

**SIMPLE 4X TRADING PLAN
&
MONEY MANAGEMENT
SYSTEM**

**A step-by-step plan to turn \$1,000 into \$1,000,000 in
less than Three Years**

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Introduction

Have you ever heard the phrase “shovel sellers”?

It dates back to the Gold Rush days of the mid-1800's, when gold was found in California, and later in the Yukon. Thousands of otherwise sane men and women dropped what they were doing and grabbed the first ship, wagon, cart, donkey or pair of boots they could find, and headed west to claim their fortune.

In looking back, history has shown us that while a few of the miners found enough gold to be called rich, the vast majority of miners (98%+) barely scraped by on what little they found, and either died in the wilderness, or gave up their dreams and headed back east where family and jobs could be found.

However, there was one class of people who uniformly made fortunes, both in California and Alaska...the Shovel Sellers. Merchants back east who had the foresight to realize all these westward bound entrepreneurs would need food, clothing and tools once they arrived. Even those who brought everything they needed with them on the trip would need to replace the odd item or two as time went by.

So the merchants headed west as well, and wherever a mining camp would spring up, a shovel seller or two would be right there in the middle, selling clothes, food, and shovels to the miners. As time went by, the shovel sellers would add “new and improved” shovels to their inventory, and miners who were not having any luck with their old equipment would buy these newfangled contraptions in the hopes the more modern equipment would change their luck and help them to find more (some) (any) gold.

The reason I bring up this history lesson is to show you that the more things change, the more they remain the same. Fifteen years ago, maybe 1 home in 100 had an internet connection (CompuServe and Prodigy were the two big service providers) and we were pretty much limited to surfing bulletin boards to find information we wanted.

But as time marched on, more homes were wired into the net. Websites began appearing, and within moments of the first site making someone a dollar more than they were spending to maintain their presence online, the new “Gold Rush” was born.

And as predictable as night following day, the shovel sellers arrived.

Each one offering a “new and improved” way of building your website, gaining top positions in the search engines, selling your products, and getting rich beyond your wildest dream. For only \$39.95 they'll tell you EVERYTHING you need to know to get rich with your own internet business.

Of course, after you pay the \$39.95 and review their material, they'll start peppering you with emails to buy their “Secrets of Getting Rich” which they DID NOT include in the

first package, because of various threats made by and/or promises made to other internet marketers who allegedly would “stroke out” if they knew what information *this* Shovel Seller was about to divulge.

Oh, and the price for these “secrets” is only \$199.00

If you bite, you’ll then be offered “an exclusive membership” into their cadre of shovel buyers, where they will enlighten you each month with a 4 page newsletter detailing their most “secret” methods for making money online (which they apparently forgot to include in their LAST “Secret” offering). Usually they will fluff out the information with interviews of other famous Shovel Sellers, who agreed to “have their feet held to the fire” “answer the most grueling questions” and otherwise disclose THEIR secrets for getting rich on the internet.

Plan to pay \$59-\$699 a MONTH for your “exclusive” access to these “secrets.”

And the joke (which is played on every one of their customers)?

They never tell you anything new. It’s always the same old crap wrapped up in a bright new package. Focus in on something you like to do and create an information product about it. Build a mailing list and sell that product to the list. Then sell an even more expensive product to the list members who bought your first product from you.

Is any of this starting to sound familiar?

If you’ve been looking for a way to make money online, and have signed up for “free information” on more than a couple of websites, you’ve no doubt been bombarded with these kinds of pitches in the past. I won’t bother to mention the names of the famous Internet Marketing Shovel Sellers; they know who they are. You can probably name 3-5 of them right off the top of your head.

The problem is, you can spend thousands of dollars a year buying their latest, greatest discovery, and never see a single penny flow INTO your bank account.

The truth is, very few of these Internet Marketing Shovel Sellers sell ANYTHING except shovels. They advise YOU to go out and establish a beachhead in a market where there is little or no competition, while they continue to rake in the big bucks selling nothing but shovels. In other words, do as I say, not as I do.

But don’t worry...if that shovel they sold you doesn’t work out, they’ll have a brand new “Secret design” shovel ready for you to buy next week.

It should be pretty obvious by now that I carry some amount of bitterness concerning my online adventures. Following the advice of the IMSS’s, I’ve built websites that were designed to sell products the Shovel Sellers said were in high demand. Maybe those

products *were* in demand, but it turns out they just weren't in high demand on MY websites.

I built dozens of sites designed to generate Google AdWords income, and watched my sites go from \$0 to \$25 a day each, and then crash back down to \$0 when Google, Yahoo and MSN revamped their website ranking systems (which they seem to do several times a year).

I've bought and promoted pre-packaged articles, Public Domain material, created my own products, bought Master Rights to other products, and never generated more than \$1,000 in gross sales in a month. When you factor in the hours I spent building, maintaining and tweaking these websites, I could have flipped burgers at Wendys and made more money.

So I all but scrapped my dreams of making a living online. 3 years of struggle and it felt like I hadn't even crossed over the starting line, much less made progress towards the finish. I left my websites to die off, one by one, keeping just a handful alive because they generate a total of \$2-300 a month in income. And since I'm doing absolutely NOTHING to these sites anymore, it's like finding money in the street.

But I still had to find something to do to make a good living. I'd been running on almost no income for the past couple of years, augmenting my meager checks with money from my savings account. That account was beginning to look awfully small, and I knew if I didn't do something soon to start putting money back in, I'd be living under a bridge somewhere by the New Year.

I started my search anew, looking for something I could do, preferably from home, to make \$3-5,000 a month. MLM, Party Plans, Foreclosure real estate and the like were OUT as far as I was concerned. Too many scams and WAY too many ways to lose money fast.

I'd seen tons of ads about FOREX in a variety of places (websites, magazines, etc.) but never took the time to investigate. With my homeless clock ticking in the background, I decided to spend some time checking out Currency Trading as a source of income.

What I found was that a lot of Shovel Sellers had set up shop in THIS camp as well, promising "instant riches" using "automated trading methods" guaranteeing "1,000% Returns Each Month." With the scars from my "Internet Riches Dream" still fresh, I decided to ignore all the noise coming from the Shovel Sellers, and just read as much as I could about the market, how it worked, and what it took to make decent money as a Currency Trader.

Over the course of several weeks, I gathered enough information about what worked and what didn't to put together a system that would work for me (actually I have 3 different systems I use, depending upon the day and time I am trading). I started "demo trading"

these systems, massaging my “rules” here and there until I was comfortable that I could successfully trade Currencies and actually MAKE money doing so.

For my first venture into real live trading, I plunked \$900 into an account, and watched in a mixture of horror and disgust as it dwindle down to \$150 over the course of a couple of weeks.

I was stunned.

I had spent all this time refining a system that I KNEW worked well, yet here I was losing money like a drunken sailor in Las Vegas.

What was up with that?

So it was back to the drawing board. I went back through all the material I’d gathered about the Forex markets, and read everything all over again, start to finish.

It was during my re-read that one paragraph in one article stuck out that I’d missed the first time:

I was trading without a plan.

I was just waiting around for my signals to enter a trade with NO SET PLAN for how long I’d stay in, or when I’d take my profits, or even how much profit I wanted to make on a given trade.

That’s like trying to drive across the United States on the back roads, without using a map.

So I spent another week working on a plan. One that wasn’t so aggressive that I’d risk my entire account every time I entered a trade, but also one that wasn’t sooooo conservative that it would take me a year or more to double my money.

After 3 months of paper testing my Trading Plan, I was ready to jump back in to Live Trading. I reloaded my account up to \$1,000, and I was ready to trade.

Over the course of the next 3 months, I watched as my account balance surged upwards, according to my plan. Sure, there were setbacks now and again, when a trade went south and I lost money on the day. But those things happen. **NOBODY wins EVERY SINGLE TRADE! NOBODY!**

So an occasional loss was absorbed, and I kept moving forward.

At the end of three months, my account had grown from its starting level of \$1,000 to well over \$21,000.00, and I routinely added to that balance by \$1,000 or more in a single day. My new goal became to grow my account to \$40,000, and then start taking profits

out each month. It took another two months of trading, but by following my plan, I soon reached THAT goal as well.

It was at this point I got serious about creating long term wealth. I split my account in two, opening a second account, and now trade two accounts (executing the same trades in both): one I use for monthly income, the other for long term growth.

I am well on my way towards my first \$1,000,000, with an ultimate goal of reaching \$10,000,000 in my long term account.

My short term account generates between \$10,000 and \$20,000 a month in income I use to support myself and my family.

Oh, and let's not forget the \$300 in Google and Clickbank checks that show up each month.

What follows is a detailed description of the three trading methods I use each day to earn my living, along with the step-by-step Trading Plan I followed to achieve that goal. If you know absolutely NOTHING about FOREX or trading in general, I strongly advise you to educate yourself before you try and implement any of these strategies. In the appendix I list several books, e-books and websites you can learn from, without listening to a bunch of self-serving crap from the shovel sellers.

And before anyone else gets the chance to point out that by selling my methods and trading plan, I too am joining the ranks of the shovel sellers, let me defend myself by pointing out the following:

1. This is the only product I have to sell. I do not have a "backend" product that tells the "real secrets" that I'll let you steal from me for only \$199, or a private mentoring group that runs \$250 a month. This is it. And frankly, it's all you need to be profitable and successful as a currency trader. (In all fairness, I will say that based upon the reactions I got from people who read and commented on draft copies of this e-book, there is some interest being generated in having me either start or participate in a trading room, where I send out real time notices to members as I see trade setups beginning to form. I may or may not follow through on that interest, but if I do I will let you know. But what you are about to read here will give you EVERYTHING you need to trade for yourself, without subscribing to any signal service from me).

2. Unlike most of the crap sold by the "IMSS" what you are about to read will literally tell you, step-by-step, exactly what you have to do to make money as a currency trader: Which brokers to sign up with (one for a free demo acct., the other for a real life trading account), how to set up your charts so that entry and exit points can be easily ascertained, how many pips of profit to shoot for in each session (and if you don't know what a "pip" is, don't worry. It will all be made clear to you shortly), and so on. None of that vague "find something you like to do and create a product as Step One" b.s. You get literally everything you need to know in one book to start making money immediately.

So I'm not just selling you a shovel. You're getting a shovel, a map to lead you to where the gold can be found, a description of what the gold looks like, and explicit instructions on how to get that gold out of the ground and find your way back into town where you can cash it in and start living the good life.

So without further ado (whatever an 'ado' is) let's get to it.

CHAPTER ONE

Getting Set Up

In order to trade Forex, you need to open a trading account. There are literally dozens of different companies that will assist you with Forex Trading. My personal preference is to trade with Forex.com. Their trading platform is designed to allow you to buy and sell currency pairs with a single click of the mouse (many others require you to click twice or more before a trade is executed). One click execution is VITAL when you are Trading the News, and prices are moving up or down rapidly. If you have to double or triple click to make a trade, the price you were aiming for can be long gone before you get to the second or third click, and your trade is either moot, or worse, you are placed in a trade at a price you did not want.

Also, they have a “One Cancels The Other” trading option that is EXTREMELY helpful when Trading the News. Probably 50% of my profits come from using this option, and I haven’t seen it included in too many other trading platforms.

In your email inbox you should have received an Invitation from Forex.com (and me) to open an account through Gain Capital. If you use the links in that invitation to open an account, Gain Capital will add 5% to your opening balance, so long as you fund your account with a minimum of \$1,000 (certain terms and conditions apply; please read and review all the material provided by Gain Capital that explains opening, maintaining and trading a Live Account before you make your decision.)

You can open a “live” account with Forex.com with as little as \$300, but I strongly recommend you fund with at least \$1,000, for two reasons. The first is that by funding with \$1,000 or more, you gain free access to a variety of charting and forecasting services you might otherwise have to pay several hundred dollars a month to receive. I use these charts when plotting potential trades, and they are a valuable part of my trading arsenal.

The second reason you should fund your account with at least \$1,000 is to make sure you are never putting more than 2-3% of your overall account at risk on a single trade. I’ll get more into that a little later, but for now, understand that when you open a FOREX trade using limits and stop losses, you are in essence saying “I will risk losing X dollars in an attempt to gain Y dollars.” Assuming you open an account with the minimum of \$250, if you use only mini-contracts, where the “pip value” is a single dollar, and use 20 pips as both a Profit Target (limit) and a Maximum Loss (stop-loss) figure, you are risking 8% or more of your account on your very first trade. If you suffer a loss, your next trade puts close to 10% of your account at risk.

The higher the starting balance, the lesser the percentage you put at risk when you start trading. By keeping that percentage risked at the low end (2-3%) you can literally lose

10 trades in a row and still have the majority of your account intact. You cannot say the same thing when you under-fund your account with just \$250-300.

So if you have the financial ability to do so, I would start with *at least* \$1,000 in your account, more if you can afford it.

And remember, Forex.com will add 5% to any amount you deposit at or above \$1,000, so that's just bonus money you can use to start climbing the Profit Progression I'll discuss in Chapter 5.

I also strongly advise you to open a free Demo Account with cmsfx.com. This company provides you with the ability to open separate charts on nearly every trading pair that makes up the Forex universe. I use my cmsfx.com charts to set up my Moving Average indicators, and usually leave these charts open on my computer screen full time.

