

**Take it E.A.S.Y.!**

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4X Los Angeles Group - HotComm  
January 2007

# Dean Malone



- Partner of Compass Foreign Exchange, LLC.
- Co-Founder of Forex Signal Service.com.
- Previous Senior National for 4X Made Easy & WizeTrade.
- Prior co-founder of a Dallas telecommunications company.
- 19 years of financial market experience.
- 11 years of trading experience with stocks, options, futures, and foreign currency.

# Disclaimer

Unique experiences and past performances do not guarantee future results.

Trading stocks, options and spot currencies involves substantial risk; and there is always the potential for loss. Your trading results may vary.

No representation is being made that any software or training will guarantee profits or not result in losses from trading.

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# **Dean Malone's E.A.S.Y. Trading Method**

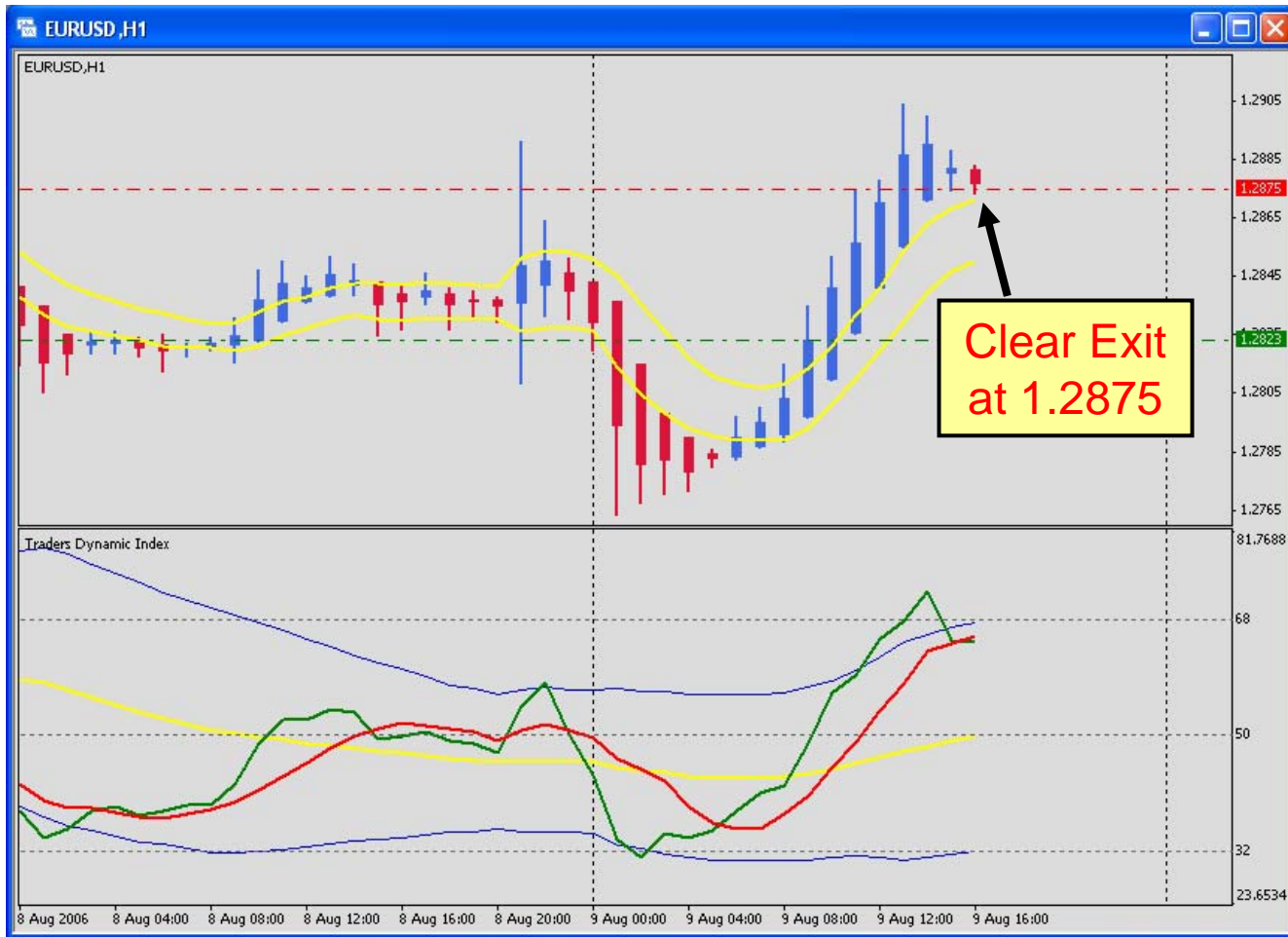
# E.A.S.Y. Method

EUR/USD 1-Hour



# E.A.S.Y. Method

EUR/USD 1-Hour



# Why the E.A.S.Y. Method?

Mark Douglas, author of Trading in the Zone, states:

*“The best traders have developed an edge  
and more importantly, they trust their edge.”*



# Why the E.A.S.Y. Method?

My “*trading edge*” rules:

1. A high probability of success.
2. Enter and exit trades without conflict or stress.
3. Trade decisions dictated by price action, not by my preconceived beliefs and opinions.

# What is E.A.S.Y.?

**E = Effective**

*Provides me an effective edge in my trading.*

# What is E.A.S.Y.?

**E** = Effective

**A** = Accurate

*Delivers a high degree of probability and predictability.*

# What is E.A.S.Y.?

**E** = Effective

**A** = Accurate

**S** = Simple

*Keeps my analysis simple in order to get a quick snapshot of the market, and make trading decisions with less stress and anxiety.*

# What is E.A.S.Y.?

**E** = Effective

**A** = Accurate

**S** = Simple

**Y** = Yield

*Yields a higher ratio of winning trades versus losing traders. It's a numbers game!*

# E.A.S.Y. Method

There are 3 primary market conditions  
I look for in a potential trade:

1. Price action
2. Momentum
3. Strength

# E.A.S.Y. Chart Setup

- Average Price Bars
- Price Action Channel
- Traders Dynamic Index

# Average Price Bars



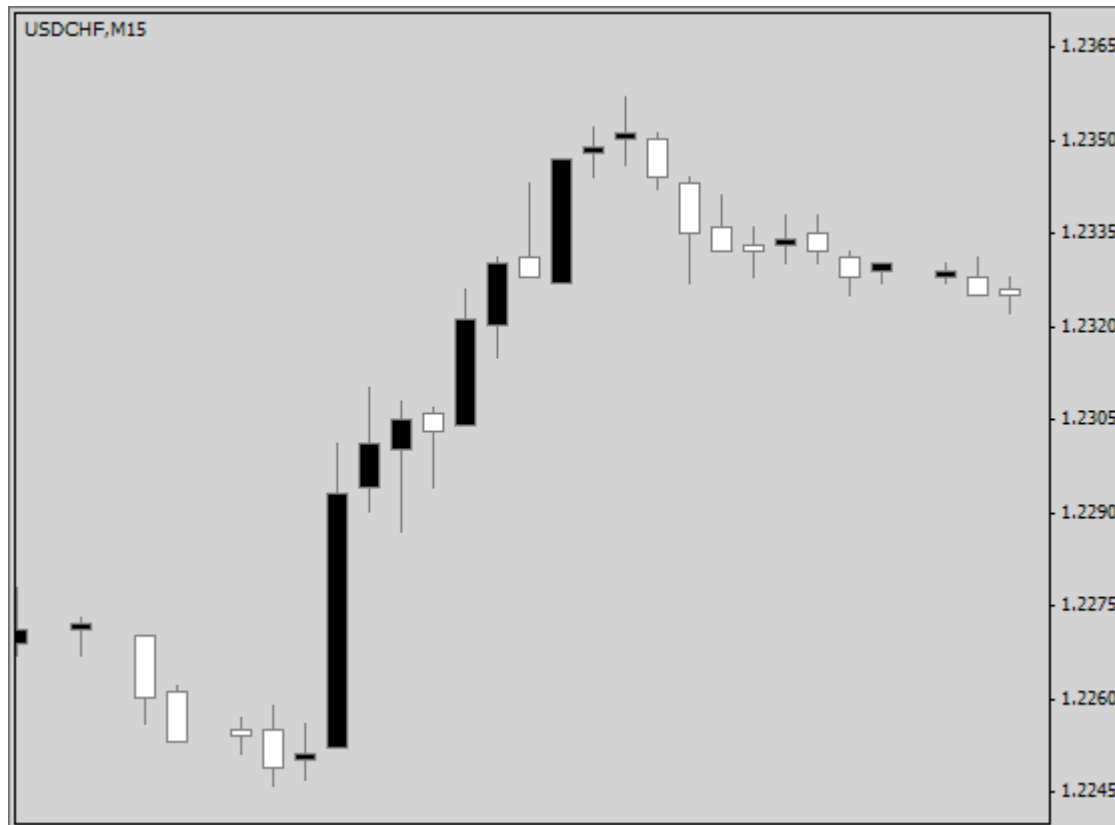
# Average Price Bars

- Provide a better depiction of current market.
- Reveal market strength & consolidation.
- Eliminate fluctuations of nominal price action.
- Remove the noise of price distortion of the underlying trend.

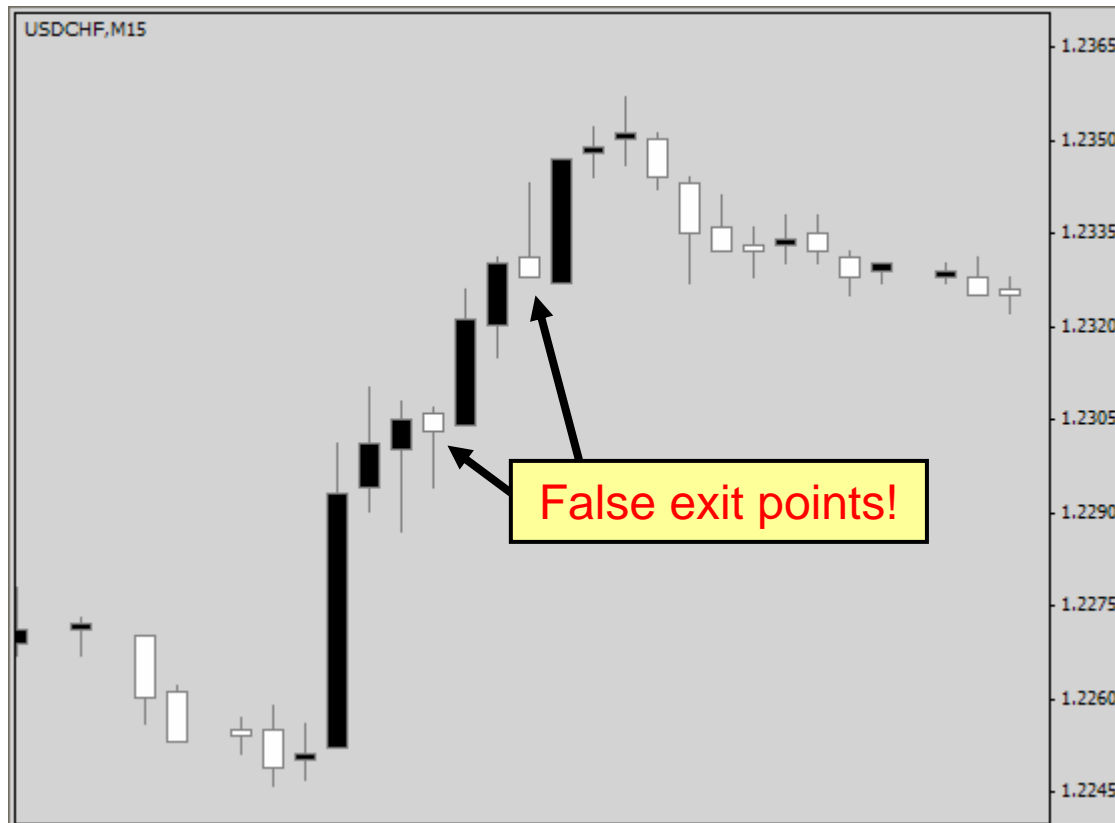
# Average Price Bars

- Use the Heiken Ashi method.
- Heiken = “Average”
- Ashi = “Bar”
- Heiken Ashi averaging technique
  - $haClose = (Open + High + Low + Close) / 4$
  - $haOpen = (haOpen(previous\ bar) + haClose(previous\ bar)) / 2$
  - $haHigh = \text{Maximum}(High, haOpen)$
  - $haLow = \text{Minimum}(Low, haOpen)$

