# MEAN GREEN MONEY MACHINE

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### The Step-by-Step Home Study Guide:

**How to Trade The FOREX Market**
**to get *RICH QUICK* and make others *JEALOUS!***
**(even if YOU don't know diddly-squat about trading currencies)**

by Joseph Wohlers

# The Step-by-Step Home Study Guide:

How to Trade the FOREX Market

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By Joseph Wohlers © October 2011

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**Forex Currency Trading disclaimer**: The methods and strategies taught in this book are not a guarantee of profits and trading in any currency market involves a high degree of risk regarding the potential loss of any or all of the capital funds you invest, especially if you are not exercising appropriate risk management techniques with each and every trade, such as stop loss orders in particular. As with any business venture, the risk of losing capital is always an inherent factor!

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# Chapter 1

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## Why is FOREX the best online home business?
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I wrote this training manual for one purpose. I wanted to share with as many people as I can how to develop the confidence, discipline, and proper mindset you will need to compete in the Forex market to make a lucrative business for yourself. I assure you, this book is like no other book out there on Forex. I am going to take you by the hand, step by step, and show you how to implement my manual Forex trading system to produce continuous, exponential profits. The discipline needed to follow the rules will be entirely up to you. You will need to protect your money with a protective stop loss order every time you enter the market and never move a stop!

Sometimes the hardest discipline learned will be to push the button to enter a trade when a buy or sell signal is actually generated. Like baseball, you have to take a swing at the good pitches to get a hit, and not every hit is going to be a home run. There will be the occasional strike out more often than not, but unlike the odds of a great baseball hitter with a batting average of only 40%, my trading system can help you produce a 70% win rate or better! These systematic rules of discipline will become second nature once you have learned to respect the awesome results this manual trading system can produce. You will be wise to spend a few months getting used to trading these methods on a ‘live’ demo account, thereby not risking your hard earned money till your understanding becomes more refined and confident.

There are many motivating reasons to choose trading Forex. Here are the **top 10 reasons** why trading Forex is really the perfect business.

No inventory

No angry customers or complaints, no returns

Can work from home anywhere in the world

No paperwork - year end statement is sent to you

You can work 24/7, 5 days a week

Can profit in a good or bad economy

Over 3 trillion dollars daily global cash flow – high liquidity leads to many daily profit opportunities

No selling, no recruiting, no network marketing

Gives you more free time for friends and family

Master of your own destiny

I point these reasons out to you because there is no other legal, legitimate business out there that will treat you to a better lifestyle. I thought maybe if you learn to understand and respect what a wonderful lifestyle trading Forex is, you will be motivated to build this business with care and put in the quality time needed to master the art of trading to the best of your ability. It really is a privilege at the end of the day to have profited so easily by just sitting in a lounge chair at home watching the charts and making simple decisions. There is no angry customer going to call you and ruin your day!

With your own Forex business, you truly are master of your own destiny. Your trading decisions will get better with time if you put in the quality time and study needed to refine your trading style. Perseverance will pay off big time. You really will appreciate having more free time to enrich your social and family life! Look at me - I get to write books to help other people get rich! When I die, those who knew me can say I really made a difference helping others build a better life for themselves and their loved ones.

Anyway, these are some of the thoughts that go into why I really pour my heart into this business and deeply believe you can’t go wrong with this business if you truly want to build a better lifestyle for yourself. It’s up to you – keep asking questions! To please yourself, you have to know what you really want in this life, and then simply keep asking the right questions till you get the answers you need to succeed. If you need to make more money, the same is true. Let this book be a launching pad for your financial independence. Your job is to keep feeding your hunger for knowledge and day by day, slowly but surely, the answers will be revealed. Always remember there are many people around the world sustaining a great lifestyle with the art of trading. Their success continues because they never ever give up – they always continue to ask questions till they get the right answers. I'll be happy to answer your questions and keep your financial path on the straight and narrow, and in the black, when it comes to making more Forex profits.

# Chapter 2

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# Learning the lingo of trading basics
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I will teach you how to trade in the shortest amount of time possible. The last thing I'm going to do is fill your head full of every detail about trading terminology. I'm going to teach you what you will need to understand to place a trade and make money. I assume that is why you bought the book. So, without further adieu, let's learn how you will make money trading the Forex market.

Currency markets go up and down in price. When there are more buyers than sellers, the price increases. When there are more sellers than buyers, the price decreases. The way you make money trading is picking the right direction of the price action. If the market is climbing higher, you want to be buying. If the market is descending lower, you want to be selling. It's not rocket science. It's price action.

So, it only makes sense, if the market is trending upwards, you will look for opportunities to buy the market on pullbacks. You have probably heard it said, "A market can't go up in a straight line forever". A market eventually tops out or becomes exhausted. At a certain price, there becomes a ceiling or a price where there are so many buyers, already in the market, and are willing to sell, because they will have made a substantial profit if they sell. At this point, sellers see opportunity in the market declining briefly and the sell orders start increasing, pushing the price lower. At some point, the sell orders start to diminish and the buy orders start pouring in and the price action resumes its upward trend again.