I'd also **STRONGLY** advise you to get a 17"-19" monitor for your computer, if you do not have one already, and also make sure you have a comfortable chair to sit in. You are going to be spending a LOT of time in front of your computer for a few weeks, and you don't want to strain your eyes or your back unnecessarily.

Finally, if you don't have a DSL or cable internet connection, I'd spend the extra money and get one. A full time, always on connection will keep your accounts open 24/7 if you want to leave them on. More importantly, you won't get timed out or have your connection cut off right as you are about to Buy or Sell on your account. Sometimes your profits will depend on your ability to get in and get out with lightning speed...speed you won't have with a dialup connection.

CHAPTER TWO

Mental Preparations for Trading Forex

I've had a long debate with myself over how much time to spend discussing this section. I realize some of you are already experienced traders and realize that on some days, nothing you do will work out right. On other days, it seems like everything you touch turns to gold. In other words, there can be some pretty serious swings, both up and down, in your trading account, even when you follow your system to the letter.

Rather than have me go on forever about building up some mental toughness, I'm just going to advise you to read (and re-read, and re-read again) "Trading in the Zone" by Mark Douglas. This book has been out for a while, so you should be able to find it at your local big-box-bookstore, and can definitely find it at Amazon.com or bn.com. Douglas does a very thorough job of describing the normal range of emotions you will experience at any given time while trading, and teaches you techniques to overcome those emotions and let your trading system run its course.

I know it was a big help for me, because when I started trading, it seemed like the entire market was watching to see when I would enter a trade so everybody could jump in on the other side, driving prices significantly higher or lower, but always opposite of the direction I needed to close out my trade successfully.

Now I realize it wasn't some shadowy Government Conspiracy to steal my \$900...it was my own failure to create and follow a set plan to guide my every move. But it took a while for me to let go of those negative feelings I had about the market and how I perceived I was being treated. "Trading in the Zone" went a long way towards putting my head back on straight.

So I again **STRONGLY** recommend you pick up a copy and commit to heart the principles laid out by Douglas.

As part of your mental preparations, you also need to realize and accept that no matter who you are, no matter how smart you may be, you are going to have some losing trades. Even if every single indicator in your arsenal is screaming "BUY! BUY! BUY!" the minute you click the "Buy" button your trade is going to go south and eventually "stop you out" (assuming you don't get disgusted and close the trade early to save a few bucks.)

That's because the market is both liquid and volatile. There are literally billions of dollars changing hands in any 60 minute period. In fact, it's estimated that over \$2 TRILLION is traded in a given 24 hour period. 2 TRILLION DOLLARS! And since literally ANYONE can open and trade a Forex account, there is nothing to keep some cash-rich sheik from waking up one morning from a dream where Allah told him to sell

\$100,000,000 worth of US Dollars, just at the moment when your indicators are screaming at you to “BUY! BUY! BUY!”

The end result is that you bought a currency contract just seconds before an order came in that moved the market downwards from your position by several pips. At that point you can either panic and sell for a loss, or you tighten your gut and see how far down you have to ride before you hit bottom. Sometimes it’s a brief dip, and sometimes the sheik waves as he and his dollar selling machine blow past your “stop” and close out your trade for you, automatically.

Losses happen. It does not mean your system is flawed. It does not mean you are a lousy trader. It just means that the market is acting normally. Some days you win, some days you lose. The key to success is to make sure that on the days you win, you win more than the amounts you lose on the bad days.

For example, say you win 50% of your trades, obviously losing the other 50%. If you set up your system so that when you win, you win a total of 40 pips, and when you lose, you lose a total of 20 pips, you’ll be in profit almost immediately.

100 Trades, 50 winners, 50 losers.

50 winners x 40 pips = 2,000 pips

50 Losers x 20 pips = 1,000 pips

2,000 pips won - 1,000 pips lost = 1,000 pips profit.

When you consider that a full pip in the EUR/USD pair is worth \$10, it would mean you profited \$10,000.

So get used to the idea you are going to have some losing trades...maybe even the first trade you ever enter. Maybe even the first TEN trades you execute. As long as you understand your system, how and why it works, and stick with it, you will ultimately start profiting as a Forex Trader.

Since we’re on the topic of losing trades, let me also warn you that the very milli-second you enter a trade at Forex.com, you are going to be in the red. That’s because the difference between the price you can buy or sell a currency pair is spread by three to five pips. For instance, in the EUR/USD pair, you can “buy” or “go long” (meaning you think the value of the Euro is going to rise, causing the value of the US Dollar to fall) for one price...say 1.2803.

If at that very same second in time you want to “sell” or “short” the EUR/USD pair (meaning you think the value of the Euro is going to drop and the value of the US Dollar is going to rise) you can “sell” for a slightly different price: 1.2800.

The difference between the prices you can buy or sell for is called the “spread.” The “spread” is how brokers like Forex.com make their money. As soon as you Buy (again, say for 1.2803) if you decide an instant later you made a bad decision and want to sell and close out your trade, the price you would sell for would be 1.2800. This would mean you bought high (1.2803) and sold low (1.2800) for a net loss of 3 pips. (As an aside, buying high and selling low is exactly opposite of how you make money in the market, or anywhere else in life. Try to not do it too often.) Those 3 pips would be the profit Forex.com realized on your two transactions Buying = one, selling = the other). Since that 3 pip handicap, so to speak, is built into your transaction from the start, Forex.com will still make those same pips even if you were right about your trade and the value of the Euro rose and you sold for a profit.

The standard “spread” using Forex.com is 3-5 pips, depending upon which currency pair you are trading. I have never seen that spread deviate in all the time I’ve had an account with Forex.com. This is important, particularly when you use the straddle technique I’m going to teach you for Trading the News. I’ve read numerous reports of other brokers who increase their spreads (some by as much as 15 pips) just before a major financial report is scheduled to be released. A 15 pip spread is tantamount to suicide in Forex Trading.

If you’re not sure why that is, consider this example.

Using Forex.com right before a News Event, you set up your trade so that no matter how the market is affected by the news (rising or falling) you have an order in place which will fill as soon as the market price reaches the point where you have a Buy or Sell order in place. Lets say Forex.com executes your “buy” order at 1.2803, and market forces continue to push the value of your currency higher, until it peaks at 1.2813. With a 3 pip spread, the amount you would be able to “sell” your contract for also rose, from 1.2800 to 1.2810 (3 pips away from the “Buy” price of 1.2813).

Bought for 1.2803
Sold for 1.2810

Profit of 7 pips!

Now look at the same order using a broker who plays with their spreads during News Events. Instead of having a 1.2803/1.2800 Buy/Sell spread, they change that spread to 1.2803/1.2788...a difference of 15 pips. Using the same example as above, say your Buy order is filled as 1.2803 and rises 10 more pips to 1.2813.

Your “sell” price with this broker also rose, from 1.2788 to 1.2798.

Bought for 1.2803
Sold for 1.2798

Loss of 5 pips!

This is one of the many reasons I keep pointing you towards Forex.com. When you jump into these News Trades, you have a much better chance of cashing out with a profit than you do using some of these other brokers who play with their spreads.

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I was listening to one of the Forex Shovel Sellers on a radio program last Saturday (I have to assume it was a radio infomercial, since they took calls from listeners but never once gave out the phone number). The “guest” on the show was selling some program involving a piece of software that “does all the thinking for you!” I still remember that phrase.

The other line I recall distinctly was “This is ALL you’ll ever need to get rich trading Forex!”

Really? All I’ll ever need is just this software?

I’ve been around long enough to know that if some piece of software that “does all the thinking for you” really worked, I’d find that guest’s name at the top of the Forbes list of Richest Men in the World. In fact, I’d expect that guest to be so wealthy he could hire Bill Gates to mow his lawn.

Truthfully, automated software like the crap being sold on A.M. radio at 6:30 on a Saturday morning is the LAST thing you need to achieve your financial goals.

But I can tell you what you DO need when trading Forex:

You NEED Three Things to become a Successful Trader:

1. Patience.
2. Discipline.
3. A Trading Plan.

That’s it. Nothing to else buy, and nothing to install on your computer, other than your Demo Trading Account Software from cmsfx.com.

Just a Trading Plan that gives you step-by-step Rules to follow when trading, the Discipline to stick to that plan through thick and thin, and the Patience to wait until the markets send clear signals that it is time to Buy or Sell a particular Currency Pair.

What I’m giving you today is that Trading Plan (or at least the outlines of one; it’s up to you to fill in the blanks and make this plan your very own!). Patience and Discipline aren’t things you can buy on the Internet. These are self-taught personality traits, but ones you will find in EVERY successful trader on the planet. Sure, some impulsive yahoo might get lucky for a few trades in a row and make big scores, but check back in a

week and you'll see him listing his Ferrari for sale on eBay to help him cover his latest margin call.

Patience, Discipline and a Trading Plan.

Once you have all three of these tools in your tool belt, you're ready to start your new career as a Professional Forex Trader.

That's about all I have to say on the topic of Mental Preparedness. Just realize that no one wins 100% of the time, accept losing days as inevitable, and keep your eyes on the bigger prize: An account that allows you to earn \$500 to \$1,000 a day with a minimal number of pips required to realize those profits.

CHAPTER THREE

Three Ways to Earn

As I noted earlier, I have three different methods I use to trade my Forex account. One is a combination of Moving Averages, another is to position myself to profit when certain government issued financial reports are released (commonly known as Trading the News), and the last is a trade based upon certain characteristics of the USD/CAN (American Dollar/Canadian Dollar) pair that occurs nearly every trading day.

These are Trading Systems that work out very well for me. Will they work as well for you? I can't say. It depends on whether these systems satisfy your own individual needs as a trader, whether they "fit your trading style." If these systems don't seem technical enough, or elaborate enough to satisfy what you're looking for, you can always visit the Forum at ForexFactory.com and find literally dozens of systems discussed in detail, along with elaborate forward and back testing done by forum members. Long term, short term and scalp trading systems are in abundance at that forum, and you should be able to find something that suits your needs.

1. The Anniversary Trade

The first trading method I'm going to talk about is the simplest to set up and the easiest to forecast as far as when to enter a trade and when to get out. I call it the Anniversary Trade.

I learned about this trading method from a long-time friend of the family who has been trading stocks, commodities and now currencies for the past 40 years. It's strictly a "technical" trade, meaning you make your decisions to enter and exit solely based on the numbers generated by the market, and away from any outside influences, such as News Events.

I call it the Anniversary Trade because the numbers involved coincidentally match up to my parent's wedding anniversary date. Weird, huh? But enough about that. Here's how you set up the trade.

Using your cmsfx.com demo account, open a currency window (use the EUR/USD) and set the timeframe to 5 minutes.

Now place your cursor in the middle of the white board and right click your mouse. A drop down box should appear with several options listed.

Click on "Add an Indicator".

A new dropdown box will appear, listing several dozen indicators. Scroll down until you see “Moving Averages.” Click on this indicator. A new box will open on your screen labeled “Indicator Properties.”

Find the property labeled “Price”: That indicator should read “close”.

Find the property labeled “Period”: Change that property to read “04”.

Find the property labeled “Type”: Change that property to “exponential”.

Click on the tab labeled “Colors”

For your color selection, choose a bright color that is not being used on your charts for a Candlestick color. You want this indicator line to stand out from the candlesticks.

For width, choose the 3rd or middle selection, thick, but not too thick.

For style, choose the straight, unbroken line.

Now click on “OK”.

Your chart should now have a wavy line running through it somewhere in the color you just selected.

Now right click your mouse and start over. You’re going to select a second Moving Average indicator.

This time, you change the period to “16”, making sure the price is still “close” and the type is still “exponential.”

Now choose a second bright color, different from the first one you chose, and still not a Candlestick color. Again, you want the medium thick, straight line for an indicator.

Click “OK” again. Check your chart. You should now have two different wavy lines that probably cross over one another from time to time. If they aren’t crossing, don’t panic. That’s usually a good thing.

Now, add a third Moving Average indicator. Make the Period “60” (keep the other options “close” and “exponential”). Choose a third different color (your chart will have five different colors represented when you are done here: 3 Moving average lines and two candlestick colors). Again, choose medium thickness and a straight line.

“Click “OK.”

Your chart should now have three different Moving Average indicators running across from left to right. Your 4 period indicator will show the most volatility, with sharp spikes

up and down. Your 16 period indicator will also show the peaks and valleys, but with a slightly smoother representation of the changes.

Your 60 period indicator will just roll across your screen like a swell in the ocean. You will rarely see this indicator make a 45 degree or 90 degree change in direction.

What these three indicators do is show visually how the market is moving at a specific point in time. The 4 shows the most immediate changes in direction, the 16 shows moderate change, and the 60 shows the long term direction the market is heading.

When your 4 period indicator crosses over and is on top of the 16, it means the market is moving UP. This is a BUY signal (although I'm not telling you to buy RIGHT NOW...just hold your horses). When the 16 crosses and is on top of the 4, this is a SELL signal, as the market is moving downwards.

What I look for is for both the 4 and the 16 period lines to cross over the 60 line, either moving up or down. This is a strong indication that the market is going to be moving in that same direction for awhile, and many, many pips will potentially be there for the taking.

However, there is never a guarantee that just because the 4 and 16 cross the 60, that momentum is going to carry a currency pair in that same direction for any specific period of time. Sometimes, when the market is "choppy" (meaning the currency pair trades within a small, specified range of 20-40 pips) the 4 and 16 lines will cross over the 60 for 5-10 pips, then reverse and cross under for 5-10 pips, then reverse again and head back in the original direction.