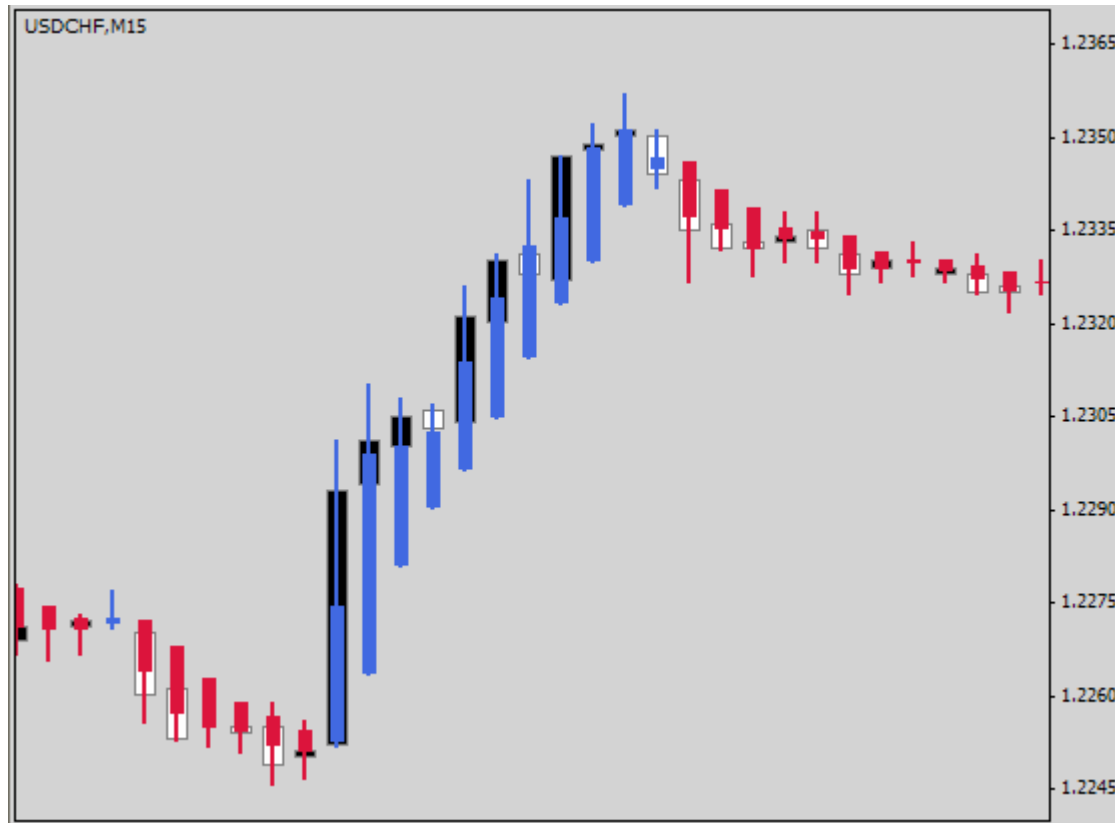
# Typical Candlesticks



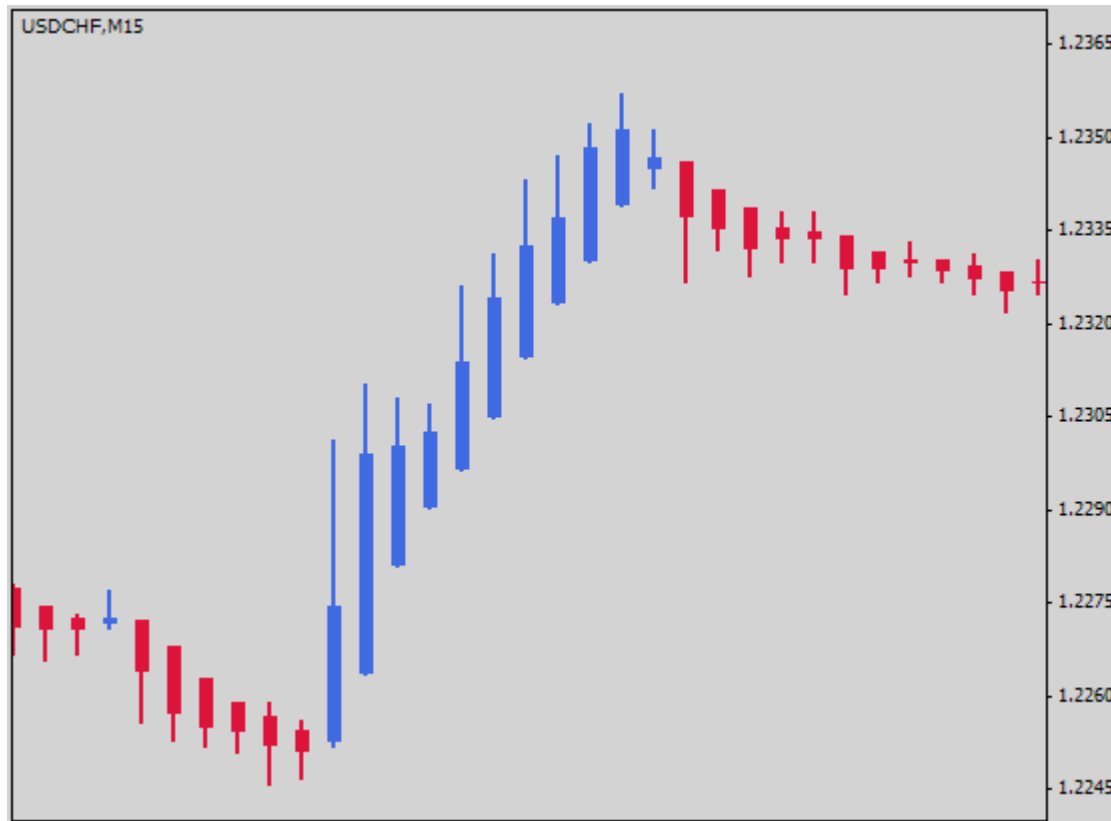
# Typical Candlesticks



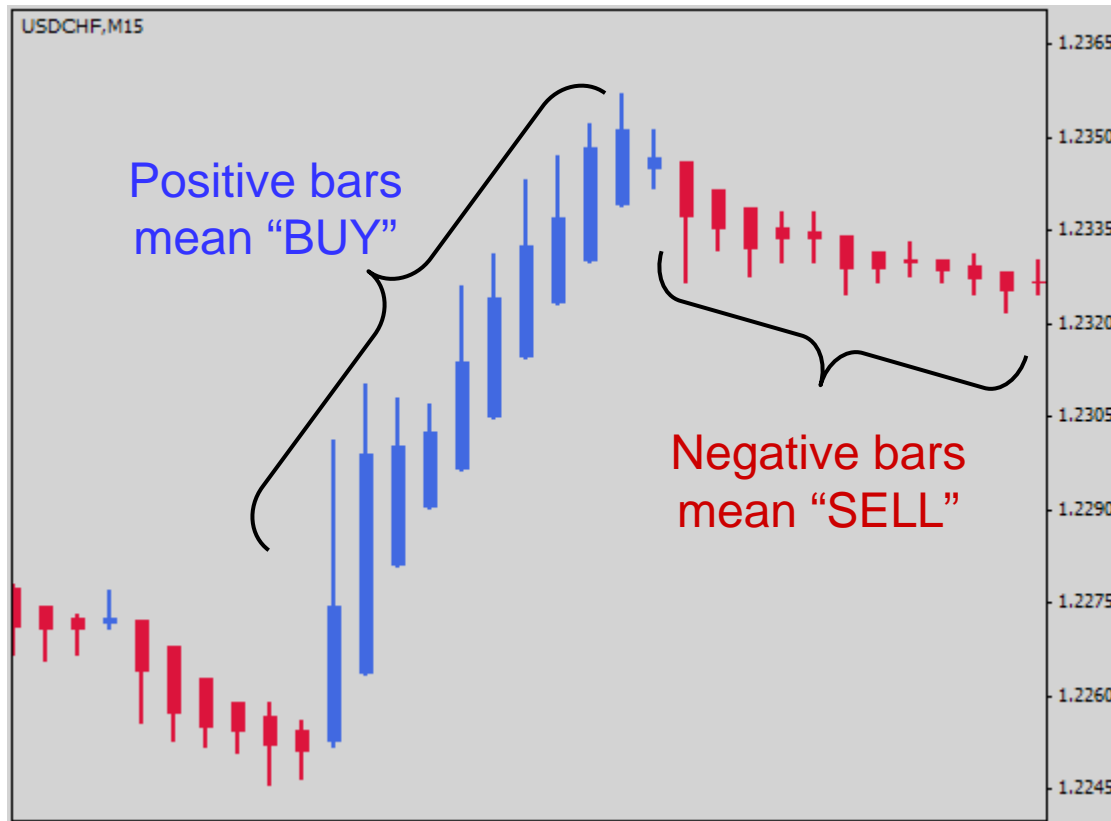
# Average Price Bars



# Average Price Bars



# Average Price Bars



# Average Price Bars

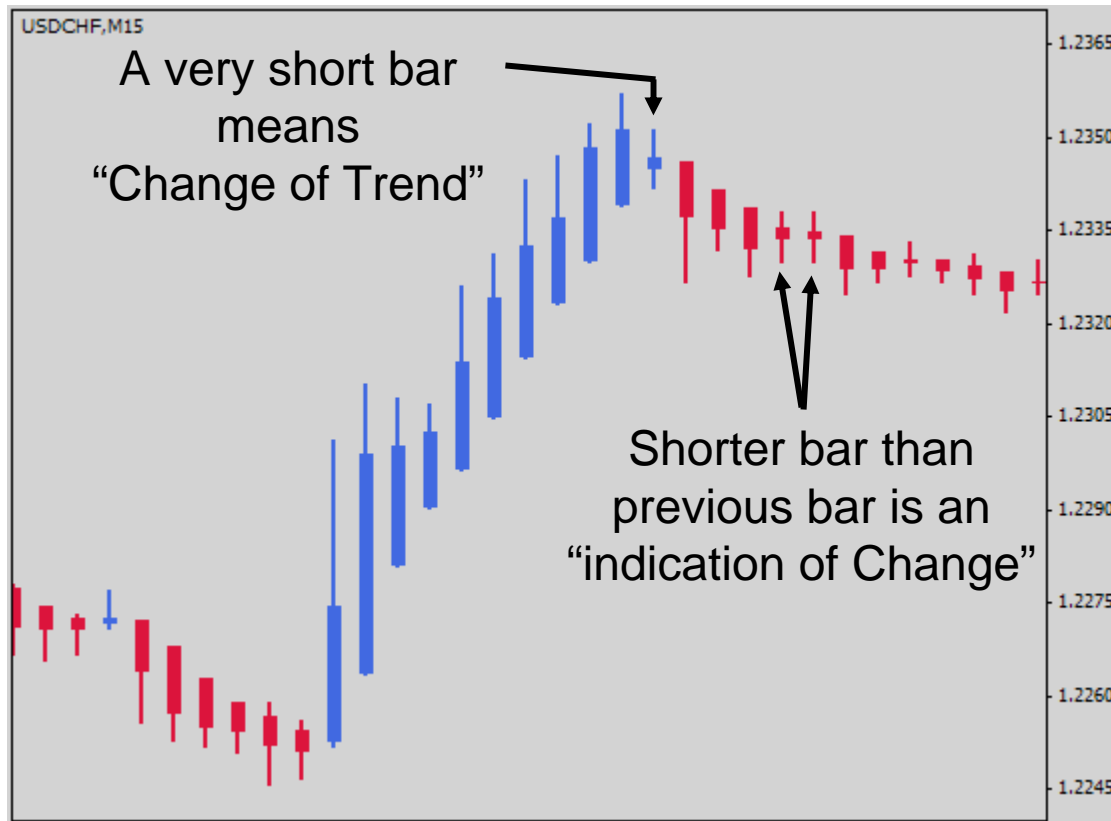




# Average Price Bars



# Average Price Bars



# Price Action Channel

# Traditional Price Channel

Traditional Price Channel has two formats:

1. A pair of trend lines above and below price like the Linear Regression Channel.
2. An envelope of bands around price with set deviation limits such as Keltner Channel.

