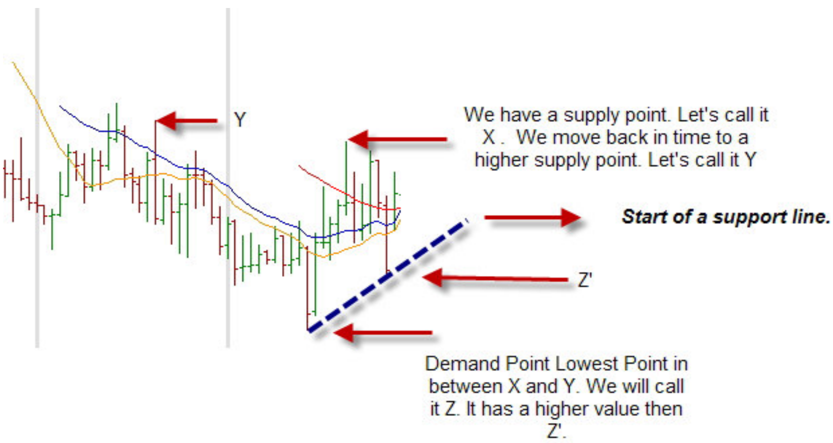
.0217*1.382=.0299= 1.2959

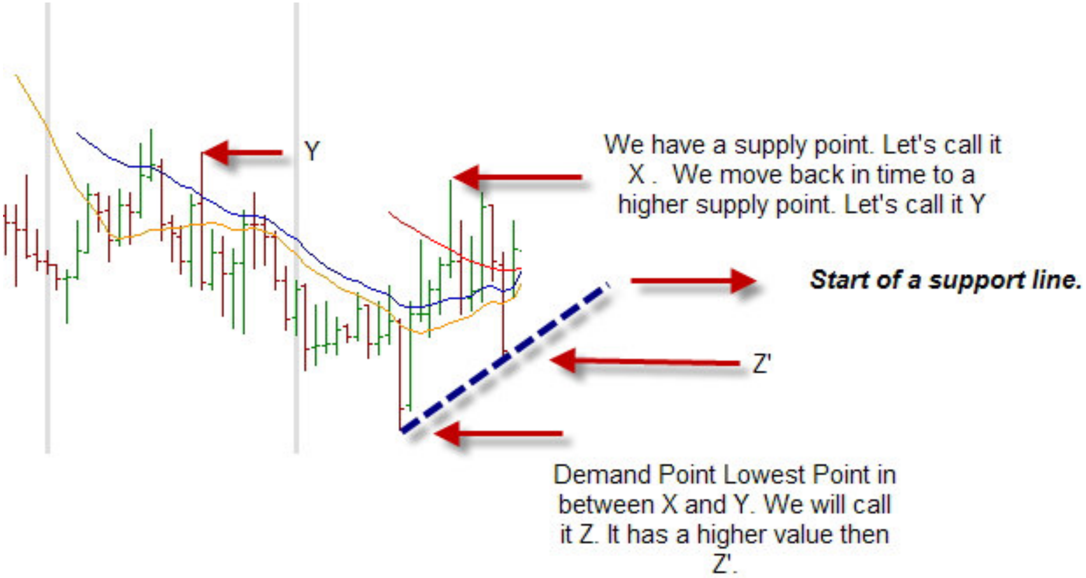
Here are the points marked out.



Notice the consolidation by the Root Point Close of 1.3158, also the Euro was rejected on the upside by 1.3176. The old fib supports are now resistance. We eventually broke the 1.3111 and traded lower.

Here is another example:





We find point X, you will move to the left of the chart. You will be looking for a higher supply point (***Rejection Point. The point must be at least 3 points higher***.) Once you find that point Y, you look in between these two supply points and find the lowest demand point between the highs.
This is point Z, this point has a higher significance, because it falls between the two supply points. As we move into the future the chart will evolve with us. The most recent price action is the most important. However until this support is breached, this will be our ***Root Point***.

Where the **Root Point closed** is the most important price on the Bar. Many people think it is the low. It is not. Statistically on a first time retracement, we move towards the close of the Root Point. The low is sometimes to far away, and the market exhausts itself before then. This causes many traders to miss reversals, and miss take profits because they expect the low to be tested. It is important to note that sometimes the Close of the root point is very close to the low. This is what has confused many traders, who wish to make general rules for the sake of expediency. Another point about the Root Point, you will see the market consolidate around that price. It is from here that the market will retrace up again or break lower. As the market moves forward so do our Lines of support and resistance. Down below is the new support line.

So, here is how we determine our Retracement Levels. These are the areas we should square, or add if breached by more then 33 pips. (Mini Trading system if you like, just apply money management)

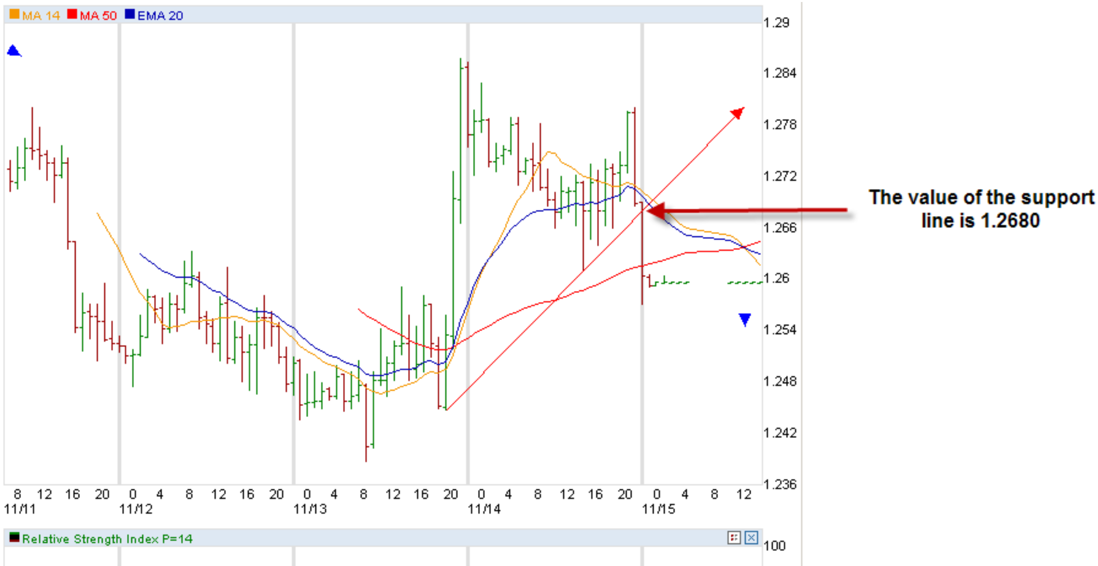
We first find the Supply Point A, We move to the left, on the chart to find Supply point B. Demand Point C is the lowest point between the two supply points.

The formula is High of Point B minus the low of point C (First subtract 9 pips to the low of C. Making the point lower) multiplied by the first Fibonacci ratio of .382, then subtracted from the value of the trend line support (price point that the market is breaking through.)
The next Fibonacci Ratio is .618, next is 1.382. You get the point so here we go. Let's do the calculating and see how we can forecast. This very method I am teaching you is the same method a major US Bank uses in there trading room. (Or did use, I don't know if the Chief Trader is still there.) He and I were introduced to a similar technique by a Hedge Fund Manager (Stock Fund.) We tinkered with it to suit the Forex market.

The chart we will be look at is an hourly this is used for intra-day price projection. The longer the time perspective the stronger the signals, remember? So look to see if you have any overlap with the daily charts.

So the high point of B is 1.2857 minus the low of point C. The low Point of C is 1.2611(We subtract the 9 pips, making the low 1.2602.) See the chart below to prove the price. This is a recent chart from Friday November 14 2008. Hourly EURO/USD.

Now we need to find the value of the Support Line. So let's take a Look. We find the value of the support line to be 1.2680 See Below.