Open up five or six charts using your cmsfx.com demo account, and switch each chart to a different currency pair. You'll get a good idea of how these indicators move over time. You'll also probably notice that the biggest gains using these indicators seem to occur while most of America is sound asleep.

This is not exactly a bad thing.

After you have traded for a while and you are comfortable with the idea of setting your trade in place with your stops and limits locked into place, you'll find it's actually easy to place a trade in the late hours (11p.m. to 2 a.m.) and go off to sleep. There are very few feelings more exhilarating than waking up to see that you've hit your limit while you slept and banked 20, 50, even 100 pips overnight.

A little earlier I stated that this was a purely "technical" trade: all decisions to enter and exit are based on the information provided by the indicators. This statement was true when I made it, but I do want to muddy up the waters a bit.

As you continue to trade, you'll begin to recognize certain patterns (like the choppy, up and down 5-10 pips I mentioned a few paragraphs ago) that lead you to believe that the current crossover is not going to be one that gives you much of a chance to profit.

It is perfectly okay to pass on entering that trade if you don't feel comfortable. Hey, this is real money we're talking about here. YOUR real money! If the crossover is actually a false signal, you'll have saved your account from taking a hit. If the crossover was a true indicator, and you miss out on 50-100 pips, don't worry. The market is open 24 hours a day, from mid-afternoon on Sunday to late afternoon on Friday. Just like a city bus, another trade will come along soon enough. Don't celebrate your savings or mourn your unrealized profits when you skip a trade. Just keep looking for the next trade.

But back to the Anniversary Trade. Say you're convinced the indicators are giving you a good signal. When should you enter a trade?

My personal preference is to wait until both the 4 and the 16 have definitely cleared the 60 indicator, preferably in Space Shuttle fashion (meaning straight up or at no less than a 30-45 degree angle). I've found that by waiting for these strong entry signals, I get into trades that keep moving in the right direction, usually quickly from the start, which means my trade is profitable within the first few minutes I've placed it, and any retracements the market might make back towards my point of entry will be small enough that I will still be in the black (profit).

Sometimes you'll notice the 4 and 16 cross over the 60, then run parallel with the 60, rising only a couple of pips every hour or so. Keep an eye on these signals, but don't enter the market just yet. I've seen the 4 and 16 snake along the top or bottom side of the 60 for 5-6 hours at a time, then start moving away, gradually at first but then with more momentum. Again, when it appears to me that the 4 and 16 lines are moving away at about a 30-45 degree angle, I'll enter the trade at that time.

So once you're in the trade, when is the best time to get out?

This is where having a set plan in place is CRUCIAL to your success. You get out when your plan TELLS YOU TO GET OUT!

But that's not a very satisfying answer, is it?

The truth is, there is no way for me to tell you exactly when to bail because I don't know what your overall plan is. I don't know how much risk you can handle physically, emotionally and financially. I don't know nothin' 'bout nothin' at all!

But here's what I do know. By waiting for a strong entry signal to buy or sell a currency pair, you stand a 50% chance or better of catching a run of at least 50 pips. Gains of 80-100 pips is a very common occurrence before the 4 and 16 indicators begin to cross back over the 60. Usually the 4 and 16 will peak and then plummet down (or up) across the 60 line and start a new run in the opposite direction.

Knowing this, you have to factor this information into your trading plan to decide when to bail with your profits.

Personally, if I find a suitable trade situation late at night, I'll set the trade up so that my trading platform will automatically close out my trade when I've realized 40 pips profit. This might cause me to leave 10-100 pips on the table, so to speak, but my trading plan is drawn up so that the maximum number of pips I need to capture in a day is 20-40 (and I'll detail that plan for you shortly). Like I mentioned earlier, nothing beats waking up in the morning and seeing I've already hit my profit limit for the day.

That's when it's time to dust off my clubs and head for the golf course. My work is done for the day.

If I find that same trade situation early in the morning when I get up, I will place the trade without setting a limit. I just keep an eye on the progress of the trade to see how the day develops. This allows me to satisfy the Gordon Gecko in me that says "Greed is Good" and bank 20-100 pips beyond what my trading plan calls for.

This also helps make up for those days when everything looks perfect yet everything goes wrong and I end up taking 2-3 steps backwards in my plan. Again, these days DO occur, so you better be ready for them.

But no matter when you decide to get out of a trade, never, ever, EVER enter a trade without setting a stop-loss figure as well. A stop-loss is the point where the trade goes so badly that your platform will automatically close you out, creating a loss for that trade. Trading without setting stop-losses is just asking for a date in Bankruptcy Court.

I generally set my losses about 30 pips behind my entry point. This gives the trade enough room to move back and forth a few pips in each direction while momentum is building. As time goes on, you might decide 30 is the right figure for you, or maybe it is too conservative, and you set your losses at 40 or 50 pips. The farther away your stop-loss figure, the less likely you are to get "stopped out" of a trade. However, the farther away your stop-loss figure, the more money you stand to lose when you DO get stopped out.

Arguably, you could set a stop loss 300 pips behind your entry point, and give yourself plenty of breathing room for the trade. But you could find yourself on the losing side of a trade for days, weeks, even months before the market moves in the proper direction just enough to get you back to zero. In the meantime, your trading capital is tied up in this one loser trade, and keeps you from jumping on dozens of others that turn out to be winners.

Set a stop-loss a reasonable distance from your entry point and leave it there. If you get stopped out, c'est la vie! Shake it off and move forward, ever forward.

So there you have it...my Anniversary Trading Method. It's simple to set up, simple to read and recognize the signals, and should end up being the cornerstone of your trading plan.

2. Trading The News

A few pages back, I referred to the Anniversary Trade as a "purely technical" trade. That meant my entry into and exit from the market was dictated by certain indicators that are based on previous market actions. Those indicators are called "technical" indicators.

Now I want to give you a trade based upon Fundamental Indicators. These are trades that are not based upon moving lines on a chart, but are made based upon actions and events that occur outside the Forex market. Thus the name "Trading the News."

When we Trade the News, we are entering a trade (buying or selling one or more Currency Pairs) based upon the effect that certain upcoming news events will have on that market.

Rather than go into a long(er) winded explanation, let me give you an example.

On the first Friday of every month, the US Government issues a report called the Non Farm Payroll (NFP) Report. This report reflects the number of non-farm related jobs the American economy has added or lost in the past month. An increase in jobs is generally considered good for the American economy, as more people are working and thus spending money. A decrease in jobs from month-to-month is considered bad for the economy.

That is a veeeeery elementary explanation of the effect the NFP has on the economy, but for purposes of the trade I'm going to talk about, it will suffice.

The point I'm trying to make is that nearly every trading day (Monday through Friday) reports such as the NFP are issued by government or educational institutions. These reports are analyzed by traders around the world, and trades are entered or exited based upon the contents of these reports.

Amazingly enough, all of this happens in the space of about 10 seconds.

Services such as Reuters and Bloomberg send the summarized contents of these reports to their subscribers using voice and computer technology; the traders have already formulated their plans based upon the numbers transmitted being above or below "x" which is the point where they believe certain currency pairs will move up or down; based upon those numbers, the traders enter new trades or exit existing ones.

Again, this all happens in just a few seconds.

You can look at a chart of the EUR/USD with the timeline removed and pinpoint almost exactly the 4 or 4:30 a.m. line (when European announcements are released) and the 8:30 a.m. line (when US and Canadian reports are usually released) (using Eastern times). This is because a normally trending market will make a sudden and abrupt move up or down by 25-150 pips, all within 5-30 minutes of the release of this information.

The relevant point you should take from all of the above is the following: During news times, certain currency pairs will move up or down 25-150 pips within a few minutes. Being on the right side of this move can mean instant profits in less time than it takes to brew up a pot of coffee.

The problem is, however, getting in on the right side of that trade.

You can buy a subscription to Bloomberg or Reuters (which costs anywhere from several hundred dollars to a couple thousand dollars per month), do your own evaluation of the market and set the point where you will or will not execute a trade.

For many people, the costs associated with that plan are prohibitive, not to mention the need to thoroughly educate yourself in market economics. And even then, you can still get burned when the market moves unexpectedly in the “wrong” direction.

There are other services you can subscribe to for anywhere from \$50 to \$500 a month that will monitor the news releases and send you buy or sell signals based upon the numbers released in the reports.

Again, there is an expense involved that may limit some people’s ability to participate. Then there is the idea that you are relying upon the analysis of someone else, and unless you completely investigate their background, you have no idea if your signal service provider is competent or just a guy sitting there flipping coins to decide if he should issue a buy or sell signal.

Yet there are still those 25-150 pips out there, just waiting to be snapped up!

So how can you get a piece of those News Driven Pip Runs without breaking the bank paying for services?

My method of choice is called “Straddling.”

Straddling means you can pick a currency pair (say, EUR/USD) and just before the release of the news, place one order BUYING Euros, so that if the news is US Dollar negative, the Euro will rise and you’ll make money.

At the same time, you place a second order SELLING Euros, so that if the news is US Dollar positive and the Euro drops in value, you make money.

Making money either way is about as sweet as it gets, and is the primary reason so many stock and commodity traders are jumping over to the Forex markets to trade.

Before you set up your first straddle, keep in mind that occasionally, the market will make a serious move in one direction just as the news is released (and sometimes in the moments BEFORE) the news is released, and then reverse itself and head the other direction after the news is released.

This is called a “whipsaw” and can put a serious hurt on your account if you are not careful. More on that in a minute.

So if you are ready to set up a straddle, open your Forex.com account and click on the tab marked “Position”. Click on the button marked “New” and when the new screen opens, click on the drop down box labeled “Type” and click on “One Cancels the Other (OCO).

By clicking on the “OCO” option, you are setting up a trade so that if the market moves in one direction and enters a “Buy” order for you, the computer will automatically cancel the “Sell” order you placed at the same time, and vice versa.

To finish placing an “OCO” order, click on the appropriate currency pair, and click on the appropriate boxes to reflect your order:

For your first order, click on “Buy”, click on the number that represents the number of Mini-Contracts you wish to purchase, click on “Stop-Loss”, and use the up/down arrows to move the desired purchase price 10, 15 or 20 pips above the current Buy Price as reflected in the Order Window on your screen.

For your second order, click “Sell”, click on the number of Mini-Contracts you wish to sell, click “Stop Loss”, and use the up/down arrows to move the desired Selling Price 10, 15 or 20 pips below the Selling Price as reflected in the Order Window on your screen.

When both orders are set, click on “Confirm” and wait for the green light to appear in the long box at the bottom left side of your screen. This means your order has been logged in and is awaiting execution once the price of your chosen currency pair start moving up or down.

If you get a red box, it means the order was rejected. I’ve found there are usually only two reasons this happens: either you waited too long to enter an order and the current price of your Currency Pair is now past the pip level you designated in your order, or you made one of the orders a Limit order instead of a Stop Loss order. Either you need to adjust the price to reflect the 10-20 pip distance between the new current price, or go back to the purchase screen and switch the order from Limit to Stop Loss and hit “Confirm” again. The order should go through this time.

The “OCO” order is VITALLY IMPORTANT to protect yourself partially from the Whipsaw. Some brokers will allow you to place simultaneous orders to Buy and Sell a

certain currency, but without the Canceling option. So if the market moves up quickly and hits the “Buy” target you’ve set, a “Buy” order is executed. Then, if the market moves down quickly to the point where your “Sell” order is placed, it will execute that order as well. If the market then moves back towards your original “Buy” position but stops short, you get to experience the joy of holding two competing positions in the same currency, both of which are losing money at the moment.

Depending on the report being released, I will set my target prices for my Buy and Sell contracts about 10-20 pips away from the current price about 1 minute prior to the release of the report. I give myself a substantial cushion to account for some rapid up and down movement in the price in the few seconds before the real trade gets started. Many people (and by many people I mean hundreds of thousands) are entering into a trade for that currency pair based upon their beliefs the trade is going one way or another. Many others have existing “stop loss” and “limit” orders in place at literally every price point in the spectrum, so there is some frantic movement in the seconds leading up to the release of the information.

The vast majority of the time, that movement will be within 10-20 pips, and my Buy/Sell orders will not execute during these market fluctuations.

But ultimately, the market will begin its march fueled by the release of the news, and as the price rolls past my Buy/Sell price point, my order is executed and I am in the trade. The other (opposite) order I placed is automatically cancelled. Given the speed in which the market is moving, it rarely takes more than a minute for my trade to not only move into positive territory (accounting for the 3-5 pip spread present at the time my contract is executed) but I’m now well on the way towards my pip goal for the day.

Here is where you need to take a moment and place a “stop-loss” order to protect yourself in the event the market takes a sudden turn against your current position.

Go back to the “Position” tab, click it and then click on “New.” Make sure you are placing a Buy/Sell order for the proper currency pair (I’ve made that mistake more than once when I was getting started). Place an order opposite to the one just filled (If your Buy order was filled, place a Sell order, and vice versa). Make sure you Buy or Sell the same number of contracts you just executed using OCO, unless you are only going to close out a portion of your trade to book some profits and let the rest run for a while.