# Traditional Price Channel

Used to determine upper and lower boundaries and signal potential reversal or breakout.

Traditional price channels can cause “reactive” trading!

# Price Action Channel

Sets inside of price movement...instead of outside of price wait for the market.

Used by institutional traders and sophisticated trading programs.

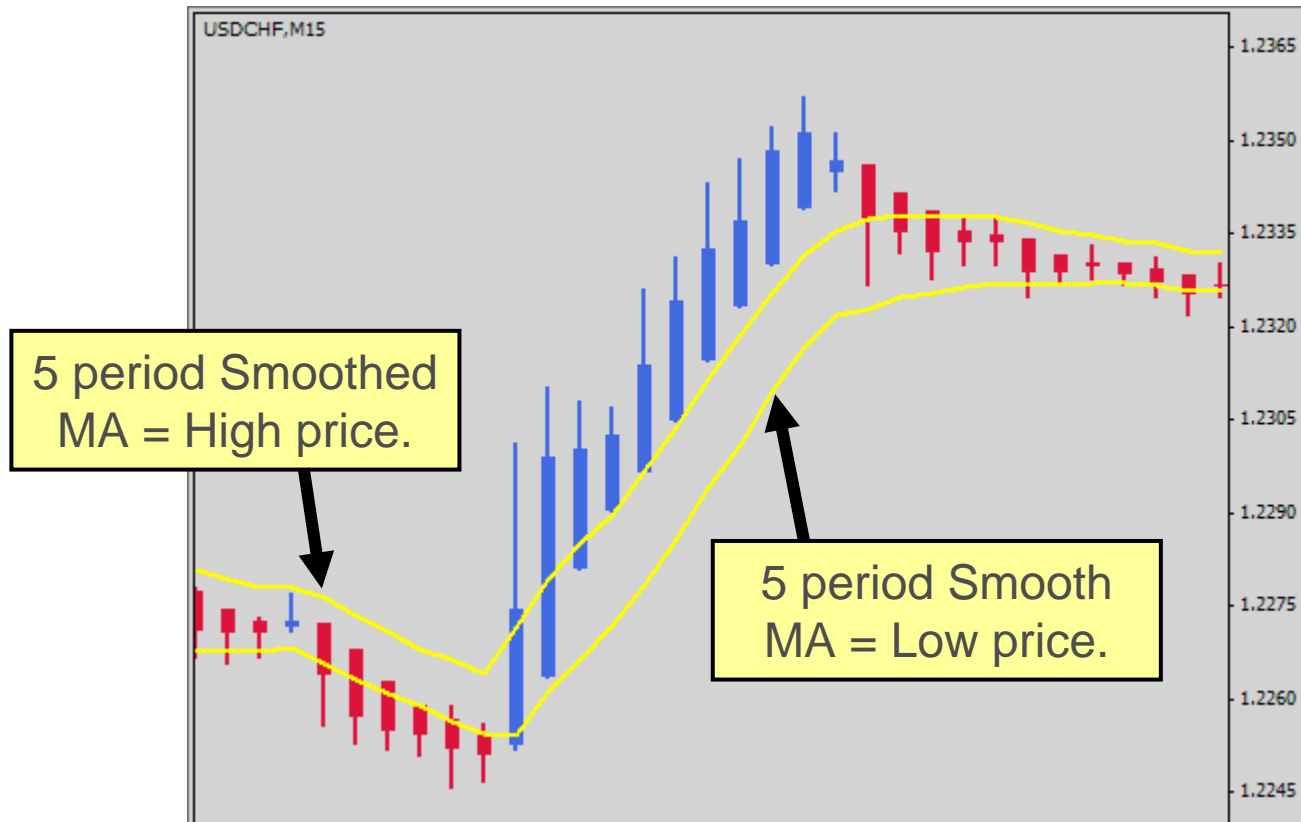
Promotes “responsive” trading!

# Price Action Channel

- Use Smoothed Moving Average
- Top of Channel = 5 period, High
- Bottom of Channel = 5 period, Low

*Alternatively, use an 8 period EMA, High & Low.*

# Price Action Channel



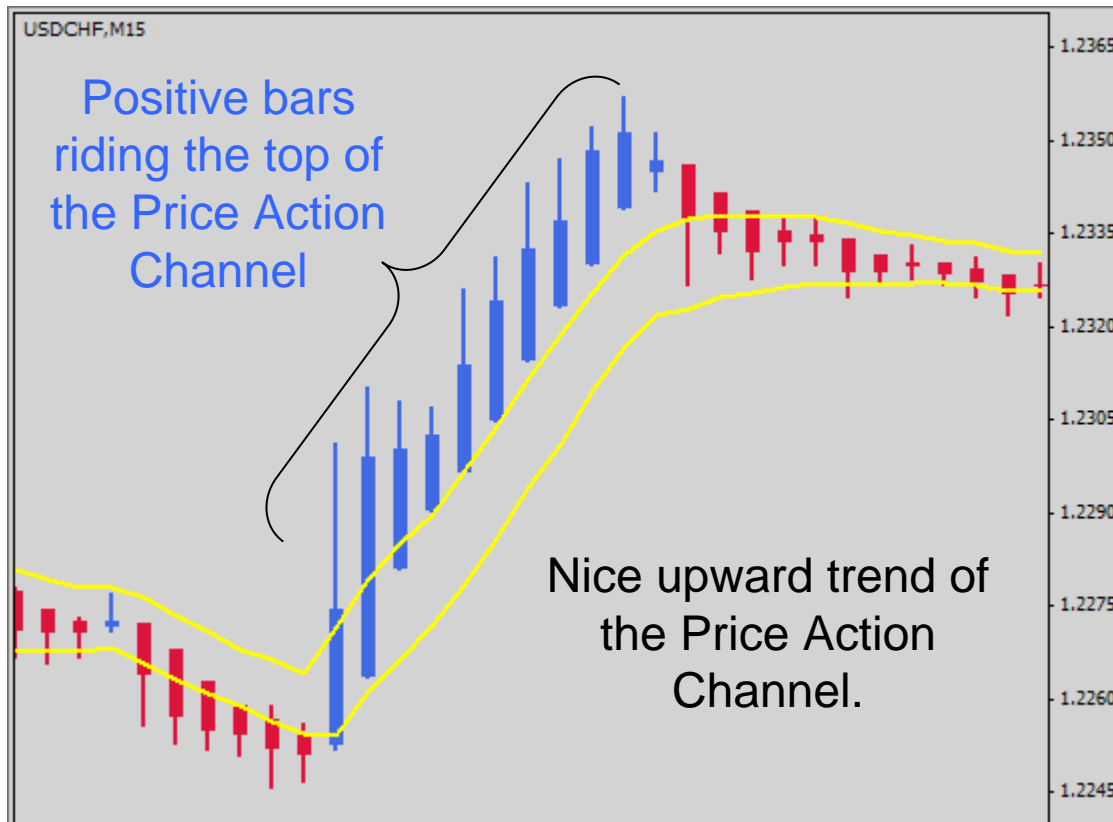


# Price Action Channel

- Provides overall trend direction.
- Reveals periods of consolidation.
- Used primarily as an Entry target.
- **BUY Trend** – Average Price Bars tend to run on top of channel.
- **SELL Trend** – Average Price Bars tend to run on bottom of channel.