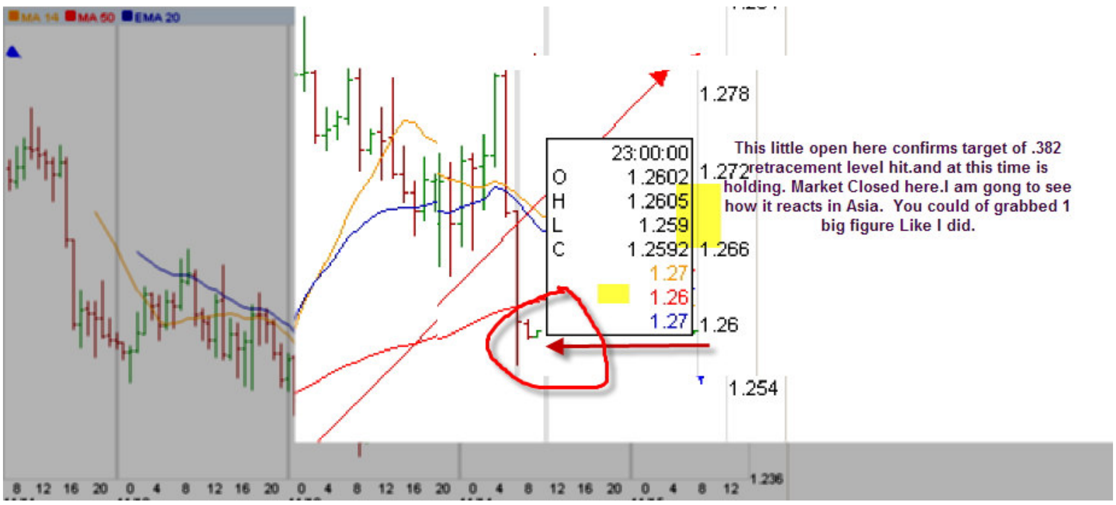
Formula: High of Point B 1.2857
Minus Low of Point C 1.2602(1.2611 minus 9 pips)

Equals .0255 .0255*.382(1st Fibonacci Ratio) = .009741
This is where it gets good; you will notice everything I do is calculated before the trade happens. You have this trend line, and you can see if it breaks where it will go. You know buy price action if the market will test the support line, and, how much of a move is there to grab if the support breaks.

Value of support line is 1.2680 - .009741= 1.258259

So where did the market fall to and bounce off of? Let's have a look

The Euro fell to the 1.2570-75 price level.
It was a Friday and Price closed at the 1.2570 level.
It’s good to be able to predict price action wouldn’t you agree?



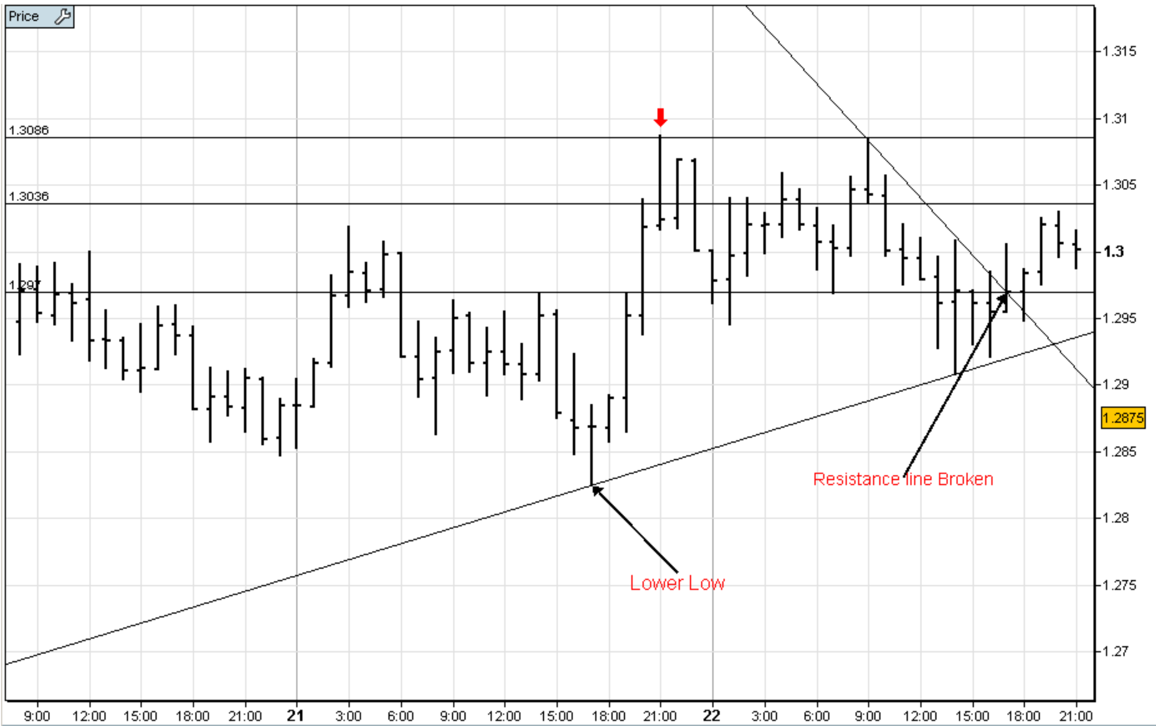
That’s amazing isn’t it, can you see how much better your trading will be with these secrets in your arsenal. This is why the guys are really pissed at me. They don t want you to know these methods. It took me years to learn this and much of some banks P/L.
drawn.)
RESISTANCE LINE PROJECTIONS

Resistance is done in a similar way to support except we add 4.5pips to the top of the pivot, not 9 pips).

In this example we have both lines of support and resistance, getting ready to calculate up side or downside retracement levels.

The resistance line is now pierced, and we will do upside calculations.

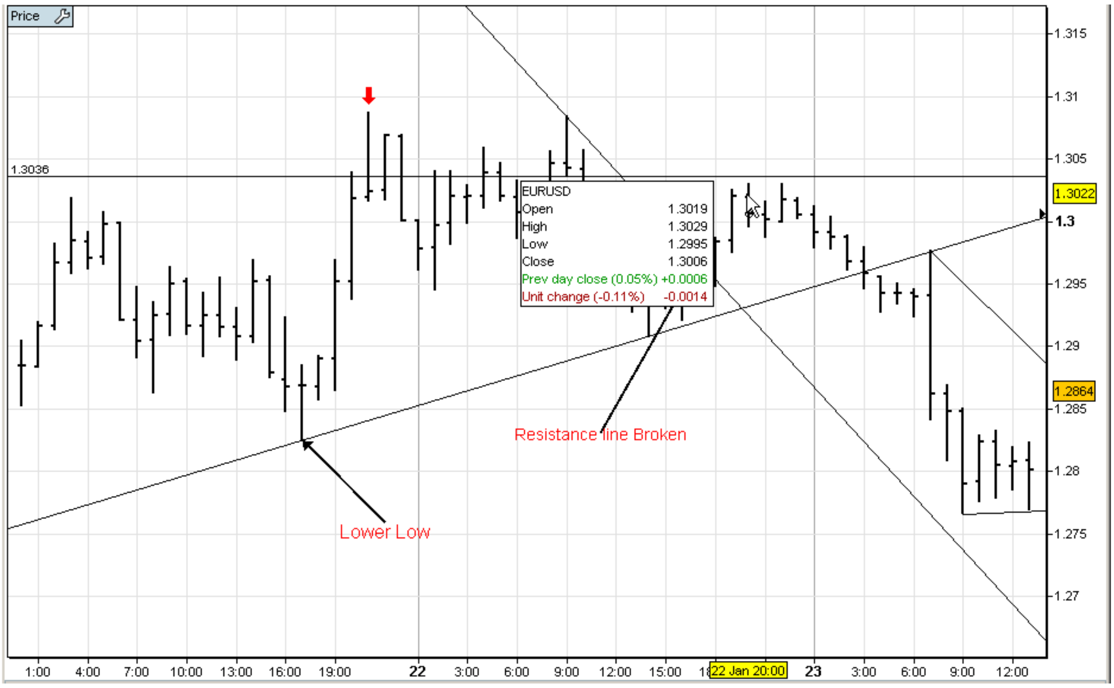
We find the most recent low at the support line, and go to the left to find a lower low. The highest point in between is the pivot high that we will calculate off of.



The pivot high is 1.3086; the most recent low is 1.2908. 1.3086 (Add 4.5 pips = 1.3090)
We take the difference and add to the value of the resistance line to find the value of next resistance level.
Value of resistance line is 1.2970

1.3090-1.2909=.0181

.0181*.382=.0069 = 1.2970+.0069=1.3039 1st target.
.0181*.618=.01118= 1.2970+.0118=1.3082 2nd Target; If 1st breached.
.0181*1.382=.02501=1.2970+.02510=1.3220 3rd Target;
And so on…
Let me clean up the chart and show you were we stopped.



I have the point where it stopped highlighted in the info box, on the chart.

The euro was rejected twice at the 1.3029 level, 7 pips away from our price projection made several hours before. It then broke support and traded down to 1.2770 level. With this knowledge you can enter low risk trades.

Below is an example of a difficult one, all Fibonacci Points were exceeded. You would have to get long on the breaks above and short them on the break below them. It is not easy to trade these, because they can go back and forth several times through out the trading day. So tight money management is needed.