Again, make certain you place a Stop-Loss order (as opposed to a Limit) and set your stop loss point either right at the point where you entered the trade (which means if the pair reverses, you will generally break even on the trade) or a few pips beyond, guaranteeing that you make SOMETHING for your efforts.

If you are well into profitable territory (20 or more pips) I’d set my stop-loss point so that an automatic sell to stop the losing trend left me with at least 10 pips profit. You don’t want to set the stop-loss too close to the current price, because pre-existing limit and stop orders can cause the price to fluctuate 3-10 pips (sometimes even more) as the general

trend of either upward or downward continues. So give your trade room to grow, but put yourself in a position to profit no matter what happens in the next half-hour to one hour.

Using “OCO” is the type of trade I will place when I expect a report to generate a big response in the market, but I have no opinion as to whether the report itself will be dollar positive or dollar negative.

If I DO have a strong opinion about the report (lately I’ve taken the stance that no matter what the expectations may be, all reports related to Housing in America will be BAD, and thus Dollar Negative. So far, I have been right each time) then I take a different stance for the trade.

I will actually place my Buy EUR/USD order prior to the 8:30 a.m. report deadline. Sometimes I will buy a minute or two before 8:30 and sometimes I will buy the night before if the market appears to be in a Euro Upward trend. More often than not, I’ve crawled out of bed before 8:30 to find I’ve already booked a 10-50 pip profit before the report has even been released. I set my stop loss accordingly (protecting some of that pre-report profit).

But if I wait until a moment or two before the report is released, I will Buy my EUR/USD contract, and then place a stop loss 10-15 pips below my entry point for TWICE the number of contracts I just bought.

For instance, if I BUY one (1) EUR/USD contract at 1.2800, I will place a stop-loss SELL order for TWO (2) EUR/USD contracts at 1.2785. This way, if I am completely wrong about the nature of the report and the Euro drops, my Two Contract SELL order will execute, stopping my losses from my original BUY contract and (hopefully) continue down far enough to erase the losses I’ve created from the wrong-way BUY order and create at least a small profit for my effort.

This method is FAR RISKIER than placing “One Cancels the Other” orders and hitching a ride 20 or so pips into the run after the news is released. But like I said, I only use THIS pre-news Buy/Sell plan if I am 99% certain the news is going to be worse than expected. Since I tend to pay more attention to the housing market, I am a little more attuned to those reports than I am the payroll or Gross Domestic Product numbers. 99 times out of a hundred I will just use the “OCO” function on Forex.com and be happy with whatever gains I can squeeze out of these huge runs.

And no discussion of Trading the News would be complete without a mention of the dreaded “retrace.”

A “retrace” occurs when a strong move in one direction by a currency pair suddenly stops and reverses course. Sometimes the reversal is brief, as in just a few pips, and then reverses again and heads back off in the original direction for another 30 pips or so (and I use 30 pips ONLY AS AN EXAMPLE: each movement moves as far as it moves and no more. I am NOT guaranteeing, or even saying that a move after a retrace will move 30

pips). Other times the retrace can go back as far as your entry point, and even farther, taking into the land of losing money.

While this “first one way, then the other way” action is the same as I described in the “whipsaw” there is really more to it than that. There is a mathematical theory called the Fibonacci Theory that many traders use to explain why a currency will head back in the direction from whence it came, and use that same theory to estimate exactly how far the currency will travel backwards before it reverses again and heads off into the direction of profits.

To be brutally candid, I only have a very basic (as in 2nd Grade level) understanding of Fibonacci’s Theory. I’m not going to try and explain it here, because there are dozens of books and articles available online that do a stellar job of explaining this theory. If you are interested, I’d suggest you check out the appendix of this book for some reading recommendations.

The main reason I’m choosing to gloss over, maybe even ignore Fibonacci’s theory, is that with my method of trading, I’m not trying to capture every single pip that is available in the market on any given move. As you’ll see in my Trading Plan section, a 20 pip move will usually more than satisfy my profit needs on any given day.

This is not to say I will bail out of a fast moving market just because I got 20 pips under my belt. I’ve made trades where my pip count went from zero to 50+ in less than a minute. I didn’t try to give back 30 of those pips because I went over my self-imposed limit. But I don’t stick around riding out a series of retracements trying to squeeze every single pip out of a trade before I finally exit.

Because I set a small and very achievable pip goal for each day, I can usually bail out of news trades about the time the first spike slows down and hangs on one price for a few seconds. If it retraces backwards, I’ve already banked my pips for the day. If it continues onwards, that’s great for the folks who stayed in. Me? I’m putting my clubs in the car and heading for the golf course.

So be aware that whipsaw and retracements do occur when you are trading the news. How you handle these rapid swings is up to you.

PARTICULAR NEWS REPORTS

Here is a list of monthly reports issued by government offices in the US, Canada and Great Britain. These reports have a tendency to move the markets anywhere from 20 to 120 pips. The Big Kahuna of them all as far as US Reports are concerned in the Non Farm Payroll (NFP) report, issued on the first Friday of each month at 8:30 a.m. Eastern time.

U.S. Reports

Capacity Utilization
Change in Non Farm Payrolls
Consumer Confidence
CPI
Current Accounts Balance
Durable Goods
Existing Home Sales
GDP Annualized
Housing Starts
Industrial Production
ISM Manufacturing
Net Foreign Security Purchase (TIC)
New Home Sales
PCE Core
Personal Income/Spending
PPI
Retail Sales
Trade Balance

Canadian Reports

CPI
GDP month to month
Net Change in Employment
Retail Sales
Trade Balance

Great Britain Reports

CPI
Current Account Balance
GDP
Industrial Production
PMI Manufacturing
PPI Input
Retail Sales
Trade Balance

Here's a question that may sound silly at first, but I'm dead serious.

How would you like to make \$10,000 working less than 15 minutes a month?

There are plenty of traders who do just that, trading nothing but the EUR/USD right when the NFP is released. By trading multiple lots (10-20) they capitalize on the huge moves

that normally accompany the release of the NFP report, and take the rest of the month off to count their profits.

So don't discount the profit potential in Trading the News. A good trade could bank enough pips in a few minutes to buy you the rest of the week off if you wanted to take a break and not lose ground in your Trading Plan.

3. Trading Breakouts

If you spend enough time looking at charts of currency pairs, eventually you will see just about every type of movement and chart formation that exists in the universe. If nothing else, currency pairs tend to move in the same directions for extended periods of time, and tend to repeat their patterns over and over.

The trick is to figure out which of these patterns is about to develop for the currency pair you're watching.

A few months back, I was looking at the USD/CAD pair (US and Canadian dollar). I'd been hearing rumors in Forex chat rooms and forums about a routine movement that occurs in this trading pair.

I went back and looked at about a year's worth of charts, and found that these weren't just rumors: there really WAS a definite movement (both up and down) that seemed to take place every morning.

I'm not going to spend much time on the whys and how come's with this movement, mostly because I STILL can't figure out why it happens. My best guess is that since both the US and Canadian markets open at 8:00 a.m., the appearance of all these institutional traders creates some volatility for the currency pair, and creates these sudden movements.

Truthfully, I don't CARE why it happens, as long as I can jump into a trade and make some quick pips.

So here is how the trade sets up.

Open a USD/CAD 5 Minute Chart at 8:00 a.m. Eastern Time.

Watch the movement of the currency for the first 10-15 minutes. 70+% of the time, this gives you the direction the Dollar is going to keep moving for an hour or so.

If the candles show the Dollar is rising, BUY and hold for 20 pips or so.

If the candles show the Dollar is dropping, SELL and hold for 20 pips or so.

(The 20 pip recommendation is my own, based upon my trading plan, which we are just about to start exploring together. You can hold longer and bank more pips if they are

there to be had. On average, the movement of the Dollar will be 35-50 pips. Some days it is less. Some days it is more. Some days it fakes you out and moves against you, so set your stops at about 10-15 pips. But 7 times out of 10, you can squeeze 20 pips out of this trading pair without a lot of sweating.)

There may be other currency pairs that also show substantial gains or losses at approximately the same time each day. I haven't done a lot more research into this because my trading plate is plenty full right now. But there is nothing to keep you from conducting your own research and finding other Currency Pair Breakouts and start profiting from your efforts.

CHAPTER FOUR

A Trading Plan

Since the beginning of time (or at least the beginning of trading) traders have searched for the Holy Grail...that combination of information and indicators that combines into the Fool Proof, Never Fail system.

The Shovel Sellers know this, and tend to cast their particular shovel as the Grail that will solve ALL your financial ills.

The truth is, there is no such thing as a Holy Grail Trading System. Never has been, never will be.

Why?

Because the markets are governed by CHAOS! The market may react the same way to a particular event 99 times in a row, and then on the 100th move in the opposite direction. If you followed the market and moved with "The System" those first 99 times, you can be forgiven for thinking you would have money in the bank when the 100th trade started.

Forgiven, but wrong.

But this is not to say that the Holy Grail does not exist for traders. It's out there, hiding in plain sight.

The Holy Grail of Trading is called the Trading Plan.

A Trading Plan is exactly what it sounds like: a Plan that Governs Your Trading. There are literally as many plans in existence as there are traders, even though 95% of all traders operate without a coherent, written plan in place.

Those 95% operate under an Unwritten Plan to Fail.

Leave the majority behind. Join the small minority that long ago realized that if they would step back for a few minutes and diagram a way to trade so that they take profits off the table and cut their losses short, at the end of any period of reasonable length (be it a month, a year or a lifetime) they would show significant profits for their efforts.

A good Trading Plan is comprised of two parts: Part One addresses the Psychological aspect of trading, helping you to keep an even keel during bad trades and also keep you from going overboard during a good trade. How many times have you closed out a good trade, booking your profits, and then jumped right back into another trade that didn't quite fit your requirements? You felt so good after winning a trade, you wanted that

good feeling to continue and you chose to ignore that little voice inside you screaming “Bad Idea” in the hope that you could keep the Good (Winning) Times Rolling.

Of course, you jumped into a bad trade and gave back all your profits, plus a little more for your trouble. Now you are farther behind than you were before your first winning trade, and you feel the pressure to get it all back in the next trade.

Of course, 99% of the time that doesn't happen, and you end up losing more trades and falling farther behind until you zero out your account and find yourself at a decision point: quit and write off the losses, or reload and give it another shot.

Statistics show that the average trader breaks his or her account 4 times, losing on average \$1,000 each time, until they either learn enough about the Trading Game (meaning they put together a written plan) or they walk away from trading altogether.

If you've ever ridden your account all the way down from a positive balance to zero, you can probably recognize a part of yourself in the previous description. If so, don't despair. You're in very good company. And there IS something you can do to reverse your losing ways and finally start showing a profit as a Forex Trader.

Part One of your personalized Trading Plan will help you recognize these self-destructive tendencies and help you overcome the damage they naturally cause. You'll start thinking of yourself as a trading machine, emotionless when it comes to executing trades according to your plan. In other words, you'll re-enter the trading arena with a winning attitude.

Part Two of your personalized Trading Plan will show you how to develop a series of short term, medium term and long term financial goals to shoot for with your trading. By having a combination of short, medium and long term goals, you have a specific target to shoot for with every single trade you enter.

You might think you already HAVE a goal with each trade if you set stop losses and limits.

You do and you don't.

You have a specific goal in mind for that trade, but from an overall viewpoint, you have NO goals.

For your short term (or daily) goals to have meaning, they MUST be a part of a medium and long term strategy. The longer term goals give meaning and purpose to the shorter term goals. If this just doesn't make sense right now, hang in there. When I detail my own Plan, I think you'll see what I mean.

Part One: Developing Your Own Psychological Trading Plan

When I was floundering as a trader, watching my account shrink like a pair of Levis in a washtub full of boiling hot water, I started making every wrong move in the book.

If I got closed out of a trade when my stop-loss was hit, I'd immediately jump back into the market, betting that the same currency pair would start moving in the opposite direction. Normally it didn't, and I just lost more.

If I found myself in the middle of a chaotic set of whipsaws (when the market was reacting to breaking news) I would try to catch a quick ride up or down for a few pips. Inevitably, I would get in too late and the market would reverse before I could earn a single pip. I'd sell (or buy) in a panic, and get out even deeper in the hole than when I started.

Most importantly, I began to have these delusional thoughts that the market was conspiring to steal my money.

As I've begun to correspond with other traders, I've found out I was following a path that was blazed hundreds of years ago, and continually trod by the vast majority of traders ever since.

No offense to anyone, but this was one case where I found NO SAFETY in numbers, and the sooner I could separate myself from the pack, the better it would be for me, both emotionally and financially.

I have to give a lot of credit to Tim Wilcox, a trader who took the time to write down all the questions he needed to answer for himself in order to gain control of the psychological aspect of trading. He posted his Plan on the www.trade2win.com website where anyone can download and complete his questionnaire.

I strongly recommend you join Trade2Win (it's free and takes less than a minute to register to gain access to a wealth of information on trading). This specific link to download Tim's Trading Plan Template is:

<http://www.trade2win.com/boards/showthread.php?t=14963>.

I don't think you can grab your own copy unless you first register as a member of Trade2Win, but give it a try if you don't want to take the minute to register.

I can promise you that if you will take a long weekend and really dig into Tim's plan, you're going to emerge from this journey of self-exploration a better trader.

Really.

You'll enter into your next trade in such a better frame of mind that you cannot help but handle the trade better than you did before you created Part One of your plan.