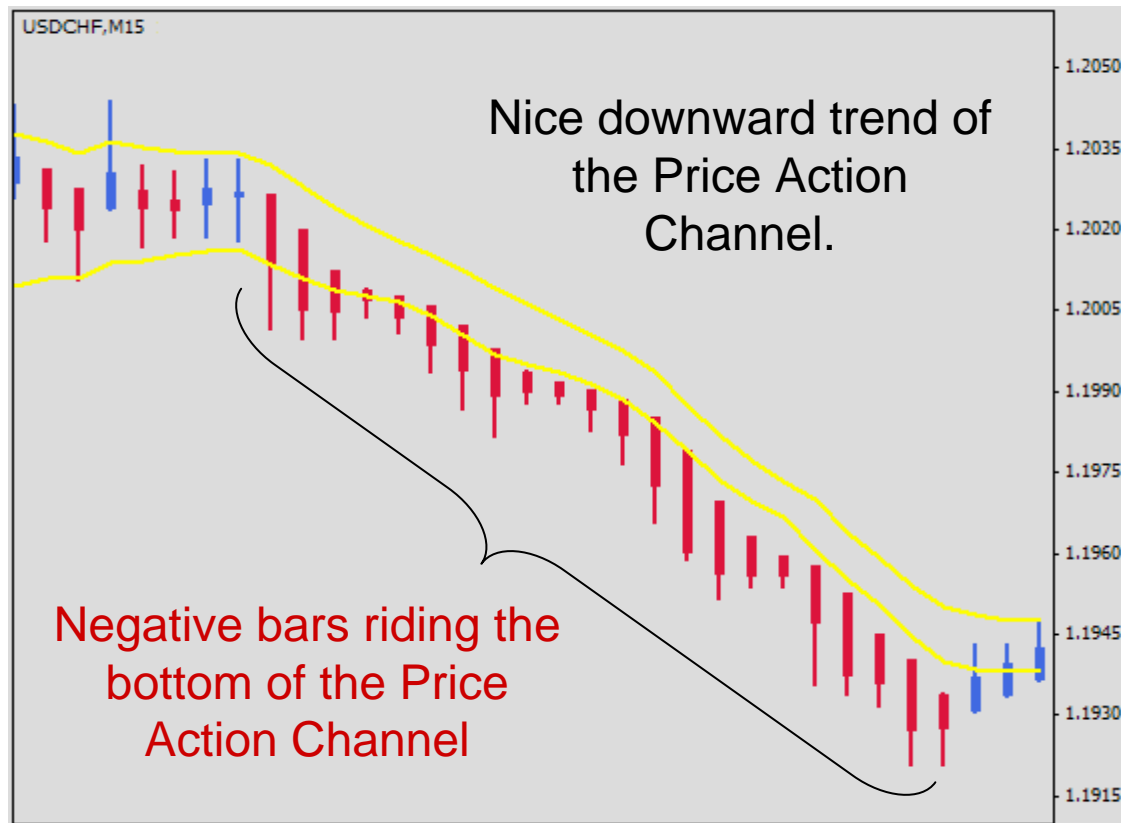
# Price Action Channel

*“Good BUY (Long) Trend”*



# Price Action Channel

*“Good SELL (Short) Trend”*



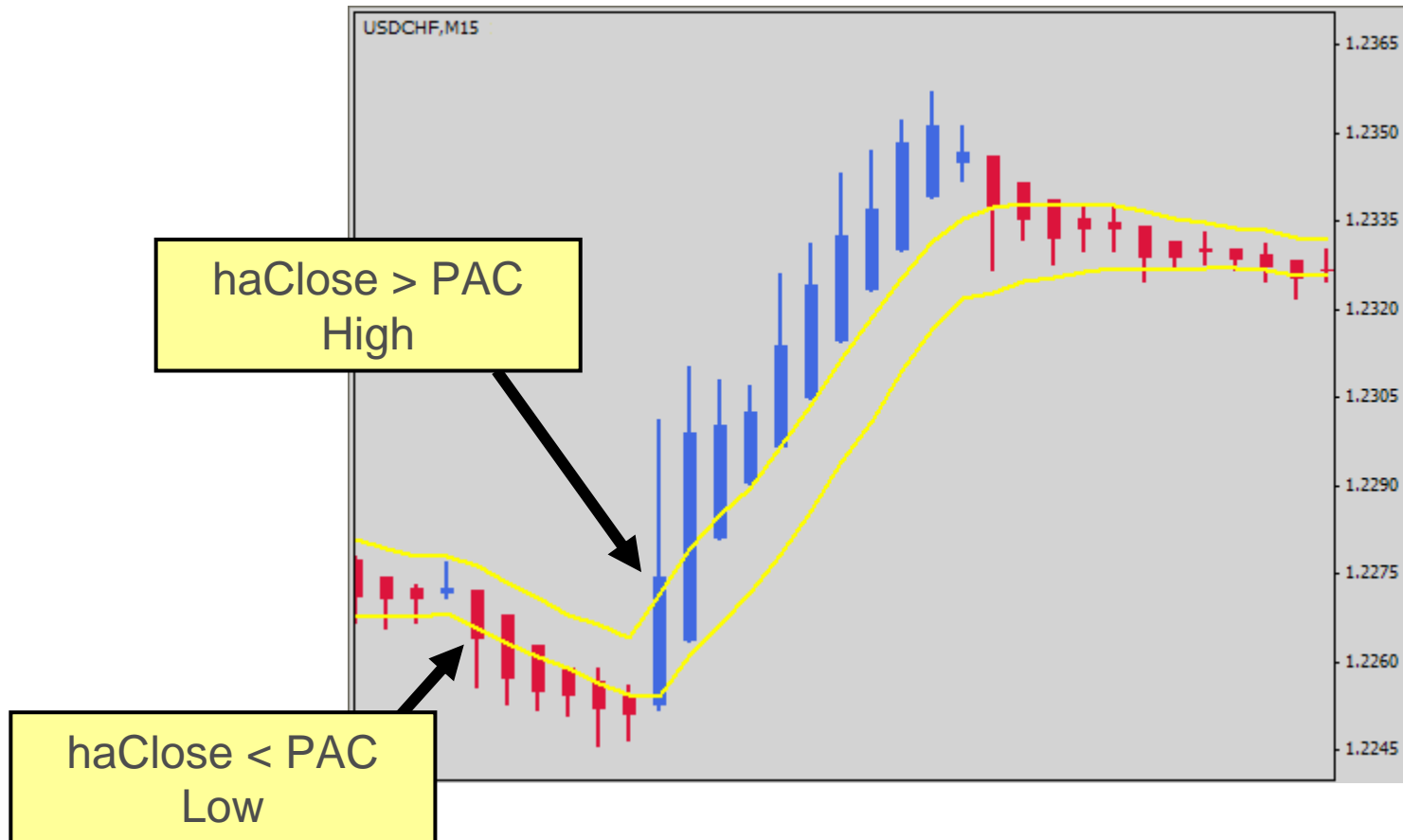
# Price Action Channel

*“Range-Bound, No Trend”*



# Price Action Channel

*“Entry Condition using PAC”*



# Traders Dynamic Index

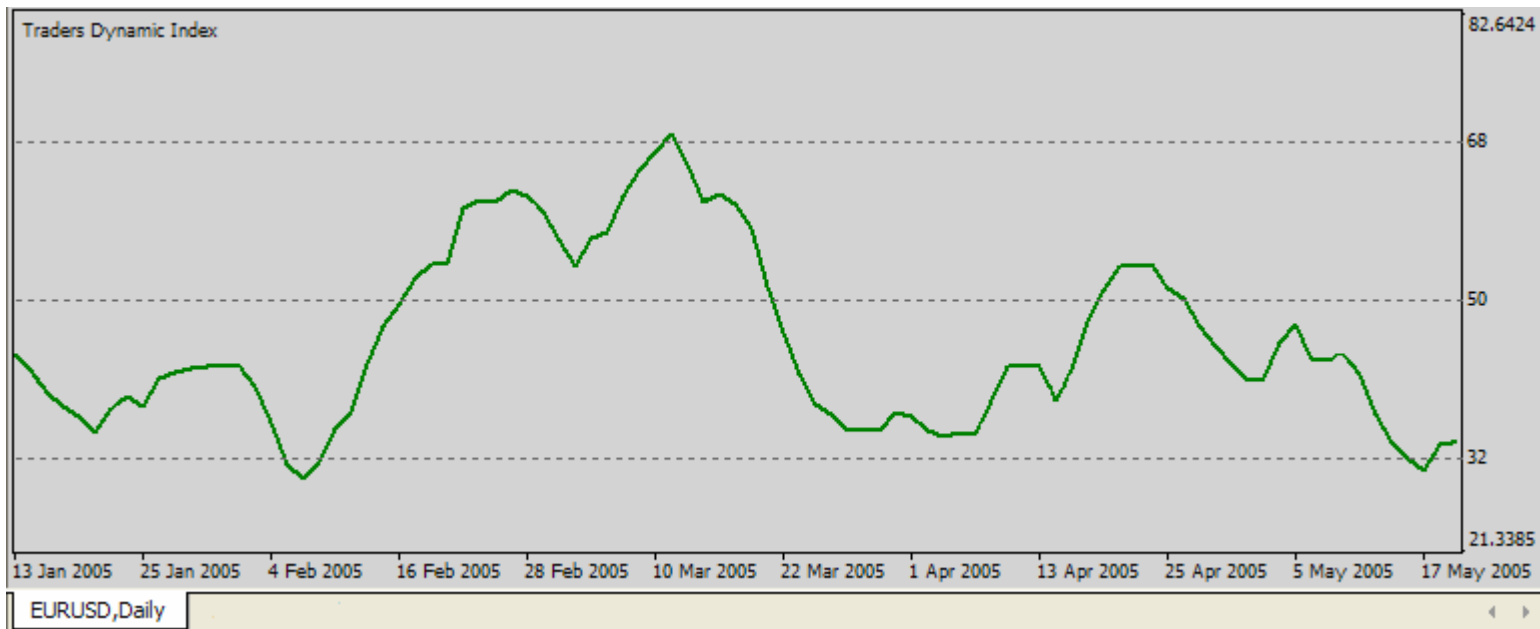
# Traders Dynamic Index

A hybrid indicator developed to indicate market conditions related to *trend direction*, *momentum*, and *market volatility*.