The Value of the Resistance Line is 1.2590
The pivot high was 1.2592 + 4.5 pip 1.2597
The Low Point was 1.2450
1.2597-1.2450=.0147

.0147*.382= .005615	1.2590+.005615= 1.2646
.0147*.618= .0091	1.2590+.0091= 1.2681
.0147*.8200=.01205	1.2590+.01205=1.2710
.0147*1.382=.0203	1.2590+.0203= 1.2793
.0147*1.618=.0238	1.2590+.0238= 1.2828
.0147 *2.236=.0328	1.2590+.0328= 1.2918

The green arrow represents the low of 1.2450. The first red arrow is the swing high point of 1.2592. The value of the line at intersection is 1.2590. This move up was violent. If you were quick enough you could have bought the dip down off the first run up at 1.2681 level, and lobbed them out at 1.2790 level.

In the next section I will go over an indicator you can use to determine whether or not to fade the rallies, or buy the resistance.

Secret Formula
W.D. Ganns Overbought/Oversold Indicator

After you have calculated your support and resistance levels, this is a good indicator as to whether to fade the move against the Trend lines. (Sell into the rally, Buy into the fall.) This is one way of determining how strong the levels will be.

This formula is one that W.D. Gann used. (I was told that anyway.) Gann is a legendary Commodity Trader that makes Warren Buffet look like a hack. I was introduced to these formulas by a fellow trader that was a member of a private society. It cost him over $20,000.00 per year to belong and they trade using only Gann s Systems. My colleague gave me a rough Idea of how to apply the formula. Gann has a different way of calculating support and resistance. I was fortunate enough to be at a major bank that gave me the resources needed to adopt the formula to my trend lines.

The secrets of this one formula are priceless. (Or they would cost you $20,000 at least to join the society.)

Here is the formula.

Rules for selling: a ratio of 64% or higher

Rules for buying: a ratio of 37% or lower.

EUR
Open 1.4360
High 1.4397
Low 1.4326
Close 1.4342

(High-Open) +(Close - low)/ 2 * (Range)

(1.4397- 1.4360) + (1.4342 – 1.4326) / 2 * (1.4397- 1.4326)

.0037 + .0016 = .0053   2 * .0071 = .0142   .0053/.0142= .373

Buy into the sell off.

When you have a ratio that is greater than 67% you sell into the rally. While Performance results achieved by this formula in the past have been respectable, I make no guarantee that this performance will continue. I have used this formula to a good degree and have been pleased with the results. However, I have heard this formula is out of the bag, so to speak. I always get suspect when too many people use an indicator, it seems to lose validly.

So test, test, test.

CONFIDENTIAL CODEX TIMING STRATEGIES

This one timing system has made me tremendous amounts of money.
It is a system based on W.D.Ganns forecasting method on time verses price. Gann said "*Time is the most important factor, when analyzing and forecasting market movements."* It is important to note it is ***not Gann's*** System, no one really knows for sure what his methods were. Although for $20,000 per year you can go and see if the Gann society will slip you any secrets to life and the markets.
I was given the opportunity to view certain trading diaries (from the Gann Society that a friend was in.) kept by Gann from the months of June, July, and September 1909. It was with some ideas from these diaries, that I tailored my version of a Short Term timing system. This is part one of a three part trading system that I use. It is a stand alone system, and the one I first developed in the bank. I incorporated

Fibonacci Points and Ratios into the system, some of the ideas that this system is based upon are what the Illuminati refer to as the market paradox. I have come to call my whole system the Forex Codex (Leonardo of Pisa, or Fibonacci was a member of the Illuminati.) It took me many months and a lot of head aches and losses to fine tune this part of the system. But I got it. I had my staff run back test, after back test. 6 years of computer data. This system makes money. But keep in mind money management. Not every system can make money every day. Systems make money over time, and this one has made tremendous amounts of money. So here is the background.

During his early years as a trader Gann was focused on short term price movements. He later moved into long term price cycles. It was here he lost me, when he pointed to the Zodiac as keys to the Market. I find the keys to price action are the located in the charts, not the stars. I combined my version of his time verses price action theory with Fibonacci Points, and developed my propriety trading system.

Law of Parsimony

The law of parsimony states that "If a 10 word explanation serves to fully describe a situation, why use 100 words?" In this information age the days of long winded explanations are vapid.
We no longer need to understand a situation in order to describe the situation.
It is the price direction we want to know and not what events force it there.

It is with this law in mind that I will go over how to trade the timing system.

Forex Codex System 1®

Here is an overview of the RULES:
TIMES: EST
Very Simple System; However very powerful.
If the Price is higher at 8:32 then 8:31 Buy it
If the price is Lower at 8:32 then 8:31 Sell it.
If the price is the same use Alternate Time Series. 8:38, and 8:43

8:30 A.M.   Closing Price
8:31 A.M. Closing Price ***Freeze Frame***
8:32 A.M. Execution Closing; Price If Higher Buy/ Lower Sell than Snapshot (Break Trade up into Pieces. Put on ¼-1/3 of full position as example. Add at Your calculated levels.)
8:33 A.M. Watching Price Action
8:35 A.M   Mid Point Price Observing Price Action
8:38 A.M Observing Price action
8:43 A.M. Should be looking good. (Slightly moving in our direction.
8:51 A.M.
9:00 A.M.
9:04 A.M.
9:25 A.M.

If the closing price is the same we revert to an alternative time series.
It will be as follows: **8:38** Snapshot Price, ***8:43 Buy if higher than snapshot or sell if lower than snapshot. If neutral again stay, out of market. This has never happened to me.***

All Times are in East Coast Time, so adjust for your Time zone. Yes we follow Daylight savings time as well. We are really tracking London.

Let's use Euro Dollar as our example on the daily Chart. (You can only Daily data for this technique.)
OB/OS Calculation:

Data from November 13th
Open 1.2826
High 1.2833
Low 1.2746
Close 1.2753

1.2833-1.2826 + 1.2753-1.2746   2*.0087=.0174
.0007+.0007=.0014/.0174=.***08 OVER SOLD***

THIS IS AN OVERVIEW ON HOW TO APPROACH THE TRADES:

We have an oversold indication so:
If our system gives us a sale we will sell the rallies (Enter with an amount of 2/3 your full amount, sell 25-38 point rallies for the other 1/3 amount.) and exit (buy) at support.

We are going to keep track of the closing price at all these times listed below.

If the price is higher at entry time we buy. If the price is lower at entry time we sell. ***If the price is the same we revert to an alternative time series.***

It will be as follows: 8:38 Snapshot Price, 8:43 Buy if higher than snapshot or sell if lower than snapshot. If neutral again stay, out of market. This has never happened to me.

With this trade we will be averaging down into our trade. (Adding More), If we break a Resistance point. And we will be squaring at a support point. We S/L where ever our stop loss calculation value is. So we start off with our maximum allowed according to where the range is. Always keep a bit on reserve to add as the market moves away from us towards or S/L point. We would want to put more on at that point because the risk in minimal and the reward is great.

Example:

Money Management for the system.

We can risk 3% of capital on this trade according to our Money Management Rules. So that's 30 points on 1 million Euro; 60 points on 500,000 Euro. So I would start with 240,000 Euros, add 120,000 if the market moves against me 20 pips, I would add 50,000 35-40 pips against me, the final amount of 90,000 Euros 10 pips from my S/l.

Keep a Trading Diary With this system.
This will help improve your trading and keep you focused like a laser beam. It will also force you to take your Stop Losses and you're take profits.
Start off small, it is not uncommon to get a buy signal and have prices retreat 30- 35 pips buy more there with you're risk capital maximum in mind. Opposite for a sale signal; sell into the rally with you're s/l in mind.
You will average into these trades. Selling the rallies, and buying into the sell offs. Then look for 60 -150 points,(learn to use trailing stops when in the money) when you average down sell some out at a 35-40 point profit (better your buy or sell average), then look for the home run. Always play defense at first, and then when in the money go on the offense.
Close all trades at end of NY trading day (4:30 EST p.m.).
In the next section you will see an example of a trading day, I have two more for you to review that follow with point by point detail.

THE TRADING SYSTEM

The Forex Codex System 1®

THIS IS MY PROPRITORY TRADING SYSTEM; I HAVE USED THIS IN THE BANKING ARENA FOR OVER 9 YEARS AND USE IT FOR MY OWN PERSONAL ACCOUNT **DO *NOT GIVE THIS SYSTEM AWAY! We will all lose, if you do!***

It is also important to note that the Codex System doesn't' "know" anything, it gives you a look. It "intuits". This is an important point, for the simple reason that by the time you "know" which way the market is going, the opportunity is lost

,or at the very least the risk reward ratio is no longer in your favor. This system helps put" you in the train before it moves."