Although I consider anyone's plan to be a very personal and private matter, I'm going to share mine with you just to give you an idea of what my mindset is now when I enter and exit trades.

And unlike high school, there is no right or wrong answer to these questions, as long as you are being honest with yourself. Don't write an answer you THINK someone would expect to read. Write what you feel, write what you believe.

Do that and I guarantee you'll get a perfect score.

My Trading Plan, Part I.

Section A: Know Yourself, Know Your Purpose.

1. Why do you want to be a trader?

I want to be a trader because I want the ability to earn a decent living no matter where I may be in the world. I do not want to be tied down to a desk job with a stationary company, but rather have the ability to work from home, whether home is in California, Florida, Texas, Japan or Malta. My primary objective is to earn enough money to support my family and at the same time accumulate a minimum 7 figure retirement account. My secondary objective is to have the time and financial security to work on a secondary career as a novelist. These objectives are important to me because they allow me to satisfy the commitment I made to support my family and at the same time allow me to pursue my dream of becoming a published novelist. I believe I can accomplish both of these objectives because others have done so in the past, and I believe in myself and my ability to be successful in whatever venture I may undertake.

2. What sort of trader are you?

I am primarily a mechanical trader, following a set of systems with rigid rules, yet at the same time I can exercise some degree of discretion in deciding to trade or not trade depending upon the combination of my mental and/or physical state, my strong beliefs in unfriendly market conditions, and any other factor that causes me discomfort as a trader.

3. What are your Strengths and Weaknesses?

My strength is my ability to consider my account as nothing more than numbers on a screen, allowing me to place increasingly larger trades in accordance with my capital growth plan. I can set aside feelings of fear of loss, and make the trades in accord with my system.

My weakness is my lack of control over my emotions when I win or lose a trade. When I win I have a strong desire to place another trade to keep the endorphins flowing. When I lose I have a strong desire to place a new trade and recapture all my losses immediately. I can overcome both of these emotions by following this Trading Plan closely, and setting up a series of rewards and penalties for alternately following or diverting from my Plan.

4. Are you in the right frame of mind to trade?

Since a large part of my strategy involves Trading the News, I find myself rising at 4 a.m. Eastern time to set up trades at the opening of the London markets, and take advantage of major news releases that emerge in that time frame. I am NOT an early morning person, so to keep myself from succumbing to exhaustion, I will only trade between 4 and 5 a.m., closing out trades or setting up limits and stops so I can return to sleep between 5 and 8 a.m., when the next set of financial news is released for the US markets. Otherwise, I will not trade on days when I am suffering from headaches (organic or self-inflicted) or otherwise do not feel good about my ability to analyze and react to the markets in a fashion similar to when I am feeling rested and well.

5. What are your income targets?

See Part Two of my Trading Plan

Section B: Trading Goals

1. What are your Annual trading goals?

See Part Two of my Trading Plan

2. What are your Monthly trading goals?

See Part Two of my Trading Plan

3. What are your Weekly trading goals?

See Part Two of my Trading Plan

4. What are your Daily trading goals?

See Part Two of my Trading Plan

Section C: Markets, Instruments and Timeframes

1. Which markets will you trade?

I will limit my trading to the Forex markets, because of their liquidity and volatility, which provides adequate opportunities to trade for profit.

2. Which instruments will you trade?

I will limit my trading to the following currency pairs: EUR/USD, EUR/JPY, EUR/GBP, USD/CAD, USD/JPY, USD/CHF, and GBP/USD. I've chosen these pairs because they have the most liquidity and thus offer the best opportunity to have trades filled and exited. They also offer the highest dollar amount available in an individual trade (between 8-10 dollars for a one pip move with a standard contract) and are generally the pairs most affected by financial news releases. The number of contracts I will trade on any individual currency pair will be dictated by the financial goals I have at that particular time.

3. Which timeframes will you trade?

I will limit my trading times to those periods when major financial news releases are pending (normally 4-5 a.m. and 8-10 a.m. Eastern Time) and those times when my 5 minute charts indicate an entry or exit signal is approaching. If there are no news releases pending, and no signals appear to be forming on my charts, I will close down my charts and devote my time to either non-trading activities, such as my novel, or use that time to working on improving my trading by reading financial publications or new books or articles devoted to trading.

Section D: Tools of the Trade

1. Which financial vehicle will you use to trade?

As I have chosen to trade the Forex markets exclusively, I will only be buying or selling currency pairs

2. Which broker and trading platform will you use to trade?

I will do my trading through Forex.com until I grow my account to the point I can switch my account to a non-trading desk, and deal directly in the markets, paying a small commission on each trade as opposed to suffering through the "pip handicap" imposed by trading desk brokers. From a dollar standpoint, I should be able to make the switch to a non-trading desk broker once my account reaches \$50,000 US.

3. Which software and data feeds will you use to trade?

I will continue to use the VT Trader platform offered through cmsfx.com to set up the charts with my trading parameters.

Section E: Before the Market Opens

1. What is your daily pre-market routine?

My daily trading routine is as follows: 1) Open my VT Trader charts on cmsfx.com and see if there are any entry or exit signals setting up; 2) Review the list of upcoming news releases for the day using the calendar at Forex.com; 3) Review my financial goals for the day, the week and the month and determine how much money I will need to profit to accomplish these goals; 4) Review the previous day's transactions and add any additional information to my Trading Journal which I might have omitted when making yesterday's entries;

2. Have you analyzed yesterday's trades?

During my pre-market routine, I will review yesterday's trades. If I suffered a particularly heavy loss, or enjoyed an unusually large gain, I will spend extra time analyzing that trade to see if there were factors I should watch for next time to either prevent or encourage executing a similar trade.

3. Do you have any open positions?

My trading style discourages keeping positions overnight, or over a weekend. However, the Anniversary Trade will occasionally offer the chance to book extra profits by allowing the trade to continue over the course of 1-5 days. In the event I enter such a trade, I will use a series of moving stops and limits to take advantage of a prolonged run, and at the same time lock in profits using those same stops and limits. This will allow me to sleep at night without the need to continually wake up and check the market.

4. What are the general market conditions?

Keeping in mind that the Forex markets are the most heavily influenced by news events, I will classify the markets as calm, choppy or chaotic. I will avoid trading in choppy or chaotic markets unless there are pending news releases. Calmly rolling markets offer the best chance to profit from the Anniversary Trade and I will watch those markets more closely to be prepared for entry signals.

5. What will you do today, hour by hour?

4-5 a.m.: Either sleep, or set up a straddle trade to take advantage of a pending UK news release.

5-7 a.m.: Sleep.

7-8 a.m.: Go for a morning walk or bike ride.

8-9 a.m.: Go through my pre-market routine; set up Straddle trades for pending news events; execute said trades when applicable; exit said trades when applicable; Keep an eye on the USD/CAD pair to see if a big pip move is beginning and execute a trade accordingly.

9-12 p.m.: Review the charts hourly (or 1/2 hourly if a trade is slowly but steadily setting up an entry signal); read and respond to email; read the WSJ and Barrons online, read TBC, TBO and CNN online; update my trading journal for any fully executed trades from the morning;

12-1 p.m.: Eat lunch, preferably away from my desk.

1-3 p.m.: Review the charts hourly or half-hourly, execute trades when applicable, update trading journal when applicable; write additional pages in my novel;

3-11 p.m.: If a trade signal is still forming after 3 p.m., keep an eye on the charts and be ready to execute a trade if an entry signal is given. Otherwise, close the trading station and take the rest of the night off. If earlier scheduled reading is disrupted due to trading activity, catch up on that reading during this time.

6. Which instruments are on your watch list?

For the 4-5 a.m. news releases: EUR/USD, GBP/USD and USD/CHF

For the 8-9 a.m. news releases: EUR/USD, GBP/USD, USD/CHF, USD/JPY and USD/CAD.

For the Anniversary trade, all of the above plus EUR/JPY, EUR/GBP, and GBP/CHF

Section F: Risk & Money Management

1. What is your attitude towards risk?

I believe that without risk, there is no reward. I am willing to invest in the Forex Markets (arguably the riskiest markets on earth) because the potential for reward more than compensates for the risk.

2. What is the Overall Market Risk?

I am willing to put as much as 8% of my capital at risk, as long as I have the potential for at LEAST 10% gains

3. What is the Sector Risk?

Since I am only investing in the Forex markets under this trading plan, my sector risk is 100%. This number will be subject to change at a later date should I discover another investment arena where I feel I can earn similar returns for my risk.

4. What is the Broker and Hardware Risk?

I currently maintain only one account, with Forex.com. When I grow my account to over \$40,000, I will switch my accounts to two separate non-dealing desk brokers, to allow for hedging and backup trading in the event of a platform failure with my main broker.

I also have my account number, password, and broker phone number stored on my mobile phone, so in the event of a computer or internet failure on my end, I can contact my broker and salvage pending trades.

5. What is the Strategy Risk?

Since there is no single strategy that works 100% successfully 100% of the time in Forex, I will constantly monitor each of the three main strategies I use and when one of them suffers 3 consecutive losses, or causes a drawdown of greater than 10% of my account, I will stop using that approach until I have had time to re-evaluate said strategy and see if modifications or total abandonment is called for.

6. What is the Probability of a Successful trade?

Based on extensive backwards and forward testing, the three systems I use have a probability of success of 75%. This means in any given series of trades, I should close out said trades at my targeted profit point 3 times out of four.

7. What is your Risk: Reward Ratio?

Having tested my strategies both forward and back, and using 20 pips as my profit target, and 30 pips as an acceptable stop loss, my risk reward ratio is 2:1.

8. What is your Risk Per Trade?

During the aggressive portion of my plan, I will place no more than 8% of my account at risk on any one trade. Profits and losses are immediately factored into my account size so that trades close in time are made based upon then current account balances.

Once I have achieved my initial long term goal of building my account to \$40,000, I will reduce my risk per trade to a maximum of 5%.

9. Where will you place your Stop-Loss Orders?

Although each trading strategy has its own dynamics, and one strategy calls for closer set stops than another, in general I will set my stop loss at 30-40 pips away from my entry point.

10. When will you stop trading?

If I have three bad trades in a row on any given day I will quit for the day and spend the rest of my time studying those trades to see if I missed or misread a signal, and otherwise see if I can gain some understanding of why the losses occurred.

When I hit my pip target for the day, I will also stop trading for the day, unless one of the following two factors are present: 1) A major news announcement with a history of affecting certain currency pairs is still pending. I will stay online and set up my straddle or my early entry trade to take advantage of the expected volatility caused by that announcement; or 2) In the event an earlier trade moves positively in my direction and quickly captures my total pip target for the day, I reserve the right to trail my stop-loss figure to equal my target profit point, and allow the trade to continue. I will monitor the trade and periodically move my stop-loss to capture additional pips if the trade continues moving in my direction. I will allow these trades to run indefinitely until the market reverses and stops me out.

Section G: General Money Management

1. What will you do with Large Drawdowns and/or Large Profits?

In the event of a large drawdown, I will reset my Money Management Profit Targets and trade using smaller lot amounts (or mini-lots) until such time as I have built my account back up to levels where I can start trading under my Original Plan.

Large profits will remain in the account until I reach the \$40,000 US level, at which time I will begin to take profits at least once per week, assuming profits are there to be taken. Any time the account drops below \$40,000, future profits will remain in the account until it once again exceeds \$40,000.

2. Which Money Management approach will you utilize?

I will increase the number of lots I will trade as my account grows. In the event of drawdowns, I will decrease the number of lots traded. Ultimately I wish to reach the point where I am trading 5-10 full sized lots, still using a 20 pip profit target.

3. Will you lock in profits?

Under normal circumstances, my Plan calls for me to exit a trade once I achieve a profit of 20-25 pips. On occasions where market conditions indicate more pips may be

available, I will trail my stop-loss so that a reversal in market direction will allow me to automatically exit the trade with my 20-25 pip profits. If the trade continues to move in my direction, I will adjust the stop loss to capture a greater number of pips.

4. How will you determine Position Size?

Position size will be dictated by the dollar goal for the day, divided by 20 pips. For example, if my dollar goal for the day is \$500, I would divide 500 by 20 to see that each pip should be worth \$25. That means I would need to trade 2.5 lots (or 25 mini lots) and realize a 20 pip gain to earn \$500.

Section H: Exit Strategy

1. Losing Trades: Will you exit before you hit a stop-loss?

In a case where a news event causes the markets to move against my position, I will allow myself to close out the trade before a stop loss is hit.

2. Losing Trades: Which signals will prompt your early exit?

News events which cause the market to reverse

3. Winning Trades: Which signals will prompt your early exit?

The market moving 20 pips in my favor within a few seconds will cause me to close out immediately, to avoid potential losses from the Whipsaw effect.

4. Winning Trades: Which signals will prompt you to close ½ your trade?

A moderately quick but steady move from my entry point to my 20 pip target will justify closing half the trade for profit and letting the other half run. However, in these circumstances, I will be more inclined to move my stop loss to my original profit target point, and allow the entire trade to run for an additional amount of time.

5. Winning Trades: Which signals will prompt you to close the other half?

When the market reverses and hits my trailing stop loss.