*An “all-in-one” indicator!*

# Traders Dynamic Index

## Step 1: RSI Price (Green) Line



*Rules: Trade Long when **RSI PL** > 50.*

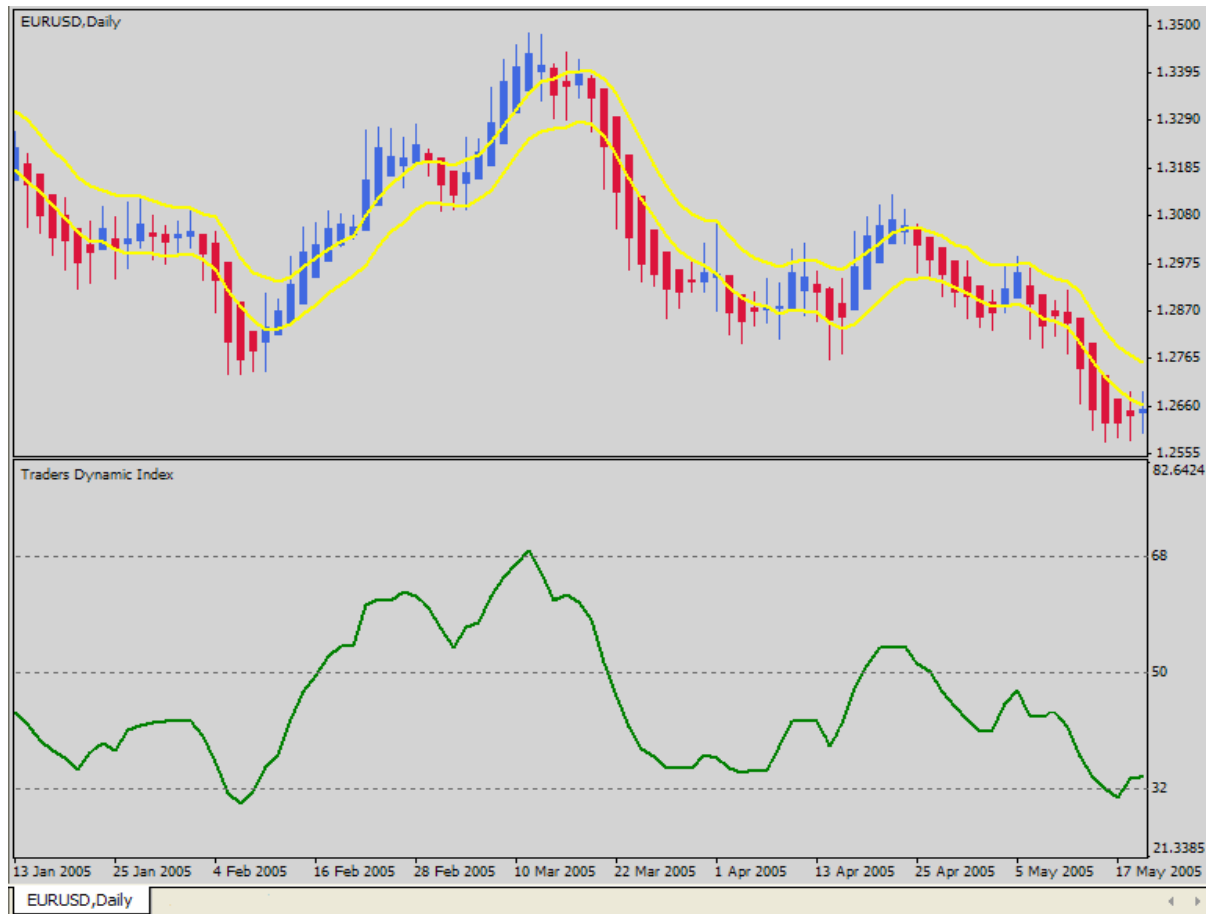
*Trade Short when **RSI PL** < 50.*

*Consider exit when **RSI PL** is > 68 or < 32.*



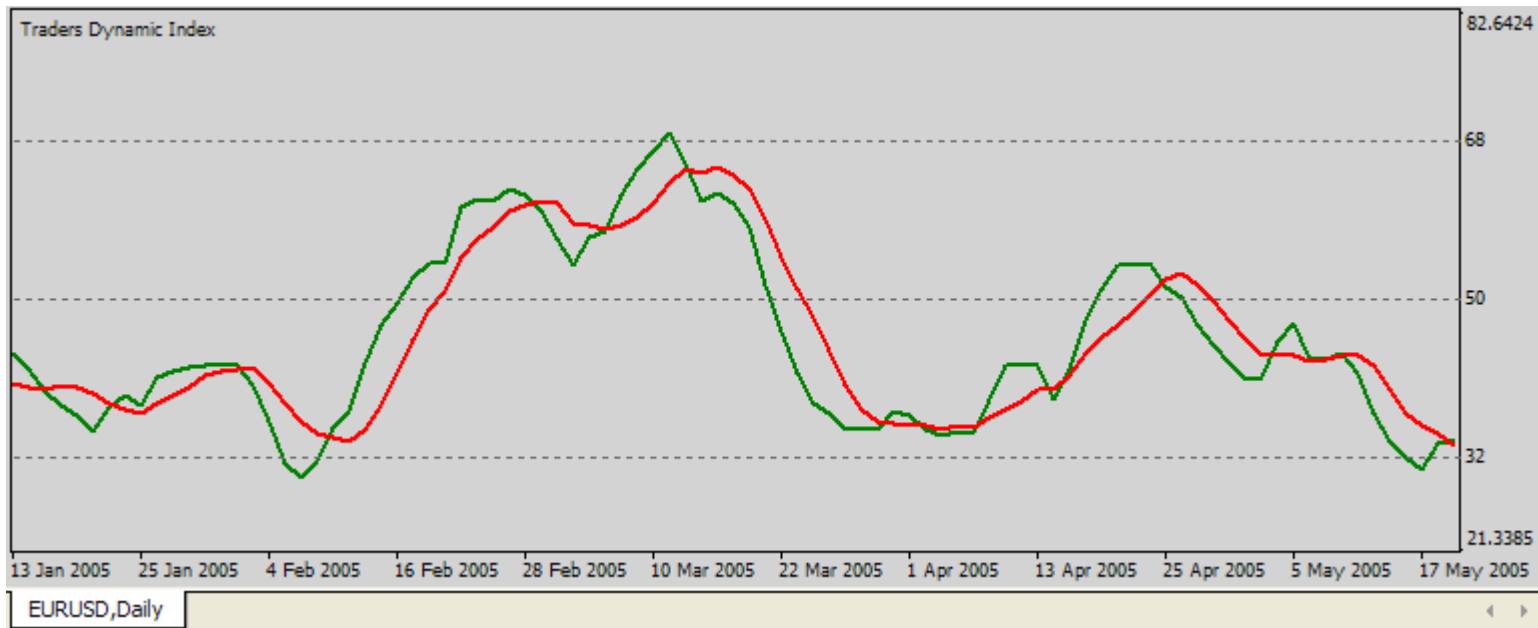
# Traders Dynamic Index

*RSI Price Line compared to Price Action*



# Traders Dynamic Index

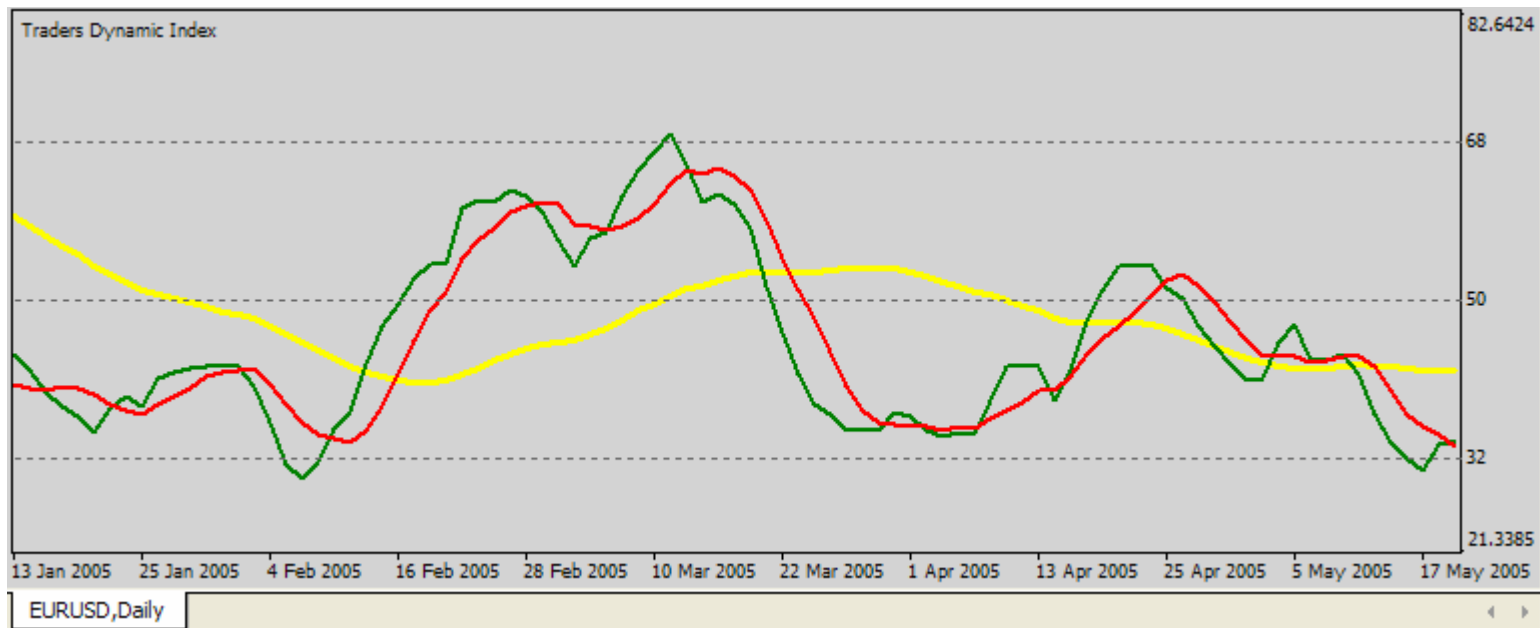
## Step 2: Trade Signal (Red) Line



*Rules: Trade Long when **RSI PL** > **TSL**.  
Trade Short when **RSI PL** < **TSL**.  
Exit trade when **RSI PL** & **TSL** crossover.*

# Traders Dynamic Index

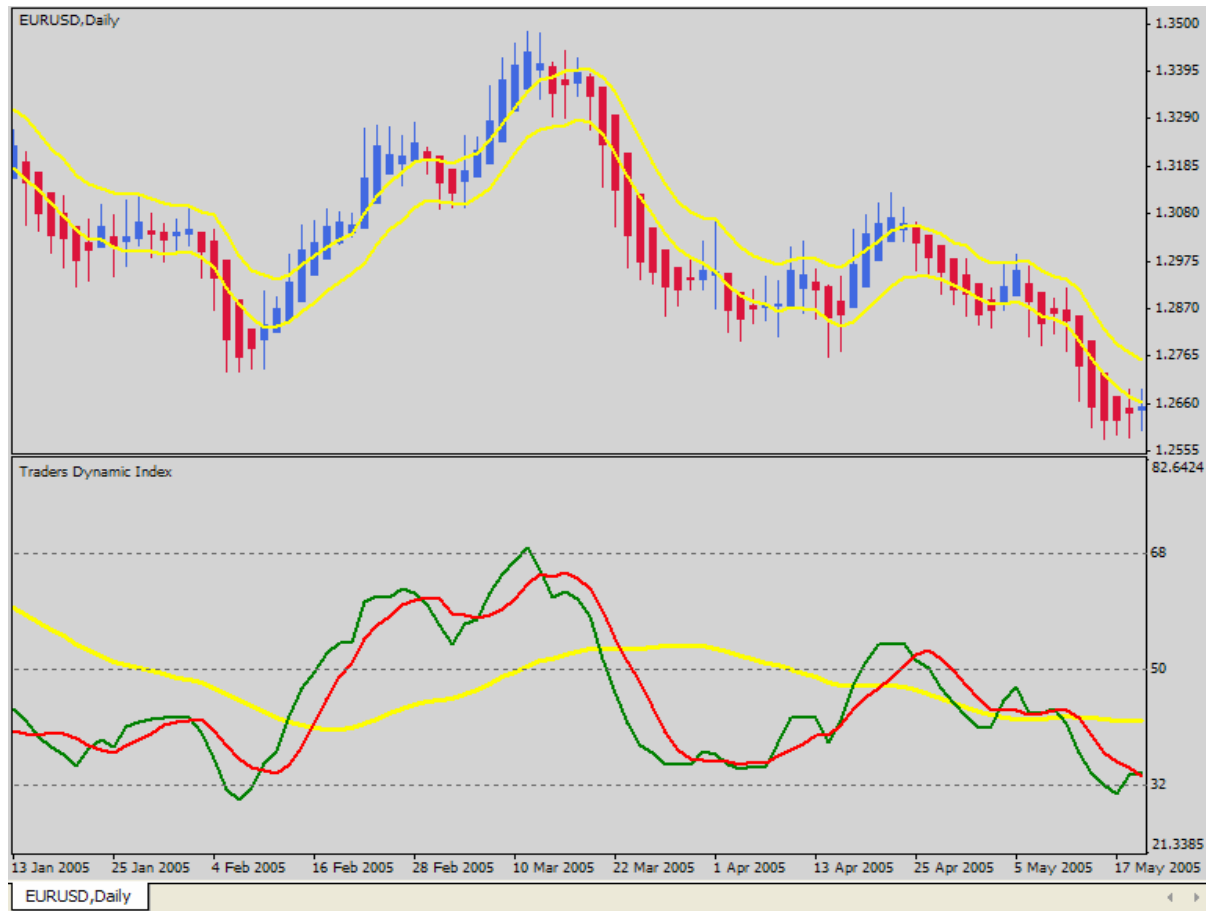
## Step 3: Market Base (Yellow) Line



**Rules:** *Market Base Line (MBL) is the Overall Trend.*  
*Trade Long when RSI PL is > MBL.*  
*Trade Short when RSI PL is < MBL.*