TIMES:

8:30 A.M. Closing Price
8:31 A.M. Closing Price ***Freeze Frame***
8:32 A.M. Execution Closing; Price If Higher Buy/ Lower Sell than Snapshot (Break Trade up into Pieces. Put on ¼-1/3 of full position as example. Add at Your calculated levels.)
8:33 A.M. Watching Price Action
8:35 A.M Mid Point Price Observing Price Action
8:38 A.M Observing Price action
8:43 A.M. Should be looking good. (Slightly moving in our direction.
8:51 A.M.
9:00 A.M.
9:04 A.M.
9:25 A.M.

If the closing price is the same we revert to an alternative time series.
It will be as follows: **8:38** Snapshot Price, ***8:43 Buy if higher than snapshot or sell if lower than snapshot. If neutral again stay, out of market. This has never happened to me.***

SAMPLE TRADING DAY 1
NOVEMBER 14th 2008.

Here is how the Trading system performed. Let's start from the beginning at what you should have worked out.

Step One: MONEY MANAGEMENT
Total Risk 3% of Capital

8:30 1.2626 is fist market reading.
8:31 1.2635

8:32 1.2640 Critical Reading Higher Buy 2 units at 1.2642
8:35 1.2640

First calculation S/L Level
My calculation puts my S/L at 1.2612

Here is my trading Diary:
8:32 Buying Signal
8:33 Euro trading at our purchase level. Can't get over the 1.2640 level.

8:35 Euro choppy, we dumped down to 1.2600 level earlier (7:30 ish) this AM with a rapid bounce up. I think a lot of guys trapped down there.

8:38 1.2645 Euro holding steady, it keeps bouncing off the 40 level. We should run up, when we do S/ls will kick in against the shorts caught below.

8:43 1.2630 33 level now, Testing the 30 level but price action is Bid. 30 level offered and paid quickly. Comes back 40/43 level
Price gap of 12 points; good bid sign.

8:47 we fill the small gap, we are at 1.2628-33 price. This level should hold. We are 33 bid after the 28 given. That's a bid sign. 36 now paid!

8:49 Euro breaking 1.2645 level.

8:51 1.2674 We finally are starting to break up, this should trigger some stop losses for the guys caught below at the 1.26 10 30 level. If we can get over the 1.2710 level all hell should break loose. Stop loss buying will be rampant.

8:56 Backed off the 1.2680 level. Looks like the resistance at 1.2710 is going to be tough and I will not add anything to this trade. We are back into the 1.26 68 73 level I am going to sell ½ my position when I see 1.26 80 again.

8:59 I missed the quick bid at 1.2679 and hit the 1.2674 bid behind it.

Here's what my position sheet looks like:

BUY	SELL	PRICE	NET	AVERAGE
2		1.2642	+2	1.2642
	1	1.2674	+1	1.2612

New Plan: we move our Stop Loss up to 1.2622 so we always have a profit. I will move the take profit to 1.2730.

9:04 . I think we will break 1.2700 level but we may not be able to break higher then 1.2750 level. I would take a nice run up to 1.2730. Euro is chopping around the 65 70 level. Maybe we test the 1.2640 level again.

9:15 Euro stuck in the 1.2655 75 level it can go in either direction, I still think guys are nervous caught below.

9:30ish we are attempting to break through the resistance levels again.

9:50 Euro Breaks the 1.2710 level and rockets up to 1.27 33, I miss the 1.2730 Bid and hit the next one at 1.2726. Take Profit level achieved.

10:50 what a great trading day violent moves, Euro Crashing back down through 1.2675 level (old resistance should be a decent support. Not This time.) Glad I sold at 1.2730 level. I followed my rules.

11:10 getting another buying signal from secondary system.
Have to monitor that trade.

3:00PM what a wild and crazy day Euro is at 1.2799(1.2800) level. Now my sale doesn't t look that good. But hindsight is 20/20. I am very happy with my results from today. I have followed my rules. I know the greedy become the needy.

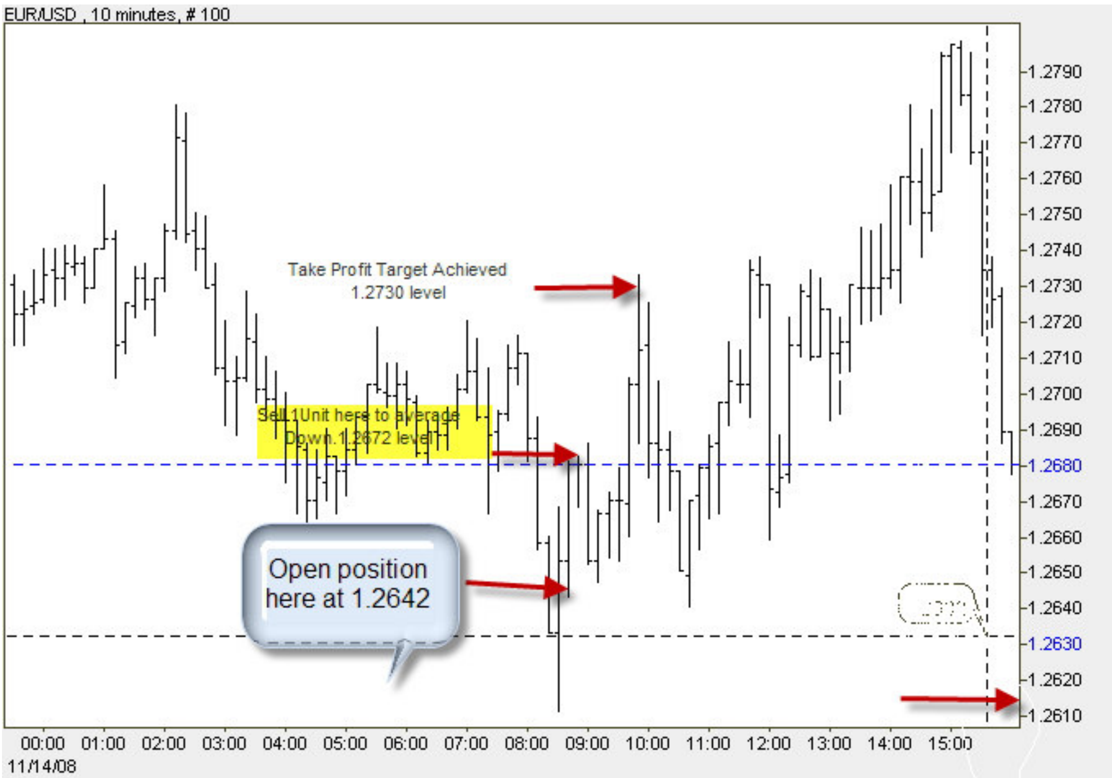
5:00 PM Euro dollar violently crashes back down below 1.2700 back to the 1.2680 level. END ENTRY.

What a great day for volatility. It proves that many market moves are meaning less.
This whipping back and forth today proves the point.

Are you starting to see what Rules are for? Without a game plan many people lost a lot of Money. Some lost it all. Happens everyday. Not to you anymore, you have a tool box of trading techniques now!

What's our P/L for this trade today?

Well in simple terms it is .0114 points. 1.2726-1.2612=.0114
All Depending on how much currency you can control that's a Great day. For me, its $11,400.00 on two units, with a sale of 1unit to average.



But, it doesn't matter. Even if you can control 100K worth of CCY you would have made $1,140.00 in like 2 hours. Here is the chart snap shot above.

Putting It All Together.

Today's date is January 31, 2009, and just for completeness I will go over Thursday and Mondays trading sessions. I will highlight those days. (I took Friday January 31st off.) Step by step. I had gotten some feed back where as most people wanted more details. So I will deliver, I want everyone to fully understand the concepts and be able to implement them

Before I begin, I had a question of why I have different time periods, when I say I use daily charts (you see a lot of hourly charts and I have confused some people.) Let me make myself a bit clearer, all my ***major calculations*** are done on ***daily charts***. My Fibonacci points, Overbought/Oversold %, Pivot points, Trend lines of support or resistance. I will then use Hourly's or smaller time frames to zero in on the market, to observe momentum, and price action. I will apply the same principles as the market develops through out the trading day (using nothing less then an hourly chart.). I will look for intraday support and resistance, and calculate minor Fibonacci points (minor because they are based of hour charts.) these techniques help me determine areas were I can add to trades (Averaging.)I had stated earlier I would not use these methods with time frames of less then 30 minutes (Some traders I know, use 30 minute charts. I use nothing less than an hour for intraday calculations.) I hope that clears things up. If anyone has any questions E mail me. I will be glad to answer any of your questions.

We will start off with the daily chart. All our calculations for our major points will be set up before the trading session. The first calculation will be the OB/OS %. Now let me give you the order of importance. Trend Lines are the strongest first indicator. Then Fibonacci points, then the OB/OS indicator. The OB/OS indicator is used to see how a market reacts at these levels. For an example we have an oversold condition yet the market breaks a trend line violently, I am not going to buy it, I may even sell it. The indicator will give clues to market dynamics. It is excellent in range trading, not to good in trending markets; however it is useful in showing market dynamics. (the beginning of a trend or continuation of one.) So what I am saying is it has its place, just don t follow blindly or you can trap yourself.