When the market bottoms at a certain price point, that becomes a “support” level. A floor is created because there are enough people willing to buy at this lower price. Then as the buy orders keep coming in at increasing prices, the market climbs. Eventually the buyers are not willing to pay higher prices, and at a certain price point there becomes a “resistance” level. A ceiling is created because there are enough people willing to sell at this higher price.

I hope you are starting to grasp why markets go up and down. If you place a buy order slightly above a support level, you would naturally anticipate that a great place to close your position with a sell order would be just slightly below the next resistance level. For example, say you bought the EUR/USD @ 1.4100 and sold it at 1.4200 – you just made 100 pips. Pips are simply the unit of measurement used to score your gains or losses. If the size of your order was one full lot, you made 1,000 US dollars in this example, or 10.00 US dollars per pip. If you were trading mini-lots, or one tenth of a full lot, you would have made 1.00 per pip, or 100 US dollars in this example.

To make money in the Forex market you would have to open a position with either a buy or sell order and then close that position at some future point in time, either experiencing a profit or a loss of funds in your account. If you sold at a higher price than your buy order price, you made a profit. If you had to sell at a lower price than your buy order price, you lost money.

Keep in mind, you can buy or sell to enter a position in the market. If you sell at a point of resistance and open a position in the market, you are hoping the market tanks or declines in price. If you placed a sell order and sold the EUR/USD at 1.4300, you would be anticipating that the market will decline in price action. Let's say for example, the market declined as you foreseen and you closed your position at 1.4250 with a buy order. You made a profit of 50 pips or 500 US dollars with a lot size of one full lot, or 50 US dollars with a lot size of one mini-lot, which is one tenth the size of a full lot.

There will be times when you place an order to buy or sell and the market price action goes against you. For example, let's say you place an order to buy the EUR/USD at recent hourly support of 1.4000. The market has bounced off that level the last two times in the last few hours and you are totally convinced that the price is too low for too long and it will once again bounce off that support level. Much to your dismay the market mildly bounces and then strongly reverses and goes through the 1.4000 handle and within 15 minutes the market is now at 1.3940 and you are down 600 US dollars, trading one full lot. An hour later the market took another dive through the 1.3940 level and is now sitting at the 1.3900 level and clearly not in the mood to rebound so you close your position by placing a sell order to sell at 1.3903 and you lose 970 US dollars on that trade. That wasn't as much fun as making a profit, but it was your first good lesson of what can happen if you don't have a protective stop loss order.

To avoid these greater losses, when you place your entry order, be sure to enter a 20 – 30 pip protective stop loss order at the same time. Instead of losing 970 dollars you would have only lost 200 to 300 dollars, trading one full lot, when the market turned against you. The lesson learned is to always place a stop loss order with any and every entry order – NEVER TRADE WITHOUT A STOP ORDER IN PLACE. There will times when your trade is progressing quite well. You're even "in the money" and then unexpectedly some news hits the wires saying "the Bank of China feels the Euro is overvalued at these levels" and within 10 minutes the EUR/USD drops 100 pips. So, in summary, whether you are buying or selling, always have a protective stop order in place to protect your hard earned money, just in case the unexpected should occur.

Let's briefly review.  To make money trading you will have to buy or sell one lot and then close your position with an appropriate buy or sell order.   If your entry order was a buy order, you will have to place a sell order to close your position.  If you close your position with a higher price than you bought it at, you made a profit.

If your entry order was a sell order, you will have to place a buy order to close your position.  If you close your position with a lower price than you sold it at, you made a profit.

In either case, you must also place an appropriate stop loss order with your entry order to protect you from a substantial loss if the market goes against your position.  If your entry order is a buy order, your stop loss order would be a sell stop.  If your entry order is a sell order, your stop loss order would be a buy stop.

Protective stop loss orders will limit your loss of capital to a reasonable amount that you can afford to lose if the price action goes against your position in the market.  Your stop loss order becomes the amount of money you are willing to lose if your trade goes bad.

Now, we come to the issue of risk versus reward. As you just learned your stop order determines how much money you are willing to lose. Your reward is the amount of money your exit order will yield as profit if hit. Once your entry order, along with your stop loss and profit target exit order are placed, your trade will develop over time and either hit the exit target price or your protective stop order price. You will either make a profit or a loss. I prefer trading in market conditions where if I decide to risk 30 dollars, I have a high probability of making at least 60 dollars reward or more. I'll explain more later about risk versus reward and how finding high probability conditions will dramatically produce more profits and keep your losses relatively small. For now, I just want you looking for trades that can potentially give you more reward than what you are willing to risk.

The best thing you can do to prepare yourself for learning how to make money trading Forex is to practice every day until you can make a minimum of at least 15 - 20 pips a day. You will find that sounds easy, but I assure the floor traders who play this game every day with hundreds of thousands of dollars in their accounts will live another day to take your protective stop loss orders out more often than not. So, humble yourself now with practice. Trading with real money is easy if you feel confident that you have a reliable weekly history of successful trading profits. If you can make 15 - 20 pips a day or 75 -100 pips a week for a month in a row, you're starting to get an overwhelming sense of how to beat the market successfully day after day. The main reason you will lose money in Forex is because you don't put in the practice time needed to become a proficient, professional trader that knows how to make consistent profits.