Section I: Trade Strategies, Setups and Entries

1. Which strategies will you trade?

1. Market reaction to scheduled financial news releases
2. The Anniversary Trade
3. The USD/CAD Morning Trade

2. What are your setups?

- 1. In the minutes prior to the scheduled release of the news, I will either set up a straddle 8-20 pips beyond the Bid and Ask prices, and wait to see if the news causes one of these orders to fill, or enter a Buy or Sell order just prior to the time the news is released (with corresponding Stop Loss orders) and be prepared to exit the trade quickly with profits intact.*
- 2. If the 4 and 16 day ema's are crossing through the 60 day ema at a steep (30-90 degree angle) I will buy or sell, depending on the direction of the 4-16 emas.*
- 3. Between 8 and 9 a.m., I will watch the direction of the USD/CAD pair, and enter a buy or sell order once a trend develops. I will be wary of 8:30 a.m. news releases from either the US or Canada, as these can have a reversing effect on the pair's original direction.*

3. How will you find your setups?

- 1. Check the list of upcoming news releases found on Forex.com*
- 2. Keep my cmsfx.com practice trading account open and open a screen for any pair that looks like it is moving into trading range.*
- 3. Simply watch the USD/CAD pair between 8 and 9 a.m. to see if a trend is developing.*

4. Which signals will trigger your entry?

- 1. Entry will be automatic if the market moves through the point where my Buy/Sell orders are placed, using the OCO function on Forex.com.*
- 2. The 4 and 16 emas crossing through the 60 ema.*
- 3. The movement, either up or down, of 10-15 pips in the space of 10 minutes will justify an entry in the same direction as the earlier move.*

Section J: After the Market Closes

1. Have you recorded today's trades?

Once I am done trading for the day, I will update my Trading Journal with the details of the days trade, including which strategy was responsible for my entry into the trade, the entry and exit points, and whether there was anything unusual that happened that I might want to remember for future reference.

2. Did you execute your trades according to plan?

I will review my entries, particularly the losses, to ensure I was trading according to my plan and not deviating from it in some fashion. If there was a deviation, I will need to determine if it was from a lack of discipline on my part, or a reaction to an outside event (such as unexpected news) which is beyond my control.

3. Have you completed your trading journal?

I will make additional entries in my journal detailing my thoughts and feelings about individual trades, trading as a whole, and any additions or subtractions to my list of goals. This journal will act as my therapeutic outlet while I am actively trading.

Section K: Discipline

1. Back test or forward test?

Any new strategy I find or develop will be back tested over a period of one year to see if the potential for profitable trading exists using said strategy. But no conclusion will be made until actually tested using a real money account. It is too easy to make decisions in play money accounts, since they do not have real world consequences. Forward testing using a small but significant percentage of my account will be the true test of validity.

2. What are your promises to yourself?

I will follow my Trading Plan to the letter.

If I break from my Trading Plan without reasonable cause (such as dealing with an unexpected news event) I will stop trading until I can understand my motivation for deviating away from this otherwise workable and profitable plan.

When I reach my goal of \$40,000 in my account, the next \$5,000 in profit which I earn from trading will go towards a Las Vegas vacation.

3. What questions do you ask after a Winning Trade?

Did the trade move the direction you thought for the reasons you thought, or did other events cause the winning move? Before I jump back into my next trade, am I doing so because all my signals are in place, or because I am exuberant about my last winner and anxious to keep the good times rolling?

4. What questions do you ask after a Losing trade?

Did the trade move against me because I misread the signals, or did an outside event occur which caused the trade to collapse? Before I enter my next trade, am I doing so

because all my signals are saying trade, or because I am angry over my loss and anxious to recapture some or all of my money?

5. What steps do you take to learn more about Trading?

I am constantly searching the internet for books, magazine and newspaper articles related to Forex trading and currency specific news. I belong to several Forex Forums (Forexbastards.com and ForexFactory.com being the two main ones) and I constantly review new posts from the respected members of those forums. I also engage in chats and forum discussions with members, picking their brains for new trading ideas or systems, and their opinions on the effect of upcoming news events. I also will attend at least one Forex Convention in the next 6 months, assuming I can find one within a reasonable distance from my home. Finally, I will purchase instructional material on Forex and study that material to further my education and my chances for becoming a profitable Forex Trader.

Just to give you another point of view, here is a link to another Forex Forum where one of the members posted his Trading Plan for the entire world to see. Read it and see if it helps you clarify your own thoughts on trading.

<http://www.forexfactory.com/forexforum/showthread.php?t=6793&highlight=trading+plan>

Okay, now that you've "got your mind right" (one of the greatest lines from one of the greatest movies ever made, "Cool Hand Luke") it's time to focus on how to grow your account to the point you find yourself financially independent. Or at the very least, making enough of a profit each month to justify the time you spend trading.

Chapter Five

MONEY MANAGEMENT

It has been said that 95% of all Forex traders lose their money.

After talking with dozens of traders over the past year, I believe this is an accurate figure. If nothing else, it might even be a little low.

95 people out of a 100 open their Trading Account with ideas of getting rich from pushing a few buttons on their computer keyboard. 95 people out of a 100 blow through their accounts, reloading a few times, until either frustration (or their wives) say “NO MORE!” and they are out of trading altogether.

So what do the remaining 5% know that the majority can't seem to grasp?

They have a plan in place. A plan that dictates not only HOW they will trade, but for HOW MUCH!

Once I took the time to chart out HOW MUCH I wanted to earn trading Forex, my daily activities took on a greater degree of focus. Instead of just jumping into a trade and hoping to bank as many pips as I could, I now had a specific target (both in pips and in dollars) and I my trading automatically became better! I had specific goals to shoot for, and once I hit those goals, I knew it was time to exit the trade (or bank a certain amount of the gain and move my stops up so that I would continue to be in profit).

Like everyone else, I wanted to become a millionaire trader. But that goal was just too vague.

Now I know that I want to grow my account to \$1,000,000 over the next 32 months. To achieve this goal, I need to increase my account by 25% each month (a ridiculous goal to have in most markets, but given the volatility of the Forex market pairs, one that is actually very achievable, as I'll demonstrate below).

I also wanted to be able to live off my Forex earnings, which would only happen if/when I grew my account to \$40,000.

In order to achieve these somewhat contradictory goals, I now trade two different accounts: one is designated as my long-term growth account, and the other is designated as my short-term income account.

But I'm getting ahead of myself.

First, let's look at what happens when you grow a \$1,000 account by 25% each month.

The following progression assumes a \$1,000 starting account balance and gives you the ending account balance after the 25% growth takes place each month.

1. \$1,250
2. \$1,563
3. \$1,953
4. \$2,441
5. \$3,052
6. \$3,815
7. \$4,768
8. \$5,960
9. \$7,451
10. \$9,313
11. \$11,642
12. \$14,552
13. \$18,190
14. \$22,737
15. \$28,422
16. \$35,527
17. \$44,409
18. \$55,511
19. \$69,389
20. \$86,736
21. \$108,420
22. \$135,525
23. \$169,407
24. \$211,758
25. \$264,698
26. \$330,872
27. \$413,590
28. \$516,988
29. \$646,235
30. \$807,794
31. \$1,009,742

By using this chart as the basic building block for my Financial Plan, I know at the beginning or Month One that I need to earn \$250 in my first month to remain on target.

Starting with a \$1,000 account and using the 200:1 margin provided by Forex.com, I have the ability to trade as much as 2 full contracts on my first trade. That would make a pip in the EUR/USD pair worth \$20. A 13 pip trade would gain the \$250 target in one trade (plus give me a \$10 head start on next month's goal).

It would also be grounds to have me committed, because I would be putting 100% of my account into play on a single trade, and a negative move would put me on the fast track to losing my entire account.

Instead, I use my head for more than a hat rack, and decide to trade a single Mini-Contract, which makes each pip worth a single dollar when trading the same EUR/USD pair.

This means over the course of a month, I need to earn 250 pips when my trading is done.

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Before I go any further, I want to take a couple of minutes and talk about how to protect your account from massive drawdowns (losses). The easiest way to explain is to use the example I just laid out for you.

Assume you have an account balance of \$1,000. You have a trade scenario that has developed and you are ready to enter a Buy order for the EUR/USD pair. You have just started trading (in fact, this will be your very first trade!) and your first month's goal is 250 dollars/pips. You are using a 30 pip stop loss and have a goal of exiting the trade after a 20 pip gain.

If you were to follow the bonehead path I mentioned in the beginning, and place a full 2 contract Buy Order, the dollar value of your pips would be \$20 per. It would take only 13 pips to reach your goal of \$250 for the month (in fact, you would have a gain of \$260) and if you rode the winning trade all the way out to 20 pips, you would bank \$400, putting you almost halfway to your second month's goal after only a single trade on your very first day.

Sounds pretty good, doesn't it?

But let's say that friggin' sheikh placed an opposing order, and by the time the carnage was through, you suffered through a 30 pip loss, and your stop-loss order was automatically executed by Forex.com.

You would have lost \$600 from your account. That represents 60% of your entire account, vanished after a single trade. Now, instead of trading the rest of the month with a goal of showing a \$250 profit, you're now trading with a goal of trying to recapture some of that \$600, and it could take several weeks, even months, of good trading in order to just get back to even.

That, or head to the bank and get \$600 so you can reload your account.

Now, let's look at that same trade, using Money Management as a tool to protect your account.

You have \$1,000 in your account, and the same trade develops. You execute a Buy Order using a single Mini-Contract, where the dollar/pip value is \$1. The trade works out to your advantage, and you bank \$20 after the EUR/USD hits your limit of 20 pips. You now have \$230 left to earn this month to reach your goals.

On the flip side, the trade blows up in your face (thanks, Sheikh!) and the EUR plunges past your stop-loss 30 pips below your entry. Your stop-loss Sell order executes, and you are now down \$30, leaving you \$280 away from your first monthly goal, and with an account balance of \$970.

Where would you rather be? \$30 or \$600 in the hole?

To put some percentages into place, by using a single Mini Contract with a 30 pip stop loss, you put a grand total of 3% of your account at risk in this trade.

Using the maximum 2 Full Contracts, you put 60% of your account at risk.

If you regularly risk 60% of your account on a single trade, I'd recommend you spend a few free moments boning up on your state's Bankruptcy Exemptions. You're going to need this knowledge, sooner rather than later.

If you never put more than 3-5% of your account at risk, you can suffer through a string of a dozen or more losing sessions and still have more money in your account than you would if you lost a single trade risking 60%.

By keeping the overall percentage you put at risk on the low side, you can remain in the trading game pretty much forever, as long as you throw in a winning trade now and again.

And that's really a fundamental point of my Trading Plan. Never put a greater percentage of your account at risk than you absolutely have to. Certainly never put a greater percentage at risk than you are comfortable with. If 60% losses don't faze you, then fine...trade multiple Full Contracts right from the start (although you probably should save some money for psychotherapy...you need it!)

Now let's get back to growing your account in a sane and reasonable fashion.

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There is no need to try and make all 250 pips on a single trade. In fact, it is highly unlikely this will happen.

Instead, I'm looking to make 10-15 winning trades of 20-25 pips each, which will get me to my goal without risking my entire account. Of course, if I get into a trade that starts running quickly in my favor, my Trading Plan allows me to move my stop-loss along

with the trade to capture more than my 20 pip target. But in most cases, I'll be thrilled to close out a trade and bank \$20-25 towards my first month goal of \$250.

Assuming I reach my goal within the first 30 days, my account now has a balance of \$1,250, and I now have a new goal in Month Two of \$313, which equals 313 pips when I trade a single mini contract. Again, I'm looking for 10-15 winning trades in the 20-25 pip range, or at this point I can justify trading 2 mini-contracts, making each pip worth \$2 apiece, instead of \$1, if I am willing to put about 5% of my account at risk on any individual trade. Personally, I'm okay with the idea of a 5% drawdown (I don't like it, but it doesn't make me want to slit my wrists!). If I trade 2 mini-contracts, I only need about 160 pips, which would be eight winning 20 pip trades in a month.

As my account grows each month, the dollar figure I need to earn to stay on track grows, but so does my ability to trade a larger number of contracts. Because I can increase my pip value as my account grows, I can keep my per-trade pip goal in the 20-25 range, and keep the number of winning trades I need in the 8-15 range as well, all the while risking no more than 3-5% of my account at any one time.

This is what the numbers would look like on a month-by-month basis:

Month	Profit Needed	Trade Size	Pips Needed	Trades (20 Pip Profit)
1.	\$ 250	.1k	250	13
2.	\$ 313	.2k	157	8
3.	\$ 390	.2k	195	10
4.	\$ 488	.3k	163	8
5.	\$ 611	.3k	204	10
6.	\$ 763	.4k	190	10
7.	\$ 953	.5k	190	10
8.	\$ 1,192	.6k	198	10
9.	\$ 1,491	.7k	213	11
10.	\$ 1,862	.9k	206	11
11.	\$ 2,329	1.0k	232	12
12.	\$ 2,910	1.5k	194	10
13.	\$ 3,638	1.9k	191	10
14.	\$ 4,547	2.0k	227	11
15.	\$ 5,685	2.5k	227	11
16.	\$ 7,105	3.3k	215	11
17.	\$ 8,882	4.2k	211	11
18.	\$ 11,102	5.2k	213	11
19.	\$ 13,878	6.3k	220	11
20.	\$ 17,347	8.2k	211	11
21.	\$ 21,684	9.8k	221	11
22.	\$ 27,104	12.5k	216	11
23.	\$ 33,882	15.5k	218	11
24.	\$ 42,351	20.0k	211	11
25.	\$ 52,940	25.0k	211	11

26.	\$ 66,174	31.0k	213	11
27.	\$ 82,718	40.0k	206	10
28.	\$ 103,398	50.0k	206	10
29.	\$ 129,247	60.0k	215	11
30.	\$ 161,559	80.0k	201	10
31.	\$ 201,948	100.0k	201	10

My account balance at the end of Month 31?