So January 28th data
Open 1.3215
High 1.3327
Low 1.3103
Close 1.3154

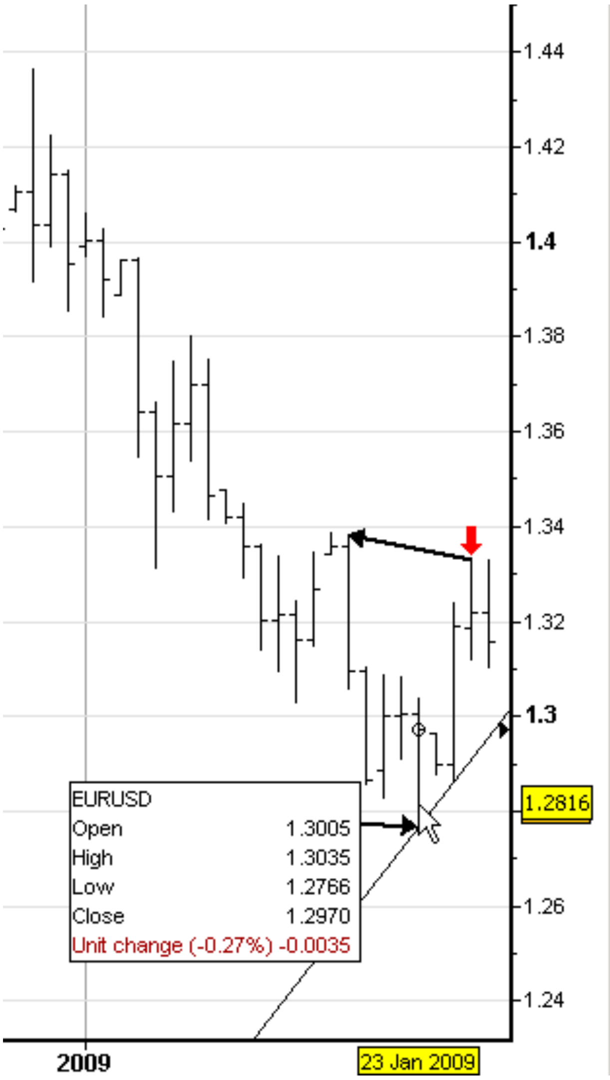
(High-Open) + (Close-Low) / 2 * Range

1.3327-1.3215 + 1.3154-1.3103 2*(1.3327-1.3103)
.0112 + .0051/ 2*.0224
.0163/.0448 = .363 Slightly Oversold support should be able to hold first attempt.

Now we need to calculate our support and resistance levels with our trend line analysis. Then work our Fibonacci points.

Here are the two most recent demand points. I will draw my support line out to have my chart ready for battle. Drawn on the daily price chart! This is a major support line.

We have our support line drawn, and take note that, the value of the trend line is ***1.2997.*** We will now do our Fibonacci calculations. We could not break January 27th high, so we will calculate where or Fibonacci retracement levels are on the down side. We take yesterdays high and add 4.5 pips; we then look to the left on the chart for a higher high by 13 pips or more. The lowest point in between becomes our pivot low point. So let me mark up a chart and show you. Check out the chart below.

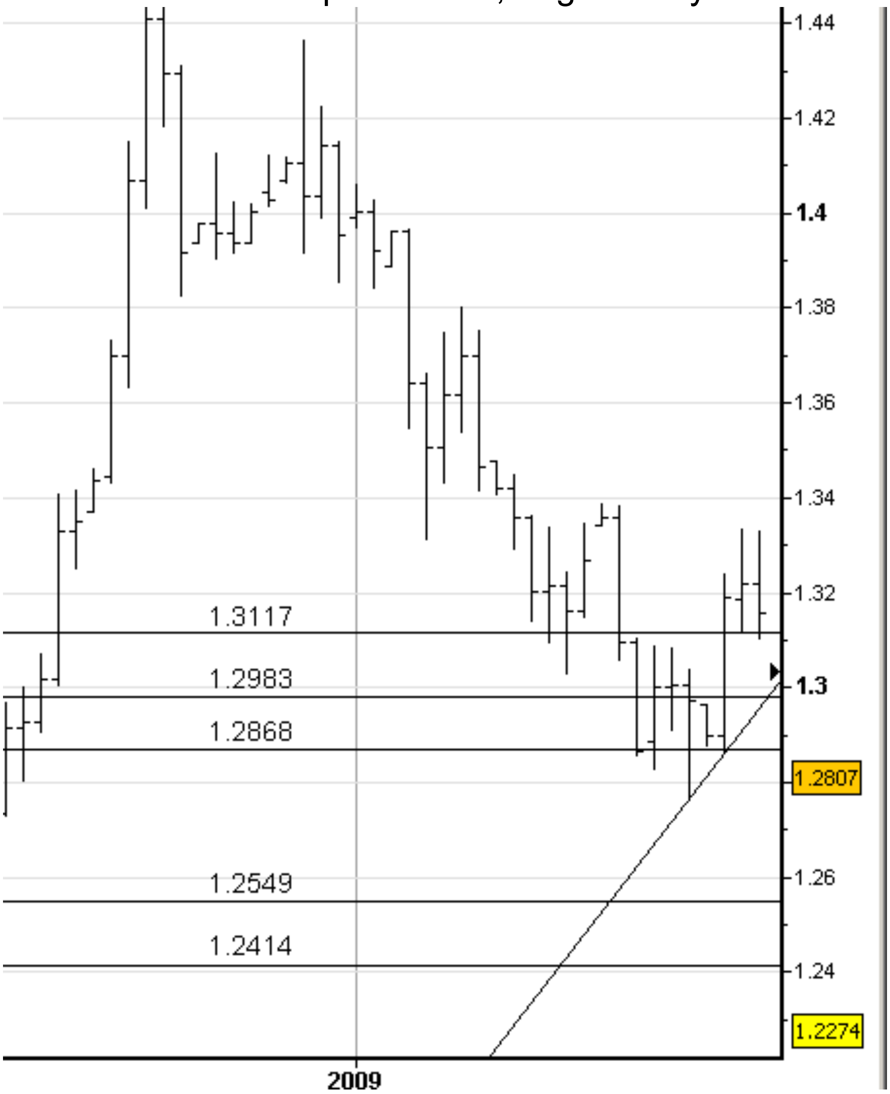


So the high made on January 27th was 1.3330 so we add 4.5 pips. It becomes 1.33345. The higher high made on January 19th was 1.3381. The pivot low was made on January 23rd at 1.2766. We take the difference between 1.33345-1.2766 to get the range. Then multiply by our Fibonacci ratios to get the amount to subtract off the high of 1.33345.

1.33345-1.2766= .05685
.05685 * .382 = .0217 1.33345-.0217= 1.31175
.05685 * .618 = .03513 1.33345-.03513=***1.2983, that point is very close to our trend line support at 1.2997.Are we starting to see market symmetry here?***

.05685 * .8200 = .046617   1.33345-.046617= 1.2868
.05685 * 1.382 = .078566   1.33345-.078566 = 1.254884
.05685 * 1.618 = .09198   1.33345-.09198 =   1.2414
.05685 * 2.236 = .1271   1.33345-.1271   =   1.2063

Let's start to mark up our chart, to get ready for the war tomorrow.



I did not put all the levels down for sake of time on my part. So now we have our trend lines and Fibonacci support levels set. It is important to note that the 1.3117 level was broken, we closed above it, but it is now compromised. If we break below it will act as our first level of resistance. I now need to calculate my upside resistance levels. So let's look at the two charts below.

We have our low and look to the left to find a lower low. The date that it was made was December 8th 2008. We find the highest high, the Pivot high of 1.4720 will be used for calculations for upside resistance.

Swing High Price is 1.4720. Look at chart below for all our calculation.

So let's do our calculations for Fibonacci Retracements on the way up. (You would have had these already calculated two days before.) However, for completeness I will do them again. Here is a point that I want to go over, these points are valid on the way up until they are ***breached, if they are breached, they will act as a support on the way down.. When a new swing low is made, you will need to recalculate to get the new reactionary points.*** the new retracement levels calculated for support off the new highs (the points marked on our chart above ***1.3117 broken (the low on the 28th was 1.3103) it will act as our first level of resistance!*** , 1.2983, 1.2868 etc) are your now valid (for support). Many people have heard that old resistance acts as support or vice versa; that is true for Fibonacci points, ***not for trend lines***; as stated above, once you have a new high or low you must recalculate. These points are ***dynamic*** like the market always changing.