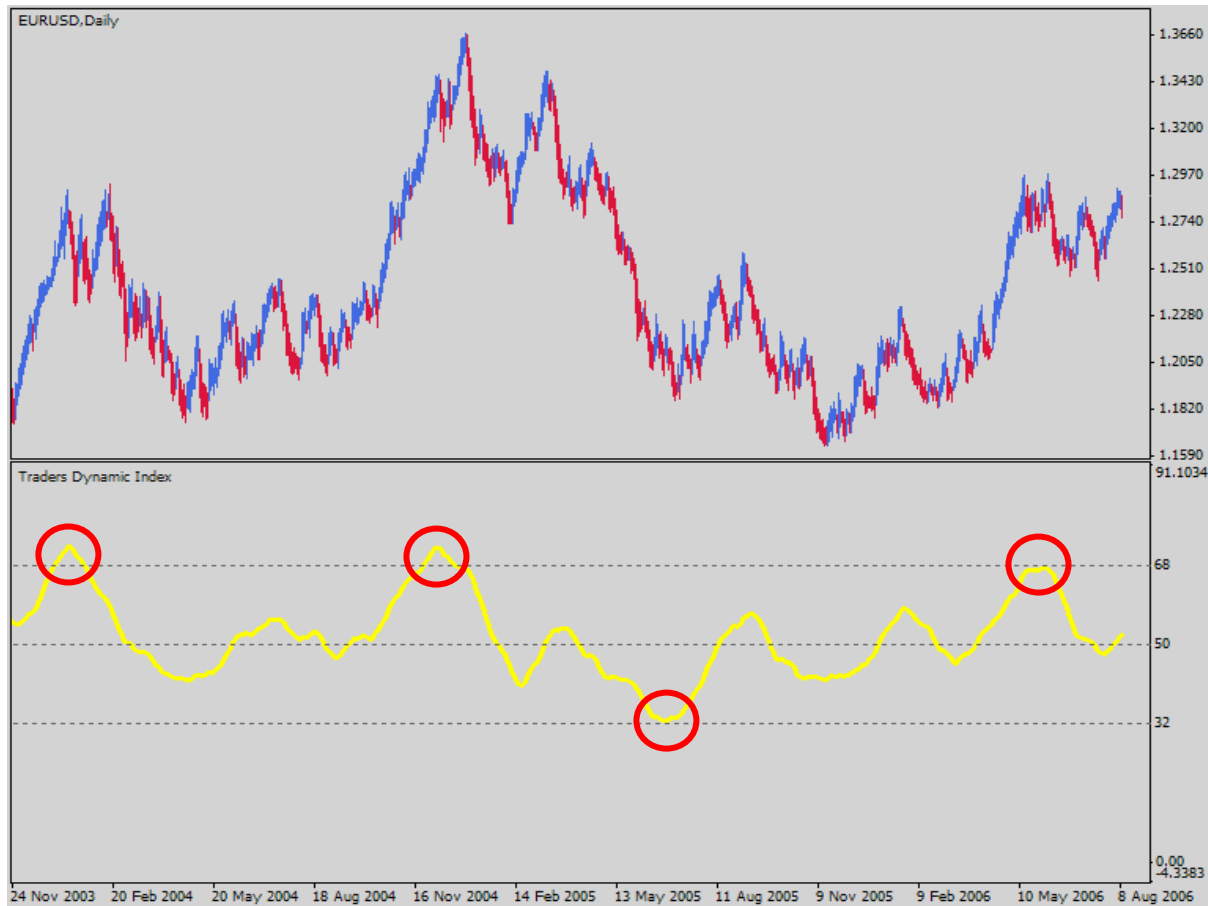
# Traders Dynamic Index

*Market Base Line compared to Price Action*



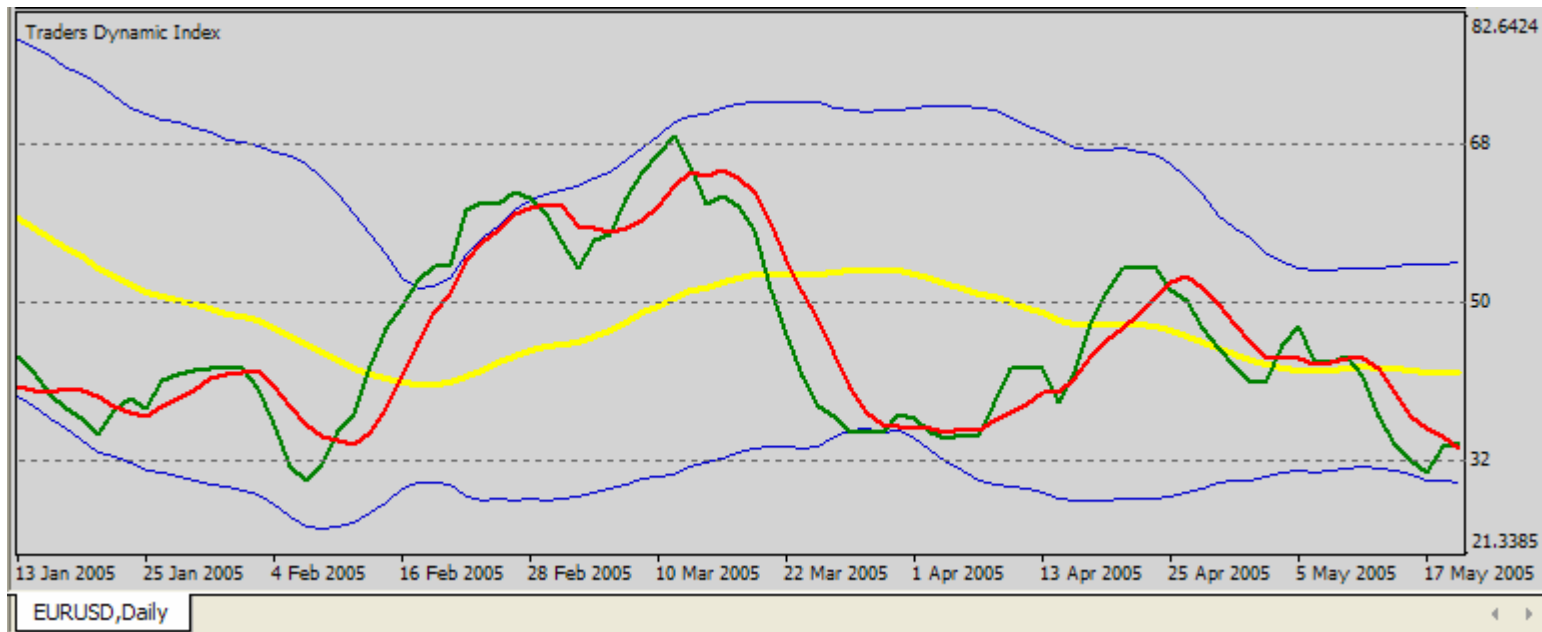
# Traders Dynamic Index

*Market Base Line forecasts Market Reversals*



# Traders Dynamic Index

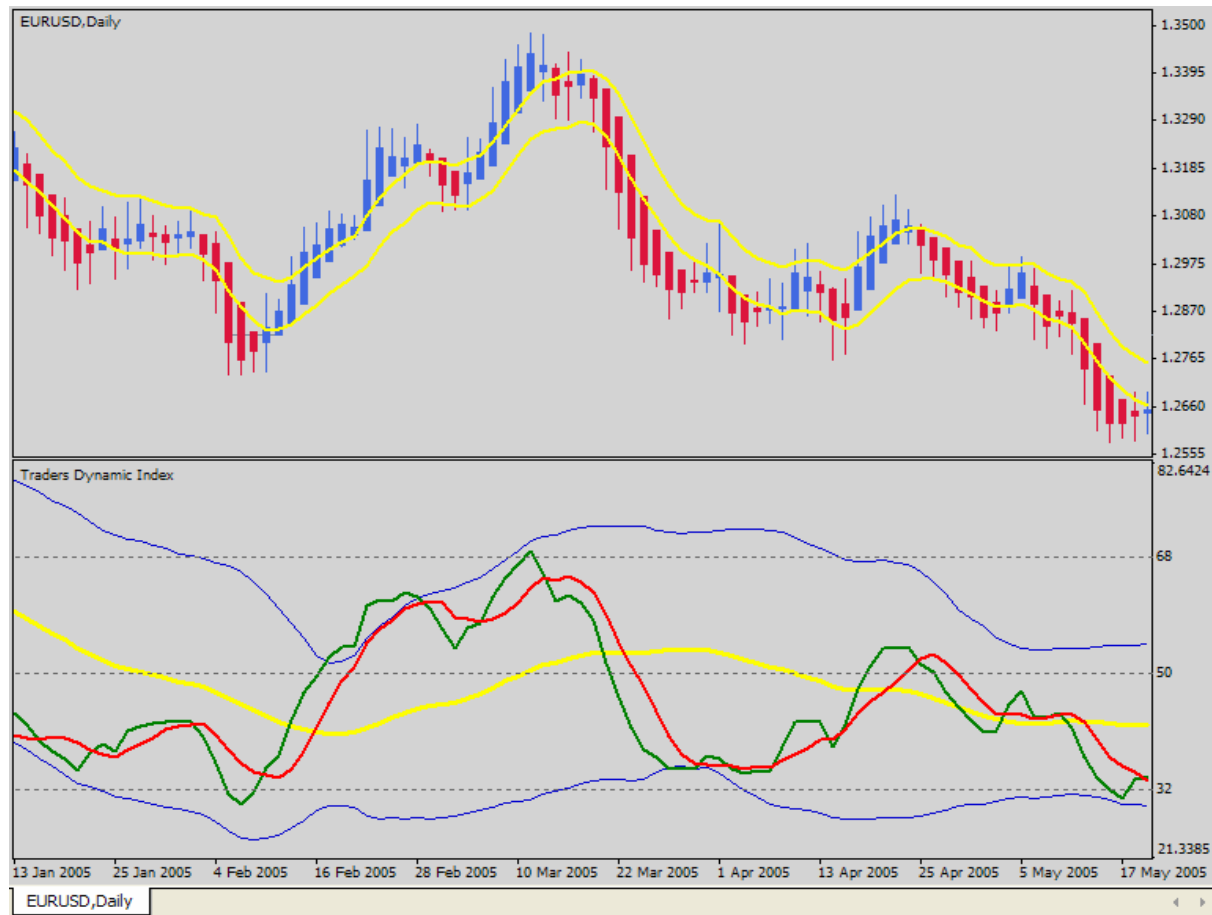
## Step 4: Volatility Band (Blue) Lines



*Rules: Possible to add to a Long when **RSI PL** is  $>$  **VB**.  
Possible to add to a Short when **RSI PL** is  $<$  **VB**.  
Consider exit when **RSI PL** crosses back over **VB**.*