\$1,009,742 (more or less). Not a bad return for just a few hours per week plotting and executing trades.

In a notebook I keep on my desk, I have broken down my goal of a Million Dollar Account into 31 sections, noting how much money I need to earn overall each month. I also project how many trades I need to win at a particular pip value level in order to reach that goal.

So when I review my Trading Journal each morning, I instantly know how much money I should be shooting for that day, assuming I find a trade that meets my criteria. I also know immediately how many contracts (or mini contracts) I need to buy or sell when I enter a trade.

By putting all of this information into writing, it eliminates any confusion on my part when I enter a trade. I don't need to guess if I should buy 1 mini-contract or 5 regular contracts. I know before I ever get started for the day.

Of course, not all of my trades are profitable trades. Sometimes that damned sheikh shows up and torpedoed a perfectly good setup moments after I click on the Buy button (yes, I KNOW there is no Sheikh; I just use that as a visual for how things can look 100% right to enter a trade and you can still Lose!)

When that happens, I simply make adjustments to my numbers for the day, and if necessary, for the next few days. Losses obviously move me in the wrong direction from my goals, but it is merely a temporary setback. I adjust the amounts I need to earn in order to get back on track, and move on from there.

I don't mind taking two steps backwards as long as I follow up by moving three steps forward. It may only net out to a single step forward, but those single steps add up to ultimately reaching my goals.

If you are willing to show the patience and discipline it takes to follow a strict trading plan, including the dollar/pip targets that fit your particular goals, you'll find that you reach those goals significantly faster than you will if you trade randomly with no fixed goals.

Everyone has their own style for setting goals and recording them. Some people use Excel spreadsheets, or Quick-Books.

Me, I use a simple ruled, lined notebook and a blue pen. Once I've made so many corrections and adjustments to my fixed figures that the paper just looks too messy for words, I re-write those goals on a new page, using the updated totals.

While some people look at this as a waste of time, or at best, busy work, I find that by re-writing my goals every couple of weeks I am re-affirming my commitment to those goals, and ingraining them even deeper into my subconscious. For me, this extra effort is more than worth it in the long run.

I start with my original goal of \$1,000,000 in 32 months.

The first page in my notebook looks very much like the graph a few pages back:

31 lines, with my monthly dollar goal written on each line.

The second through thirty-second page is a breakdown of each month's goals.

For instance, Month One shows a goal of \$250 in net earnings.

I anticipated 13 trades of one mini lot with a goal of 20 pips profit. I wrote down the numbers 1-13 vertically from the top of the page, with the dollar figure of \$20 next to each

Under my 13 anticipated trades, I list each trade I enter: The name of the currency pair, the entry point for my trade, my stop-loss figure and my targeted exit point 20-25 pips away from my entry point. I also reserve a space for my actual exit point, and my profit (or loss) for the trade.

Again, this allows me to be able to see where I am in my trek towards my goals at any given moment in time.

I also maintain a separate journal where I record all the same information regarding my trades on a single line. I then debrief myself once the trade is over, analyzing why I earned or lost money on that trade. I also use this journal to vent when I am angry over the outcome of a trade, or crow when one of my trades performs even better than I expected.

This allows me to express my emotions in a positive fashion (writing them down) instead of a negative fashion (jumping into a bad trade either due to my anger over my loss or my euphoria over my gain). Allowing emotions to overrule common sense (and a good trading plan and trading system) is the primary reason 95% of all Forex traders lose their money.

Banning emotion and strictly following a Trading Plan is why 5% of all Forex Traders get rich.

To start a journal of your own, the first thing you need to do is figure out what your long term financial goals are as a Trader. Be specific down to the penny. How much money do you want to make in the next year? Five years? Twenty Years?

Write down your goals, and then start on the paper path towards achieving the same. Break those goals down into segments, starting with the dollar amounts.

Take your long term goal first. Let's say you want to have \$1m in your trading account at the end of 5 years. Write it down.

Write down how much you plan to fund your account with. Given the high risk involved in Forex trading, I'd fund with a small amount and grow those funds towards my million dollar goal. There is no sense in starting out with \$10,000 when you can fund with \$1,000 and grow your account to \$10k within a year by following the Simple 4x System.

So for our purposes I'm assuming you are funding your account with \$1,000.

Using the Future Value calculator found at:

http://www.ajdesigner.com/phpinterest/interest_compound_a.php

And inputting \$1,000 as our Present value and 12 compounding periods a year (once a month) for a period of 5 years, we play with our annual interest rate necessary to learn that we need to grow our account at a rate of 147% annually (or 12.25% per month) to reach our goal of a \$1,000,000 account at the end of 5 years (our ending balance, assuming we hit our targets as planned, would be \$1,026,079).

Next, we would start a new page to graph out how much we would need to earn each month at 12.25% to keep on track towards our goal.

The first entry, representing our projected account balance at the end of Month One, would be \$1,122.50 (which is our \$1,000 multiplied by 1.1225---the decimal representation of 12.25%).

The second entry, representing our projected account total at the end of Month Two, would be \$1,260 (which is our Month One ending balance multiplied by 1.1225).

The third entry would be \$1,414.35 (Month Two multiplied by 1.1225).

And so on, until you reach the 60th entry, which should be \$1,026,079, or somewhere in that ballpark, depending on whether you round up or down to the last penny.

At the end of this exercise, you would have a chart which resembles the one I included earlier that shows my Projected Account Growth at the rate of 25%. The difference is that using a smaller percentage, it takes you 60 months (5 years) to reach your Million Dollar goal.

Next, break down how much money you need to earn each month to stay on track towards your goals.

Start by subtracting your Month End Projected total at the end of Month One from your \$1,000 starting account balance. You end up with \$122.50. This is the dollar amount you need to earn during Month One to fulfill your first short term goal of earning 12.25% in Month One.

Assuming you only trade Currency Pairs that pay off at the rate of \$10 per pip on a Standard Contract (or \$1 per pip on a Mini-Contract), you now know you need to earn 122.5 pips in Month One (again assuming the use of a Mini-Contract) to reach your first goal.

Then, subtract your Month One Projected Account Balance from your Month Two Projected Balance ($\$1260 - \$1122.50 = 137.5$). You need to earn \$137.50 in Month Two, which represents 137.5 pips using Mini Contracts.

Month Two subtracted from Month Three ($\$1414.35 - 1260 = \154.35). You need to earn \$154.35 (and here you can round down to \$154 or up to \$155, your choice) or 154-155 pips.

Continue with these calculations until you have a complete list of the dollar amounts you need to earn each month in your Forex account to reach your Million Dollar goal in 60 months.

Now start a fresh page in your Trading Journal for each Monthly Goal.

Write down the Monthly Dollar/Pip Goal at the top of the page.

Underneath, divide that figure by 20 (20 is our daily pip goal, which is usually pretty easy to hit).

For Month One, our dollar/pip goal of 122.5 divided by 20 = 6.125. This tells us we need a little more than 6 winning trades of 20 pips per trade in order to reach our first Monthly goal. Strictly speaking, if we limit ourselves to ONLY 20 pips on winning trades, we would need to enter into a 7th trade for 2.5 pips profit.

There is no need for that. Instead, we set our Pip Profit Target on any individual trade for 21 or 22 pips in our first trades. Once we get 2 or 3 pips ahead of our schedule, we can scale our trade Target back to an even 20 pips.

Remember, even though we are following a Strict Trading Plan, we have built in enough flexibility to allow us to make minor modifications when common sense calls for such.

Also, there is always the possibility that we catch one of those trades that starts running right off the bat, and we bank far more than our 20 pip target in one of our first trades. Always remain flexible enough to take advantage of the good trades when they occur.

For Month Two, our dollar/pip goal of 137.5 divided by 20 pips = 6.875 trades. Again, common sense tells us that we really need 7 winning trades of 20 pips each to reach this goal (and actually exceed it by a few dollars).

Month Three's dollar/pip goal of 154.35 divided by 20 pips = 7.71 trades. Make that 8 trades of 20 pips profit each.

Continue on down through your chart until you have figured out how many 20 pip winning trades you need to complete each month to achieve your Monthly dollar/pip goal.

However, when you reach the point where you need to earn 300 or more pips in a single month, this is the point where you should increase your Mini Contract size to 2 Mini Contracts instead of 1 (increasing the Pip Value for \$1 to \$2).

The effect of this increase is to reduce the number of winning trades you need in a given month to reach your monthly goal. If you need 15 winning trades with 20 \$1 pips profit in order to reach your goal of \$300, you only need 7.5 winning trades of 20 \$2 pips to reach the same goal. By raising the Pip Value as your monthly goals increase, you reduce the number of winning trades you need in order to hit those goals.

As your dollar/pip targets grow each month, you simply increase the number of Mini-Contracts (and eventually, Full Contracts) you trade in order to keep the number of winning trades in the 8-12 range.

This allows you to take advantage of only the BEST signals to enter into trades, which will reduce the number of losing trades that will set you back on occasion.

Now, when the trading starts, keep track of your trades for Month One on the first page which details your dollar/pip goals and the number of winning trades you need to achieve that goal. List the date and time you enter the trade, the currency pair you trade, whether you bought or sold to enter the trade, your entry price, the stop loss figure you set for the trade, and your target pip price. Once the trade is over, write in the amount you profited (or lost) and write the profit amount a second time in a column where you will keep a running total of your wins/losses. This allows you to know at a glance where you stand at any given point during the month.

If you are using a 3-ring binder (which I highly recommend) you can add additional pages as needed to keep track of your trades for the month. You can also start adding

your thoughts about each trade, helping to keep your emotions in check during actual trading.

If you want to get really professional about it, spring for a set of tabbed separators which will keep each month separate. This will make it easy for you to find your place each day as time goes on and your binder becomes filled. It also gives your journal a more professional look, which is a psychological boost to your trading. You are a professional, and everything you do when trading should look professional.

And that's all there is to it.

Keep your journal up to date by keeping track of every trade, and stay on course towards your goals by limiting your trading to those trades that most meet your trade entry requirements.

Three years (or five years, or ten years) may seem like a long time, but when you are trading according to a set of well defined goals, that time will pass quickly as you see your account growing on a regular basis.

This is not a game for the Get Rich Quick crowd, although I gladly will take their money when they jump into ill-advised trades against me. This game is won by the people who are slow and steady and trade according to their personal Trading Plan. The greedy, the impulsive, the folks who are completely controlled by their emotions are the ones who will be chewed up and spit out.

Patience, Discipline and a Trading Plan are all you need to reach your goals as a Forex Trader.

Appendix One

How I Turned \$1,000 into \$20,000 in Less Than 3 Months

By now it should be clear that I am a BIG fan of setting daily targets. They give me a specific goal to shoot for, and also give me a clear point to exit when I am in slower moving trades.

But when I first started, I neglected to set these goals, and blew through my account in no time flat. Honestly, I was angry. Supremely pissed, even. With all my talk about patience and discipline, I was mad at myself for blowing my account, and wanted to get that money back.

Right Now!

It took a couple of days to calm down, and decide to do what I've always done best: set my goals and immediately start moving towards achieving those goals.

In retrospect, my initial Trading Plan was overly aggressive. Knowing what I know now, I would go with the plan I am currently using: 25% growth in a month, 10-12 trades of 20 pips profit each, and grow my account at a steady but reasonable rate.

But at the time, the pressure to start making big money was on, and motivated me to become more aggressive. So I crafted a plan that called for me to increase the size of my account by 5% on each winning trade, and trade each day until I reached that goal of a 5% increase.

I was fortunate that I started out with a nice string of winners (11 winning trades in a row) before I had a trade go south on me. Thankfully, that string of winning trades had built me up emotionally to the point I was actually GLAD to lose a trade, so that I could remind myself that losing trades DO happen, and I need to remain on my toes and only enter into trades that COMPLETELY meet my trading plan requirements.

One other thing I did which I would not do now is bought more Mini Contracts than my account level could truly justify. With my account reloaded to \$1,000, my first trade was with 2 mini-contracts (something I would only do now if my account were at \$1,500 or higher...I routinely put about 8% of my account at risk on a trade---I determined through experience that this is the maximum I can risk before my discomfort becomes overwhelming).

What it all comes down to is that I would not recommend ANYONE to trade the following plan. I am simply including it to show you that it IS possible to make Big Money as a Forex Trader, starting with a small amount of money.