Fibonacci Resistance Points for our chart.

Ok so we have the pivot high at 1.4720, our pivot low is 1.2766.
We take our pivot low and subtract 9 pips. 1.2757.
Take the difference to find the range and multiply by the Fib Ratios.
1.4720-1.2756= .1963
.1963*.382=.0750
.1963*.618=.1213
.1963*.820=.1609
.1963*1.382=.2713

First resistance point of the swing low will be 1.2757+ .0750 = 1.3509
Second resistance point will be 1.2757 + .1213= 1.367
Those are far enough away, no need to calculate further.

On the chart below you will see what I refer to as the market map. This map gives me an idea of where I am at all times. I will use these as my ***major points***, and I will break the market down by the hour to gauge market momentum and to determine if there seems to be a shift in supply and demand. I will use the same techniques on the hour charts to determine minor points.

Look at the chart below.

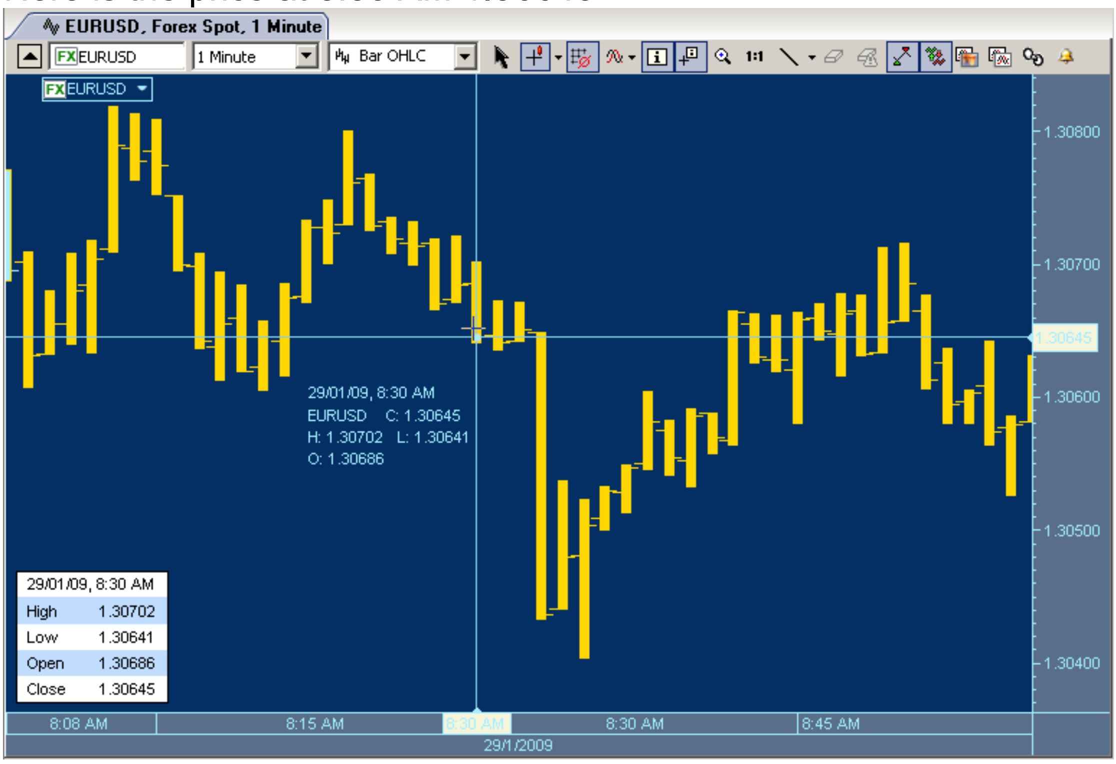
Ok so we are now ready to trade the Codex System.
An important point to restate is;

The Codex System doesn't' "know" anything, it gives you a look. It "intuits". This is an important point, for the simple reason that by the time you "know" which way the market is going, the opportunity is lost ,or at the very least the risk reward ratio is no longer in your favor. This system helps put" you in the train before it moves."

Many times we get moves that a move that goes immediately in our favor, at other times we have to work for them. The Codex needs 113 points for a Stop/Loss. So calculate your position size accordingly. I always put on 2/3 of my overall position on the signal; I will add the last 1/3 on a move of 33 points against me or in the money. (Averaging In) My S/I calculation is based on full size position entered at signal. I will look for 70 – 200 points with this system. I will use the hourly charts to determine my exits. If you wish to trade the system automatically you can. Just enter in the AM full amount, put your Stop in and close at end of day or with a trialing Stop.

So lets have a peek into January 29th. The first indicator we have calculated is the OB/OS Indicator Showing we are a bit over sold.

Here is the price at 8:30 AM 1.30645



NOTE:
We open in NY below our Fibonacci Support level at 1.3117. It is now

a resistance point.

Here is the close at 8:31 am 1.30641. The Codex will get you long if the price on the next 1 minute bar closes higher, or you will get short if the close on the next 1 minute bar is lower. ***(Of course we would not know that the next bar fell out of bed so to speak. But it helped me because I got in lower.***) You will then calculate your stop loss on the signal price; you will add or subtract 113 pips from the signal price.

So calculate you position size accordingly.

The Codex gives me a buy signal at 1.30651, I buy 2/3 my position at this price. I will buy the 1/3 on a move that goes 33 pips against me or if in the money.
Here is my trading Diary for the day. I will put in chart jpegs so you can see how I approached the market.

January 29 2008

Look at our hourly Chart Set Up below.

In case you missed it we open in NY at 1.3065, below our Fibonacci Support of 1.3117.
It is now a resistance point, if we break ***above*** it, it will act again as a Support area.
So this Fibonacci point would be considered your first major resistance point.

Note the old Fib support now marked as resistance. The next level is 1.3509(we calculated that). A bit above the area we can see here on the hour chart.

8:32 I get a buy signal, and market moves quickly down 20 pips before I can take an offer. I buy at 1.3046 prices. Stop Loss 1.2947
I will look to buy my additional 1/3 at 1.3025-35 level.

8:33
Price point at 1.3045 level. It's a bit choppy and looks offered to me at this moment. We may get the dip I am looking for quickly.

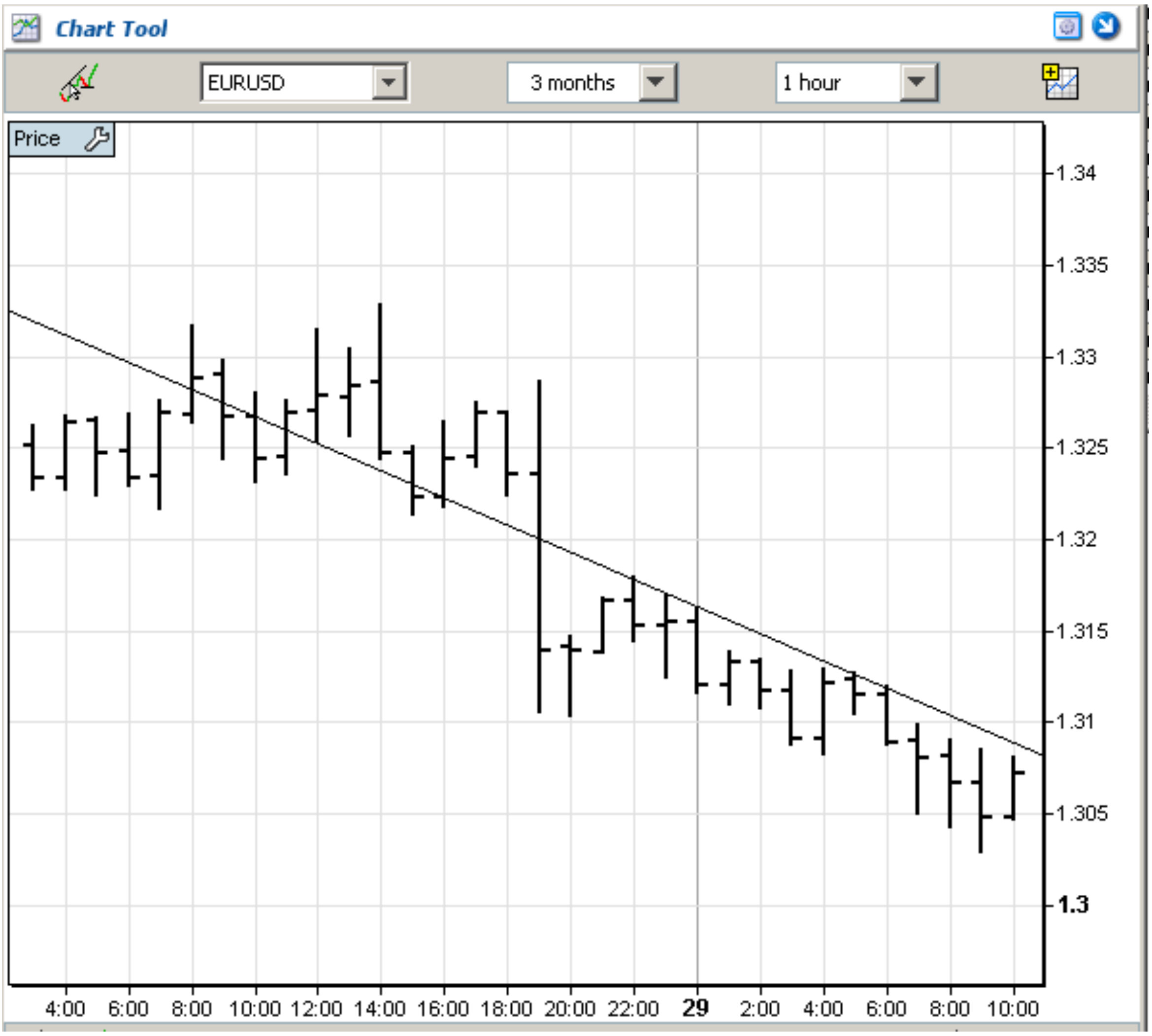
8:35

Market can t get above the 55 level. I would expect to buy that dip soon.