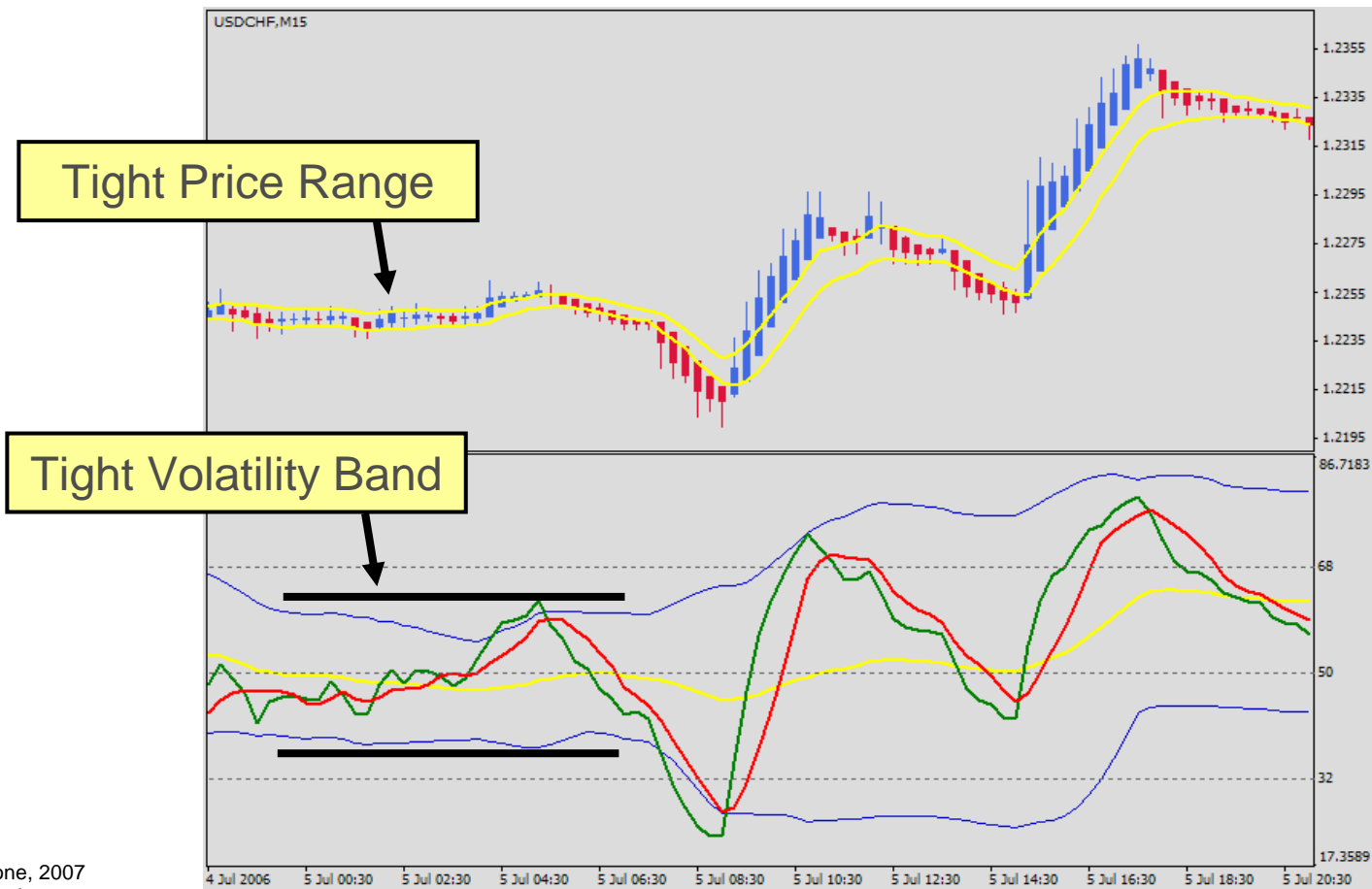
# Traders Dynamic Index

*Volatility Bands compared to Daily Price Action*



# Traders Dynamic Index

*Volatility Bands compared to Intraday Price Action*





# E.A.S.Y. Method

*Putting it all together!*

- **Average Price Bars**
  - Heiken Ashi indicator
  
- **Price Action Channel**
  - 2 Smoothed Moving Averages
  - 5 period, High
  - 5 period, Low
  
- **Traders Dynamic Index**
  - RSI = 13 period, Close
  - Volatility Band = 34 period, Close
  - RSI Price Line = 2 period, Close, SMA
  - Trade Signal Line = 7 period, Close, SMA

# **E.A.S.Y. Method Entry Rules**

# E.A.S.Y. Method

*All systems GO!*

## Average Price Bars (APB)

- Look for **Positive** or **Negative** bars trending.
- Monitor the current **haClose**.
- **Long** entry =  $\text{haClose} > \text{PAC High Moving Average}$
- **Short** entry =  $\text{haClose} < \text{PAC Low Moving Average}$

# E.A.S.Y. Method

*All systems GO!*

## Price Action Channel (PAC)

- Monitor the direction of the Channel.
- Monitor the High & Low Channel values in relation to the current haClose.
- **Long** entry = haClose > PAC High & PAC uptrend
- **Short** entry = haClose < PAC Low & PAC downtrend

# E.A.S.Y. Method

*All systems GO!*

## Traders Dynamic Index (TDI)

- Long entry = RSI PL > 50, TSL, and MBL.  
(**Long** entry = **Green** line > 50, **Red** line, & **Yellow** line)
- Consider adding to Long if RSI PL > the upper Volatility Band and > 50, but < 68.
- Avoid entering a Long when RSI PL > the upper Volatility Band, > 50, and > 68.

# E.A.S.Y. Method

*All systems GO!*

## Traders Dynamic Index (TDI)

- Short entry = RSI PL < 50, TSL, and MBL.  
(**Short** entry = **Green** line < 50, **Red** line, & **Yellow** line)
- Consider adding to Short if RSI PL < the lower Volatility Band and < 50, but > 32.
- Avoid entering a Short when RSI PL < the lower Volatility Band, < 50, and < 32.

# E.A.S.Y. Method Entry Setups

**Long Entry:** (*All conditions are satisfied.*)

1. APB haClose > PAC High Moving Average.
2. PAC trending up.
3. TDI = RSI PL > 50, TSL, and MBL.

**Short Entry:** (*All conditions are satisfied.*)

1. APB haClose < PAC Low Moving Average.
2. PAC trending down.
3. TDI = RSI PL < 50, TSL, and MBL.

# **E.A.S.Y. Method**

## **Exit Rules**



# E.A.S.Y. Method

*Time to Exit the money train!*

- APB Long exit  
Positive bar is much shorter than the previous bar or changes to a negative bar at close.
- PAC Long exit  
APB closes inside the channel.
- TDI Long exit =
  1. RSI PL crosses back below the TSL to the downside.
  2. RSI PL > 68.
  3. RSI PL crosses back below the upper Volatility Band to the upside.

# E.A.S.Y. Method

*Time to Exit the money train!*

➤ APB **Short** exit

Negative bar is much shorter than the previous bar or changes to a positive bar at close.

➤ PAC **Short** exit

APB closes inside the channel.

➤ TDI **Short** exit

1. RSI PL crosses back over the TSL to the upside.
2. RSI PL < 32.
3. RSI PL crosses back up over the lower Volatility Band.