My 5% Plan

Day	Account Balance	Amount Earned (at 5% rounded up)
1.	\$1,000	\$50.
2.	\$1,050	\$53.
3.	\$1,103	\$56
4.	\$1,158	\$58
5.	\$1,216	\$61
6.	\$1,277	\$64
7.	\$1,341	\$68
8.	\$1,409	\$71
9.	\$1,480	\$74
10.	\$1,554	\$78
11.	\$1,632	\$82
12.	\$1,714	\$86
13.	\$1,800	\$90
14.	\$1,890	\$95
15.	\$1,985	\$100
16.	\$2,085	\$105
17.	\$2,190	\$110
18.	\$2,300	\$115
19.	\$2,415	\$121
20.	\$2,536	\$127
21.	\$2,663	\$134
22.	\$2,797	\$140
23.	\$2,937	\$147
24.	\$3,084	\$155
25.	\$3,239	\$162
26.	\$3,401	\$170
27.	\$3,571	\$179
28.	\$3,750	\$188
29.	\$3,938	\$197
30.	\$4,135	\$207
31.	\$4,342	\$218
32.	\$4,560	\$228
33.	\$4,788	\$240
34.	\$5,028	\$252
35.	\$5,280	\$264
36.	\$5,544	\$278
37.	\$5,822	\$292
38.	\$6,114	\$306
39.	\$6,420	\$321
40.	\$6,742	\$338

41.	\$7,080	\$354
42.	\$7,434	\$372
43.	\$7,806	\$391
44.	\$8,197	\$410
45.	\$8,607	\$431
46.	\$9,038	\$452
47.	\$9,490	\$475
48.	\$9,965	\$499
49.	\$10,464	\$524
50.	\$10,988	\$550
51.	\$11,538	\$577
52.	\$12,115	\$606
53.	\$12,721	\$637
54.	\$13,358	\$668
55.	\$14,206	\$702
56.	\$14,908	\$746
57.	\$15,654	\$783
58.	\$16,437	\$822
59.	\$17,259	\$863
60.	\$18,122	\$907
61.	\$19,029	\$952
62.	\$19,987	\$1,000
63.	\$20,987	\$1,050

As I said earlier, I traded every single day until my account cracked \$20k. That means I got into a few trades that weren't quite up to my current standards of being solid, solid trade setups. I also compressed several of the first 30 levels into just 10 days. After my first trade closed (a scheduled financial news report caused a 35 pip spike within a couple of minutes), I entered my profit for Day One, but continued to trade. At the end of Day One (on the calendar, not the trading plan) I was up \$170 (85 pips in 3 trades using 2 Mini Contracts).

On Day Two, I jumped up another \$148 (74 pips in 4 trades, using 2 Mini-Contracts). And so on until I reached just over \$4,000 in my account. From there on in, I traded on one level a day, increasing my Contract size and continually seeking 20 pips profit on each trade.

I also skipped days when absolutely nothing was happening that justified entering a trade. The more money I made, the stricter I became about putting any of it at risk.

I also became more selective about entering trades at this point, and made sure my potential trades met all my criteria for entering a trade or I passed. Thankfully, the scheduled financial news reports generated a lot of activity in the EUR/USD pair during

this period, and my straddling technique usually was the only trade I needed during any given day to meet my dollar/pip goal.

On days where there was no News Trade, and one of my other trades went south and generated a loss, I would stay at my trading station and wait for my next setup to appear. When I entered the next trade, I did so with the sole intent of recapturing the lost pips from the previous trade. Once I achieved that goal, I closed out the trade and waited for the next setup. When the next setup appeared, then I would trade with the goal of advancing up to the next level.

Again, I DO NOT RECOMMEND you follow this particular plan...I include it SOLELY for the purpose of showing how you can combine an aggressive money management plan with a very good trading system (or two or three) and grow your account quickly.

Appendix Two

Further Learning Resources

Here are some books and websites that I've found to be helpful and informative as I continue my own education in Forex.

“Trading in the Zone” by Mark Douglas. A great book on how to create the perfect mind set for trading. By far, the ability to control your emotions (your mindset) is the most important quality found in successful traders.

“Day Trading the Currency Market” by Kathy Lien. Another Forex classic and well worth the \$40-50 it costs at Amazon.com to purchase.

“Trade Your Way to Financial Freedom” by Van K. Tharp. Another great book on trading, and one that focusing a lot on Money Management (a subject dear to my heart, if you hadn't figured that out already).

All three of these books should be on your bookshelf if you are a serious trader. All three are available online through Amazon or Barnes and Nobles, but if you are looking to save a few bucks, check out www.abebooks.com and www.bookfinder.com. Both sites deal in used books, and you can often find a book selling for \$30 on Amazon for just a \$1 plus shipping (which is usually just an additional \$3-4). I no longer buy books online from the major vendors unless I've checked for a cheap used copy on Abe or Bookfinder. Part of growing rich is keeping track of the pennies, and saving \$20-25 every time I buy a book will serve me (and you) just as well in the long run as making profits from Forex.

www.forexfactory.com Without a doubt one of the best forums on Forex Trading you will find. If you are looking for systems to trade, you'll have your choice from dozens, most of which are rigorously front and back tested by members, with results posted for all to see.

www.trade2win.com Another truly great forum. Member here (and at FF, above) really take their time answering questions from newbies. A great learning resource.

www.forexclarity.com A great full-service site (which you probably already know, since the odds are you bought this book at their site). Nick and Theo really know their stuff when it comes to trading Forex, particularly the GBP/USD pair. I highly recommend you join the forum and check out what Nick has to say about expected moves involving the GBP. They also have the ONLY signal service I would recommend you use, if you just can't seem to develop your own system for trading. You can find out more about that service when you visit their website.

www.babypips.com A great site to start with if you really don't understand much about trading Forex. Set up to resemble the American Public school system, you start with Pre-school, and work your way up to College graduation with a series of short lessons explaining the nuts and bolts of Forex. This free site can easily replace about 500 different shovel seller sites that "give away" free information, or sell the same info for anywhere from \$19 to \$499.

www.MoneyShow.com The folks at MoneyShow.com are the ones who promote those huge Forex and Investment Trade Shows around the country. On the website they have several webcasts and podcasts you can download and use for free. They also have several you can buy (for a couple hundred bucks, no less!) but I haven't watched any of the pay-per-view material. But the free stuff is well worth the time to download and review. Also, if you get a chance to attend one of their Trade Shows (their free to attend) I strongly recommend you go. You get a chance to mingle with other traders, attend seminars designed to help you become a better trader, and check out all the latest newsletters, books, gizmos and gadgets at the hundreds of vendor booths. Again, well worth the price of attending (free!).

APPENDIX THREE

TAXES

In many jurisdictions, gains from trading FOREX are NOT taxable.

In many others, FOREX gains ARE taxable.

I leave it up to you, the individual reader, to seek out the advice of a competent tax professional in your area to advise you on how best to declare your FOREX profits, should said profits be taxable. Nothing I have said, done or implied herein shall be considered the giving of tax advice in any way, shape or form.

Further, the Profit Progressions as detailed within this e-book are created and built under the assumption that all monies earned from trading FOREX pairs will be retained in your FOREX trading account, allowing you to increase the size of your trades as your account grows.

If you live in a jurisdiction where said profits are taxed, you may not be able to grow your account as quickly as someone living in a tax-free area, as some of those profits will necessarily be removed from your account to satisfy your tax liabilities.

APPENDIX FOUR

ADDITIONAL TRADING SYSTEMS

As I noted in Appendix Two, you can find literally dozens of good systems to trade in the forums at ForexFactory.com. Just look in the section marked “Trading Systems” and get ready to spend a few hours reading through all the posts detailing the rules of the systems and the results of all the back and forward testing.

Currently, there are two Trading Systems that are generating a LOT of positive feedback. Rather than go into detail about them here, I’m going to provide you with the links directly to the original posts, and let you do some exploring on your own.

But I’ve investigated both of these systems myself, and am working on a way to incorporate both systems into my own Trading Plan, I like them so much.

So here are the links:

The SIDUS System

<http://www.forexfactory.com/forexforum/showthread.php?t=6137&highlight=sidus>

The MOUTEKI System

<http://www.forexfactory.com/forexforum/showthread.php?t=8464>

APPENDIX FIVE

A HIGH PROBABILITY/HIGH PROFIT SCALPING SYSTEM

As you should already know, I listed 3 trading systems in the e-book, and I use all three during the course of my trading day, if my signals tell me it's time to enter a trade. But I'm always on the lookout for another tool that will aid me in my quest for financial independence by trading Forex.

A couple of months ago, a friend who lives overseas shared a trading method with me that has completely rearranged my way of looking at the Forex markets. As you know from reading my book, I am a champion of the Low Stress Trading Style: grab 20 pips and call it a day! Follow my money management system, and within 3 years, you're worth 7 figures. I still believe that this is the best way to trade the Forex markets, particularly for beginners.

However, for the past 2 months I've been back and forward testing this system provided by my friend, and I have to say that if you are looking to accelerate your earning curve, and achieve a 7 figure net worth a heck of a lot sooner than 3 years, then give some thought to following this system.

The system is a method for scalping the pairs, and it's as close to being a perfect, no-risk system as any I've ever seen and used.

One Caveat: To use this system, you need access to the VT Trading platform provided by www.cmsfx.com. It uses a technical indicator that only seems to be found on the VT platform. If you haven't already set up a demo account with cmsfx, I strongly urge you to do so immediately, so you can test this system for yourself.

Okay, now for the system. As I mentioned, it is a scalping system, designed to help you grab 2-20 pips in a very brief period of time (usually less than 10 minutes to bank 10-20 pips). The setup is as follows:

You need a clean chart on the VT platform. I recommend using the EUR/USD or the GBP/USD, simply because they have greater liquidity, and the spreads are smaller on those two pairs than on most of the others. Also, the pip value is fixed at \$1/\$10 (mini vs. standard contract).

To set up the chart, choose the 1 Minute timeframe, and Candlesticks. Add the following Moving Average indicators: a 3 ema and a 21 ema. Then add 2 more indicators: The Chaos Awesome Oscillator and the Volume indicator. As before, make sure you set the colors on your two Moving Average indicators to ones other than your candlestick colors, and make them thick enough you can see them clearly on the charts.

To execute a Long Trade (to BUY), wait for the 3 ema to cross over the 21 ema in an upwards direction. Check your Chaos Awesome Oscillator. See that it is approaching, at, or crossing upwards over the Zero line. Make sure your CAO indicator colors are green. Hold the trade until the Chaos Awesome Oscillator turns red. When it turns red, Sell and get out of the trade.

To execute a Short Trade (to SELL), do the exact opposite. Wait for the 3 ema to cross over the 21 ema in a downwards direction. Check your Chaos Awesome Oscillator and make sure it is approaching, at, or crossing over the Zero Line heading down. Make sure the indicator color of the bars is Red. Hold the trade until the Chaos Awesome Oscillator turns Green. Buy and get out of the trade.

If you are in a smoothly trending market, you're going to easily grab 10-20 pips per trade, and have the chance to execute a dozen or so trades during the course of a session. If you are in a choppy market, this is where the volume indicator comes in handy.

A choppy market will limit your profit potential to just 2-3 pips per trade after the spread is accounted for. It's best to stay out of the market at these times. But the volume indicator can tell you how much money is being put into play during that one minute time span. So if the market is moving up with moderate volume, then moving back down with moderate volume, you are going to be limited in your ability to bank any pips.

However, if the market moves up under moderate volume, then stalls or moves downward on much less volume, you might choose to ignore your CAO signal (green turning red, or vice versa) and stay with the trade for another minute or two. If a lot of people bought, thinking the market would go up, and very few people are selling as the market stalls or creeps downward, it's a pretty good sign that the money is betting on the market rising further.

To make the best use of this system, I now trade between midnight and noon, eastern time. Midnight to two a.m., the Asian markets are in full swing. From two to four a.m., European markets are opening up, and between 8 a.m. and noon, the US and Canada are open for business.

But I don't trade the entire 12 hours. 2-4 a.m. generates a LOT of movement in the Euro and GBP, and gives me tons of chances to profitable trade. 8-11 a.m. is also a very busy time and generates many trading opportunities. So I'll trade one or both, and sleep in between if possible.

(And as always, be totally aware of any scheduled news releases before you enter a trade. Financial news can artificially affect the market and jar it out of whatever trend it was in. You don't want to be up 20 pips and climbing, just to see the bottom fall out and be down 20 pips, all within a matter of seconds. So keep a list of the daily scheduled news releases handy, and close out any open trades just prior to the releases.)

But here's why I am so excited about this method: By trading during times when the markets move 25-50 pips up and down, I'm able to bank 75-100 pips in a two hour session. Sometimes I make a little less, sometimes a little more.

But when you look at the Money Management section of my e-book, specifically at the profit progression, you'll see that I can now make a month's worth of profits in 2-3 days!

Imagine accelerating the System to the point where you can condense the months down to weeks! Instead of taking 32 months to go from \$1,000 to \$1,000,000, it is possible to do this now in as few as 32 weeks instead!

And it's not pipe-dreaming! I started using this system full time about a month ago, and I've already shaved off 5 months from my original plan. I fully expect to be flirting with a million dollar account by mid-summer, 2007! I'm willing to give up my beauty sleep for a few months to gain a lifetime of financial security.

So to review: Using the One Minute candlestick charts at cmsfx.com, add a 3 and a 21 ema, along with a Chaos Awesome Oscillator and a Volume indicator. Buy when the 3 crosses up over the 21 and the CAO is at or near zero and rising (green). Liquidate this position when the CAO turns red. To Sell using this system, wait until the 3 crosses downward over the 21 and the CAO is at or near zero, heading down (Red). Liquidate when the CAO turns Green. Try to stay out of choppy markets and focus on the timeframes when the market trends the smoothest: 2-4 a.m. eastern and 8-11 a.m. eastern.