8:38
We are attempting to break the 50 level.
8:43
Market in trading range. 45-68

10:09
Market attempting to rally up sitting at the 75 level.

10:29
Rally fails and we dip back down into the range.
Here is a quick price projection chart that I did.



If we break above the 1.3117 fib level where would I find possible exhaustion?
I will show you my calculation before that I made before the market broke up, and I based my exit sale on it. Check out the next chart.

PRICE PROJECTION

Value of our resistance line is 1.3088. If we break it we look to the left to find a higher high. The difference between the line and the pivot low (1.3028-9 = 1.3019) is used to calculate the price projection up.

1.3088-1.3019=.0069

1.3088 + .0069= 1.3157 I would look to sell there if we have no momentum to carry me to the target, or if we break higher put a Stop there.

11:16 we break the 1.3100 figure and now need to get up above Fib level at 1.3117.

11:30

We break over Fib level and quickly attempt the 1.3135 level and fail S/l will be at 1.3099 now.

1:16

We keep bouncing off the 30 level and touching the Fib level at 1.3117.

1:56
Target level hit sell 2/3 position at 1.3156
Trailing stop placed for final 1/3 at 1.3108 just below Fib Level.

Let's look at our chart to see how good our price projects were.

The first level the market hesitated at was 1.3132, (25 pips short from our projection of 1.3157.)

The next level the market stopped at was 1.3162. That's right on, the highest rally we had as up to 1.3179(22 pips higher then projection of 1.3157.) Then we crashed back down. I pity the guy that bought the 1.3179, and did not know to square or reverse below 1.3157, these techniques are powerful.

2:57
Trailing stop hit and position closed. Closed at 1.3103

Closing Notes the OB/OS % came in handy today. The market took a long while to get paid up. It was interesting to note that the Fib level was broken quickly on the upside, and once above held for a good amount of time. My projection price was dead on. It got me out at an excellent point.

Trading Sheets for the day.

Broker	Buy	Sell	Rate	Net	Average
ACM	1.2		1.3046	+1.2	1.3046
ACM	.6		1.3033	+1.8	1.3042
ACM		1.2	1.3156	+ .6	1.2814
ACM		.6		0	1.3103

Profit On day .0289 pips
.0289*600,000= $17,340.

I am going to show Monday February 2nd Trading day.

OUR DAILY FIBONCCI LEVELS REMAIN THE SAME.
WE HAVE NOT BROKEN OUT THE RANGE

January 30th Data

Open 1.2951
High 1.29574
Low 1.2761
Close 1.2809

OB/OS Indicator
(1.2957-1.2951) + (1.28098-1.2761) / 2* .01964 =.0393
.0006 + .00488 = .0548/.0393= .1394
VERY OVER SOLD

Here are the rules again

TIMES:

8:30 A.M. Closing Price
8:31 A.M. Closing Price ***Freeze Frame***
8:32 A.M. Execution Closing; Price If Higher Buy/ Lower Sell than Snapshot (Break Trade up into Pieces. Put on ¼-1/3 of full position as example. Add at Your calculated levels.)
8:33 A.M. Watching Price Action
8:35 A.M Mid Point Price Observing Price Action
8:38 A.M Observing Price action
8:43 A.M. Should be looking good. (Slightly moving in our direction.
8:51 A.M.
9:00 A.M.
9:04 A.M.
9:25 A.M.

If the closing price is the same we revert to an alternative time

series.

It will be as follows: **8:38** Snapshot Price, ***8:43 Buy if higher than snapshot or sell if lower than snapshot. If neutral again stay, out of market. This has never happened to me.***

This happened today, the closing price was the same at 8:31 and 8:32.

I had to use the alternate time series of 8:38 and 8:43.

8:38 Market Closes at 1.2742

Market closes at 1.27515. System gives a buy signal.

8:30 1.2745
8:31 1.2749
8:32 1.2749
Use Alternate Time series.

8:38 1.2742
8:43 1.2751
I buy 2/3 of my position size, at this price. Indicator has the market very over sold. I paid 1.2754 Stop Loss 1.2641
8:55
The high so far has been the 1.2765 level, I am going to see if I can get a dip down to 1.2715 level to buy my other 1/3.

10:20
I get a dip down to the 1.2712 level and pay 1.2718 for the last of my position. That was close to the overnight low.

11:15

We attempt the 1.2800 figure and fail. Quickly get pushed down to the 1.2745 level.

2:00

The resistance at the figure got broken and I will do quick price projection to see where to sell.

The red arrow represents the critical price at 1.2710

1.2710+ 4.5 pips= 1.27145

Go to the left find a higher high,(the other red arrow to the left,) the pivot low is the green arrow. It is 1.2707

1.2815-1.2707=.0108*.382=.004125

1.2815+.004125=1.2856 1st level of resistance

.0108*.618=.006674=1.2815+.006674=1.2881 2nd level

3:00

We can't get over the 1.2845 level. I am going to move my stop up to 1.2805.

3:20

Market attempts the 1.2855 level and fails I sell 2/3 of position at 1.2847. S/l for 1/3 at 1.2805.

3:30

Stopped out at 1.2803.
Trading Sheets for the day.

Broker	Buy	Sell	Rate	Net	Average
ACM	.8		1.2754	+.8	1.2754
ACM	.3		1.2718	+1.1	1.2744
ACM		.8	1.2847	+ .8	1.2469
ACM		.3	1.2803		

P/l for the day = .0334 pips on 300,000 Euro.
300,000*.0334=$10,020

You may have noticed that I am trading smaller today then Thursday. It is because I took a draw down with a longer term trend following system.

BONUS DAY

FEBRUARY 3rd 2009

New Fib Numbers off the new low of 1.2707
Data from Feb 2nd 2009

We have a new low at 1.2707, we move to the left to find a lower low at 1.2558. The highest point is 1.4720= 4.5 pips=1.47245
We take the difference from the high and recent low of 1.2707
1.47245-1.2707=.20175
.20175*.382=.07706 1.2707+.07706=1.34776
.20175*.618=.12468 1.2707+.12468=1.3954
.20175*.8200=.1654 1.2707+.1654=1.4361

OB/OS
Data from February 2nd 2009
Open 1.2751
High 1.2899
Low 1.2707
Close 1.2814

1.2899-1.2751+1.2814-1.2707 / 2*range

Range 1.2899-1.2707=.0192*2=.0384

.0192+.0107/.0384= .78 over bought
CODEX TIME SNAP SHOT
8:31 1.2841
8:32 1.2844 Buy Signal.

8:33
Codex gives a buy signal I buy 2/3 my position at 1.2850, I have an over bought indication, but market price action Bid.

8:45 market attempted to break above 70 level, and could not.