# **E.A.S.Y. Trades**

# E.A.S.Y. Method

GBP/USD 5-minute



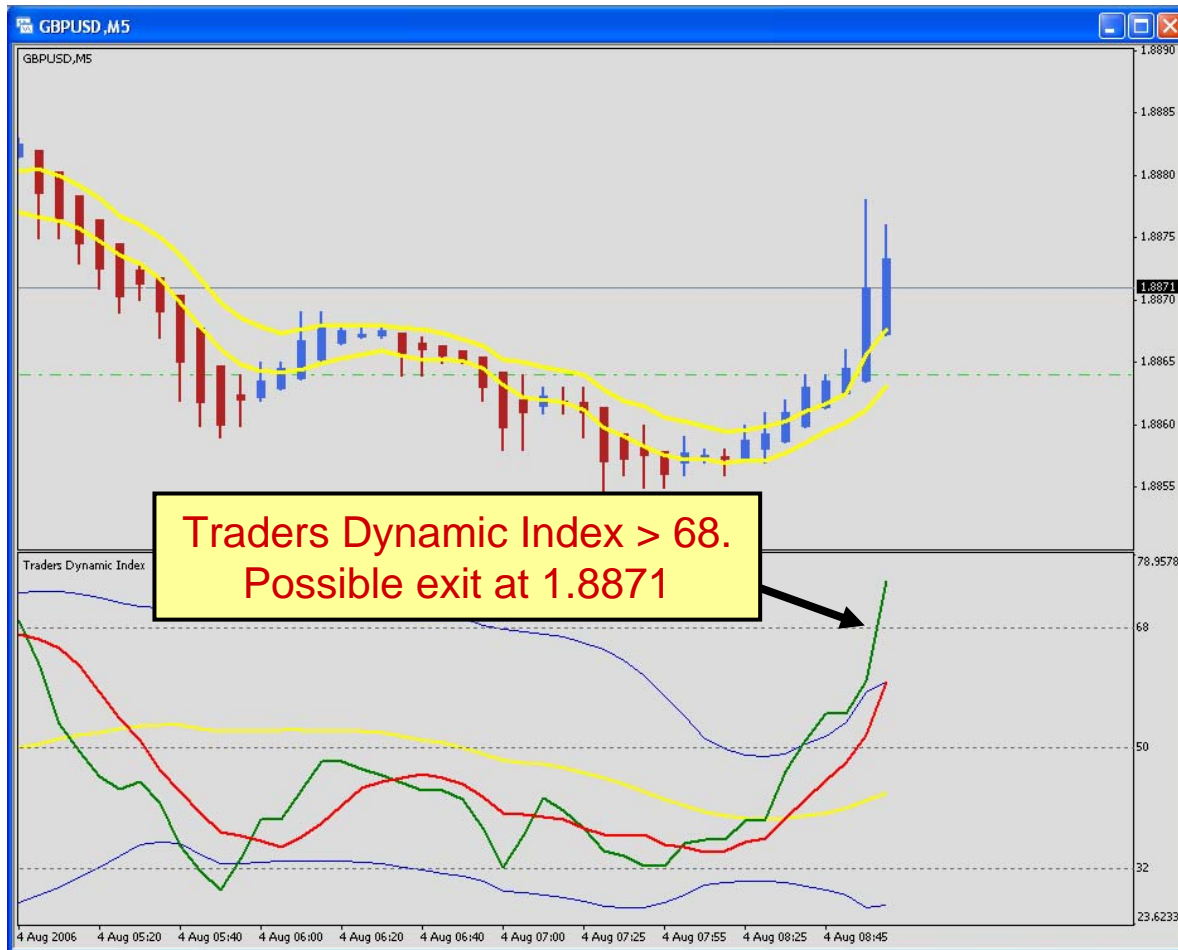
# E.A.S.Y. Method

GBP/USD 5-minute



# E.A.S.Y. Method

GBP/USD 5-minute



# E.A.S.Y. Method

GBP/USD 5-minute



# E.A.S.Y. Method

GBP/USD Daily – 7/27





# E.A.S.Y. Method

GBP/USD Daily – 7/28



# E.A.S.Y. Method

GBP/USD Daily – 7/31



# E.A.S.Y. Method

GBP/USD Daily – 8/1



# E.A.S.Y. Method

GBP/USD Daily – 8/2



# E.A.S.Y. Method

GBP/USD Daily – 8/3



# E.A.S.Y. Method

GBP/USD Daily – 8/4



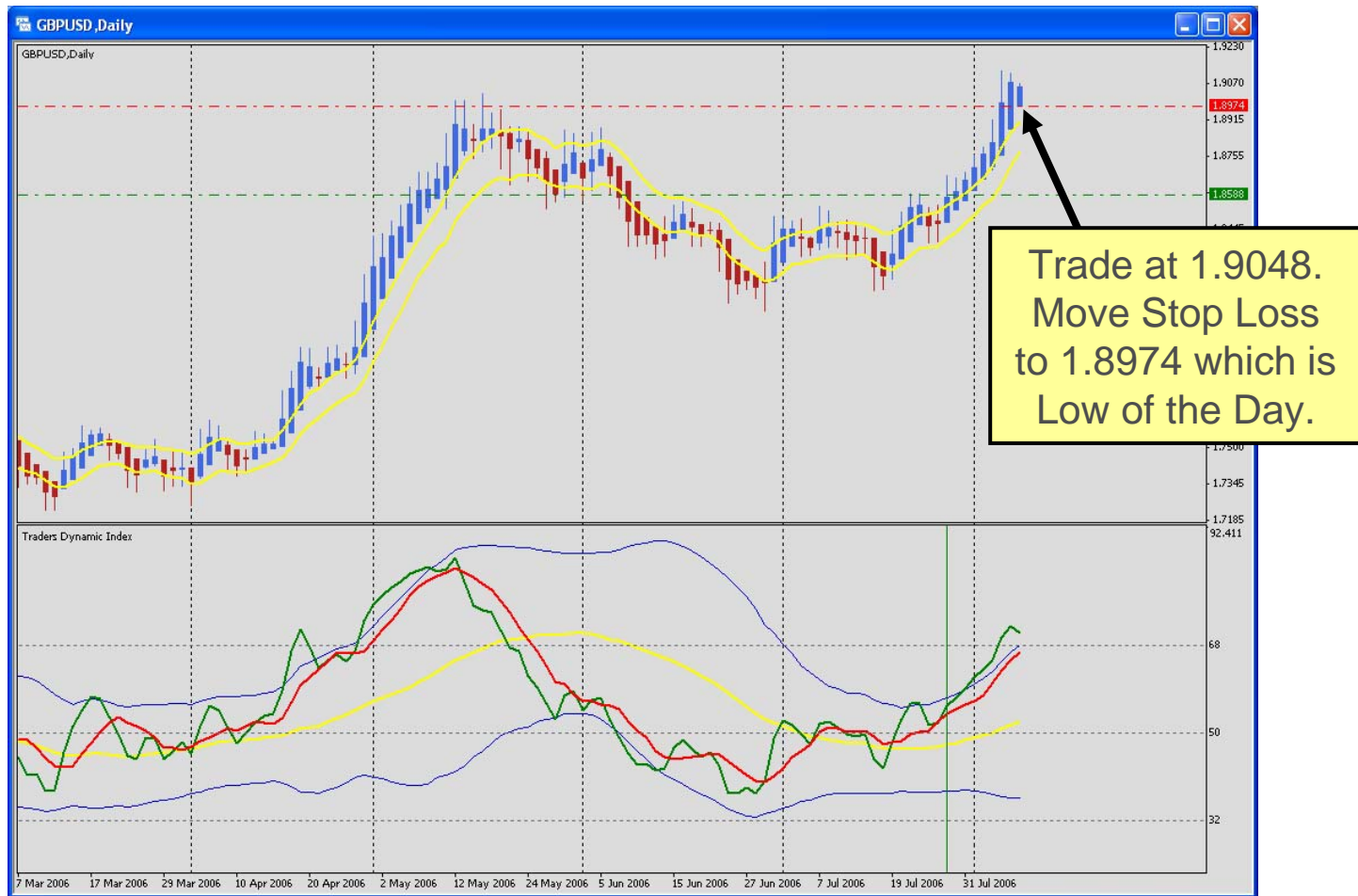
# E.A.S.Y. Method

GBP/USD Daily – 8/7



# E.A.S.Y. Method

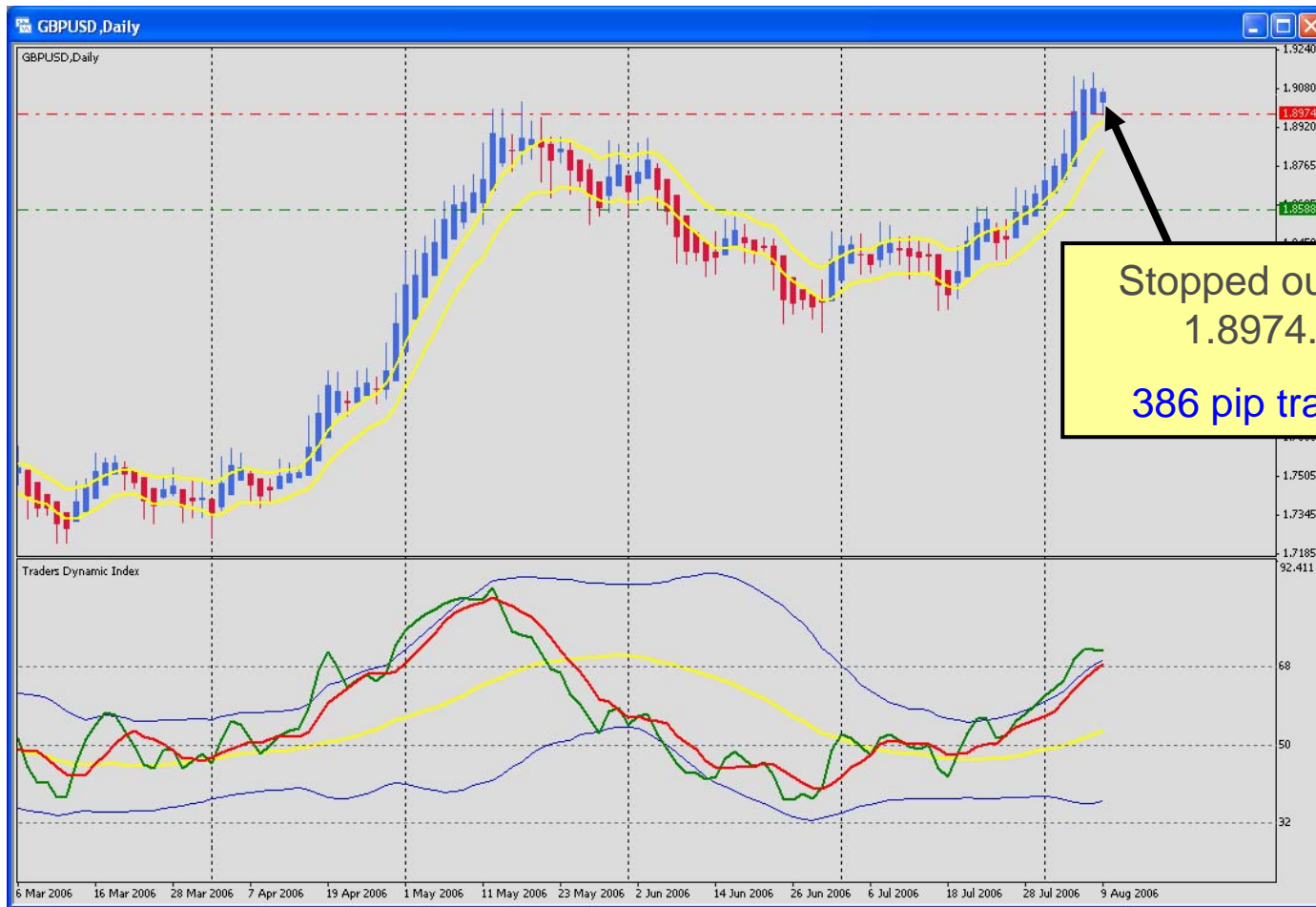
GBP/USD Daily – 8/8





# E.A.S.Y. Method

GBP/USD Daily – 8/9



Stopped out at  
1.8974.  
386 pip trade



**COMPASSFX**<sup>TM</sup>  
we know what traders want



**COMPASSFX™**  
we know what traders want

## Who is CompassFX?

# Scott Maddin

Registered Futures Broker &  
Founder of Compass Financial



# Dean Malone

Experienced Trainer &  
Private Trader



# Kim Pingleton

Experienced Forex IB &  
Fund Manager

**Including a Staff of Series 3 Brokers**



**COMPASSFX**™  
we know what traders want

## History of CompassFX

- 1991 – Compass Financial, NFA registered futures firm, started.
- 2003 – Compass Foreign Exchange LLC (CompassFX) founded.
- 2004 – CompassFX establishes IB relationship with IFX Markets and offers the ActForex platform with one-click multiple account trading designed for traders and fund managers.
- 2005 – CompassFX offers access to Forex Trade Oracle managed account program.
- 2006 – CompassFX establishes IB relationship with FXDD and offers the MetaTrader 4.0 platform to clients.



**COMPASSFX**™  
we know what traders want

## Forex broker with a trader's perspective

- Access to ActForex & MetaTrader 4.0 trading platforms
- Trade over 20 Currency Pairs
- 2 pip spread - EUR/USD & USD/JPY
- 3 pip spread - GBP/USD & USD/CHF
- Leverage - 100:1 & 200:1
- Mini Lot Accounts
- One-click trading for multiple accounts
- Trailing Stops, Hedging and Scaling-out
- \$500 minimum deposit



**COMPASSFX™**  
we know what traders want

## Forex broker with a trader's perspective

### Free access to proprietary trading tools

- FXTradeTrend™ forecast (*Week, Day, Intraday*)
- Daily Support/Resistance
- Daily Pivot Points
- Trading Ratios
- Weekly Analysis
- Average Daily & Weekly Ranges
- Trend Continuation / Reversal Analysis
- Leverage & Stop-Loss Principles



**COMPASSFX**™  
we know what traders want

## Forex broker with a trader's perspective

- Online educational videos
- Basic & Advance trading strategies
- Forex pivot point calculator
- MetaTrader 4.0 Custom indicators



**COMPASSFX**™  
we know what traders want

# Inside the Forex

## ➤ Money Management

- Margin

“Margin is only how much it costs you to place the trade.”

- Leverage

“Leverage is the equity in your account divided by the volume of the positions traded.”

- Consistency

“Stay in the game with Consistency, Discipline and Low Leverage.”





# Forex Managed Account



# Forex Trade Oracle

[www.forextradeoracle.com](http://www.forextradeoracle.com)

*A Forex Managed Account program.*

Provides investors who seek above average returns the ability to participate in the largest financial market in the world and increase portfolio diversification.



# Forex Trade Oracle

[www.forextradeoracle.com](http://www.forextradeoracle.com)

Managed account program:

- Uses low leverage.
- Trades market cycles.
- Follows a proprietary formula.
- No management fees.
- Only an incentive fee on new profits!



**Forex Trade Oracle**

[www.forextradeoracle.com](http://www.forextradeoracle.com)

# Trade Results

- CompassFX 50K account
- CompassFX 10K account



# Forex Trade Oracle

[www.forextradeoracle.com](http://www.forextradeoracle.com)

## ➤ CompassFX 50K account

Month \$	Value	Monthly %	YTD %
August '06	\$117,711	12.31%	135.42%
July '06	\$104,976	35.41%	109.95%
June '06	\$77,527	4.60%	55.05%
May '06	\$74,118	13.03%	48.24%
April '06	\$65,576	18.29%	31.15%
March '06	\$55,436	-9.41%	10.87%
February '06	\$61,192	-14.98%	22.38%
January '06	\$71,975	36.52%	43.95%
December '05	\$52,721	-18.56%	5.44%
November '05	\$64,733	9.00%	29.47%
October '05	\$59,388	13.44%	18.78%
September '05	\$52,354	4.71%	4.71%

**Monthly Average = 8.36%**



# Forex Trade Oracle

[www.forextradeoracle.com](http://www.forextradeoracle.com)

## CompassFX 50K Account\*

Beginning Balance:	0
Total Gross \$P/L from settled trades:	74,831.10
Commission:	0
Transaction fee:	-1,822.50
Interest:	36,647.00
Deposit:	50,436.48
Withdrawal:	0
Adjustment:	0
Net D/W/A:	50,436.48

Ending Balance:	160,092.08
Total Gross \$P/L from open positions:	-6,902.51
<b>Equity:</b>	<b>153,189.57</b>
Used Margin:	4,800.00
Usable Margin:	148,389.57

\* Results as of December 2006  
with no incentive fees taken out.

\* Account opened 9/01/2005.



# Forex Trade Oracle

[www.forextradeoracle.com](http://www.forextradeoracle.com)

## CompassFX 10K Account\*

Beginning Balance:	0
Total Gross \$P/L from settled trades:	8,470.88
Commission:	0
Transaction fee:	-152.5
Interest:	4,990.56
Deposit:	10,000.00
Withdrawal:	-2,813.71
Adjustment:	0
Net D/W/A:	7,186.29

Ending Balance:	20,495.23
Total Gross \$P/L from open positions:	-3,322.95
<b>Equity:</b>	<b>17,172.28</b>
Used Margin:	600
Usable Margin:	16,572.28

\* Results as of December 2006  
with incentive fees taken out.

\* Account opened 11/02/2005.

# **Thank you...**

# **4X Los Angeles!**

[http://www.compassfx.com/comp/MT4\\_4XLA\\_110506.htm](http://www.compassfx.com/comp/MT4_4XLA_110506.htm)

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January 2007