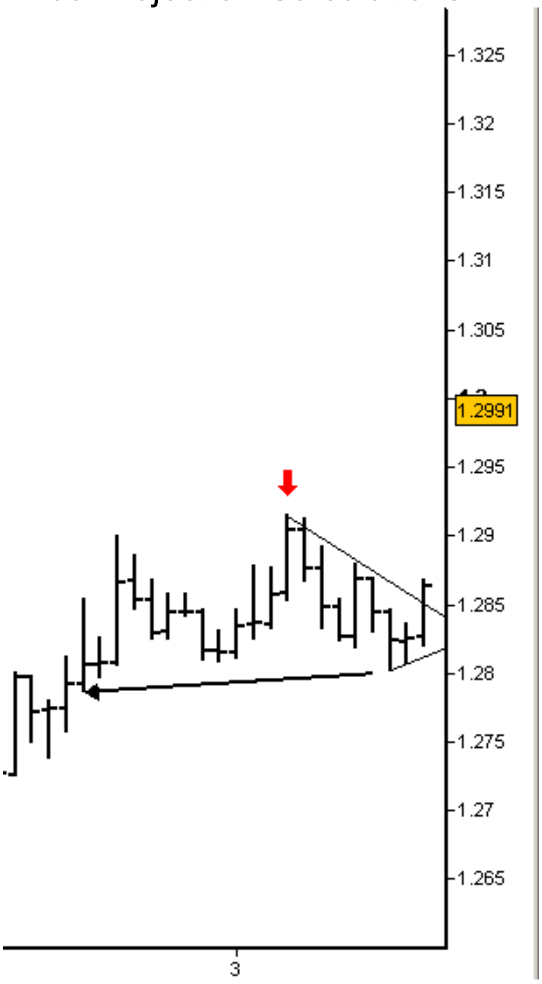
9:20 I buy the 1/3 at 1.2823.

9:30 Market tested the 1.2800 level and bounce off hard that, I am a bit concerned with the OB indication. I may look to liquidate the position if we can t break the 1.2870 level.

9:50
We attempt the 1.2830 level and get hit back down. Sitting at 1.2823

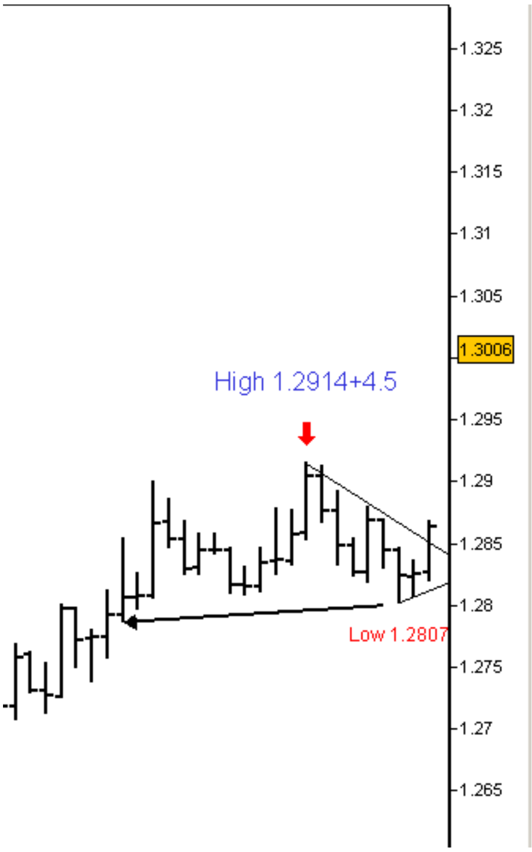
10:00-11:00 1.2820-- 1.2836, Range trade, can go either way.

11:10 Market Breaks the 1.2845 level we will now attempt old highs of 1.2870 I believe. Euro breaks up through the resistance line; Fib Price Projection Calculations:



Formula Below just in case you forgot it.

Quick fib price projection:
We have our recent low go to left, find a lower low. Highest price in between the two lows +4.5 pips.
Highest high(+4.5)-recent low=Fib Factor
Fib factor * .382 = X   X added to the value of the line at break out.
SEE BELOW



Value of line at breakout
1.2853

1.29185-1.2807=.01115
.0115*.382=.0043
.0115*.618=.0071
.0115*.820=.0094
.0115*1.382=.0159
.0115*1.618=.0186
.0115*2.236=.0257
Added factors to the value of the line at break out (1.2853 in this case)
1.2853+.0043=1.2896
1.2853+.0071=1.2924
1.2853+.0094=1.2947
1.2853+.0159=1.3012
1.2853+.0186=1.3039
1.2858+.0257=1.3115
11:45
With the over sold indicator I will look to sell a rally at the 1.2950 if we

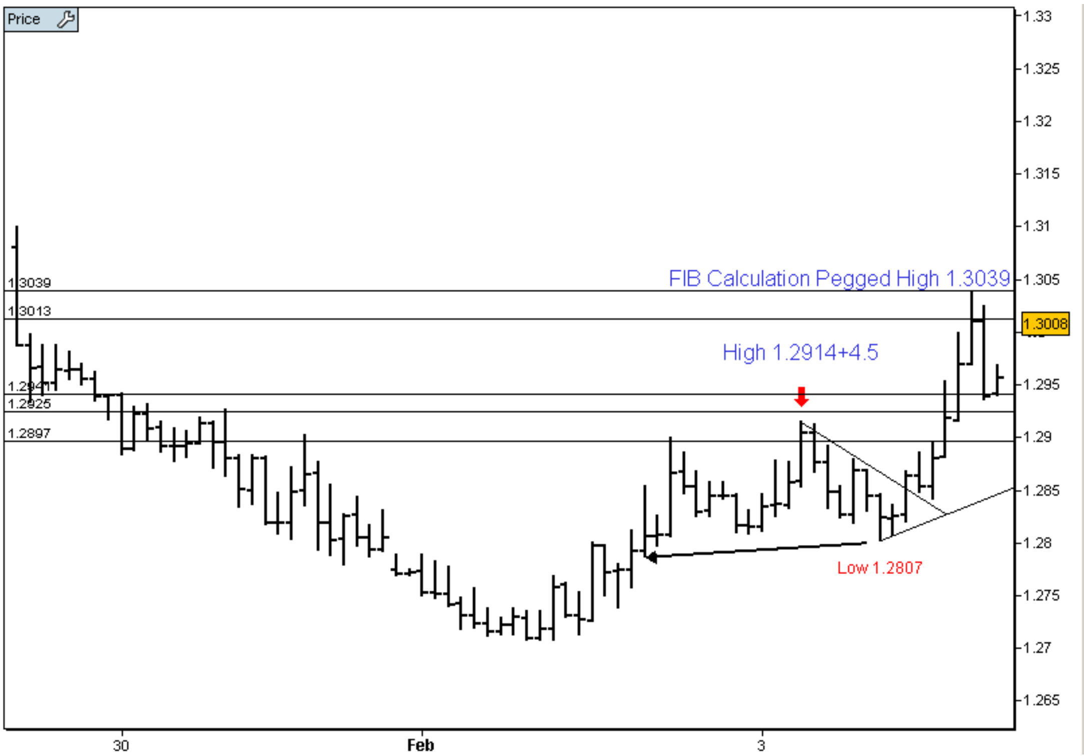
can break up there.
2:00
We attempt the 1.2920 level and break it. We touched 1.2940, but failed. The 1.2947 Fib point held on first attempt.

3:00 we break up to the 1.2995 level and fail I sell 2/3 my position at 1.2973.

3:30 we seem to be slowing down at this point I Square my position at 1.2957.

4:00
Today I did not follow my rules I let my emotions seep in a bit.(The OB indicator had me concerned)I should of never squared my position at 1.2957. The trailing stop was set at the fib level of 1.2947-9pips. It never went there. However; I missed 80 pips more. The fib calculations nailed the high for the trading day today.

Look at the chart
Below



Trading Sheets for the Day Below

Broker	Buy	Sell	Rate	Net	Average

ACM	.8		1.2850	+.8	1.2850
ACM	.3		1.2823	+1.1	1.2843
ACM		.8	1.2973	+ .3	1.2496
ACM		.3	1.2957	-	

Profit on day 1.2957-1.2496=.0461 pips *300,000= $13,830

FINAL THOUGHTS:

In closing, it was my intention to give you a good foundation to trade with and Money Management skills to keep you in the game.
The knowledge I have given you is important, however it is not a panacea that will make all traders wealthy. Markets do not give up their profits easily, and most traders are ruled by fear and greed.
I have given you a battle plan; do you have the ability to detach yourself from your emotions? Only you can answer that.

Use these techniques in good health; I have tried to deliver a golden rule of reciprocity. I wanted to give you more in use value, then, I have taken from you in cash value. I believe whole heartedly I have done that.

To your success!

Tom Strigano

END.

This Forex book is dedicated to my three exquisite girls (Beautiful wife and two gorgeous daughters) it is not easy being married to a forex trader. I have spent many hours in my office, and at times, market moves forced me to miss important events with the family. They never complained, and they only ***offered*** love and support. How could I not ***pay that offer, and go long with no stop.***
;-)

My buddy Colin trading on the Liffe.(London International Financial Futures Exchange)

BIG PRINT GIVEITH; TIME FOR THE SMALL PRINT TO; TAKEITH AWAY!!

The ideas presented in this manual are for information purposes only. Foreign Exchange and all futures trading are inherently risky financial instruments that should be bought and sold only by individuals that are capable of sustaining financial liability.

;-)
Tullet Prebon International Currency Brokers HQ