What you need to do now is download a METATRADER 4 program if you don't already have it. You can download a free demo trading account and the METATRADER 4 program by going to the website, www.metatrader4.com. When you're in the process of registration of this new demo account, be sure to click "Advanced" for account type and set "Amount" for 10,000 US dollars. Set the "Leverage" for 1:50 for a more realistic setting.

Once you launch the program, pull up a chart of the EUR/USD and expand it the full width of the screen. Set it up for the one hour time frame and see if the market is trending up or down. To help see the direction of the market, I want you to go to the INSERT button on the top left, and click on “Indicator” and then click on “Trend” and then click on “Moving Average”. I want you to add three moving averages to the chart – the 50, 21 and 13 Moving Averages. Make sure the MA’s have different colors so you can distinguish between them. The hourly 50 Moving Average will let you know if the market is going up, down, or sideways. If the market you happened to pick is trending upward, I want you to identify support levels by drawing horizontal lines. Simply click on the horizontal line icon and then find the lowest price point on the chart and click on that point to draw the horizontal line. That line simply represents an important support level. As the market climbed from that lowest point, it reached a minor level of resistance. I want you to draw a horizontal line there as well. At some point in this upward trending market, you will see that resistance level penetrated and a breakout to further upside. Now that former resistance level becomes a new support level for the market. I’m trying to help you recognize how markets are always bouncing between support and resistance.


If the particular point in time of the market cycle you picked happened to be a declining 50 Moving Average, I want you to draw a horizontal line at the highest point. That line simply represents an important resistance level. As the market declined from that highest point, it reached a minor level of support. I want you to draw a horizontal line there as well. At some point in this downward trending market, you will see that minor support level penetrated and a breakout to further downside. Now that former minor support level becomes a new resistance level for the market.


I hope you are seeing how fairly easy it is to identify the support and resistance levels in the market and whether the market is trending up or down. Keep in mind, there will be times when the 50 Moving Average will be a flat line. That is called a sideways market – a period of time when the market is consolidating, or simply stated, “the market is catching its’ breath”. In a sideways market there is usually a relatively narrow band of support and resistance for a period of time, until the market breaks either to the upside or downside.

This process of simple analysis will tell you if the market is trending up, down, or sideways. Hopefully you are grasping the concept of how the market bounces between support and resistance. If you look at the Moving Averages, I want you to see how the market will tend to bounce off those averages as well. When a moving average is breached or penetrated and the momentum is strong enough, the market will tend to reach for the next moving average.

Now you have two ways to find a good entry order. You can either enter the market close to support or resistance or you can pick a point close to the particular moving average the price is bouncing off of and buy or sell accordingly. Sometimes just putting a “limit” order to buy or sell at a specific price point very close to the support or resistance level will make a very successful high probability trade. You could also put in a “limit” order to buy or sell at a specific price point very close to the particular moving average the price keeps bouncing off of.

If you’ve already had some experience trading currencies, the past few pages I’m sure are very elementary. I don’t mean to be rude, but chances are, even if you know these basics are second nature to your trading thought patterns, I would bet the reason you are reading this book is because you are finding making consistent Forex profits day after day tougher than it looks. Don't feel alone. It's a competitive business. Those pro traders that have the big accounts know how to take out the stop orders to scare the amateur and novice traders. That's why an elementary review of these basics is good medicine. My best advice is once you have entered into a trading decision, follow it through to the end. In your mind, be totally positive, thinking I had a good reason for entering this trade and my profit target will be hit and should I be wrong, my stop order will protect me. If you are confident in your trading decisions and are working with tried and true trading strategies, you will be winning more than losing.

So, that brings up the reason most people lose – traders tend to get emotional and don't stick with there discipline. When a stop order takes you out of the market, don't look at that as a loss – that's the cost of doing business. A small loss is just like any other business – you will have expenses in any other business as well! A stop loss signifies one of two things – you entered the market too early, but had the direction of the price action right --- or, you were completely wrong and the market is in the process of changing direction and this is only the beginning of a more significant move. So, instead of "hit and miss" trading at that point with your first loss, just wait for a new trading opportunity. The market will slowly reveal the direction it prefers, if you are patient and just wait for an answer.

Let's say you got stopped out for a small loss and 15 minutes later the market is proceeding to continue the trend as you originally intended. In that case, just look for another pull back and get back in the market. On the other hand, if 15 minutes later, the market says you were "dead wrong", and the market prefers to change direction from what you anticipated was the correct direction, you might want to get in with the current trend on a pullback opportunity. If you are willing to wait just the 15 minutes as I suggest, you will allow yourself to make better trading decisions. If you've ever lost money in the Forex market because you have been wrong three times in a row, what you just learned will become invaluable information, and now going forward you will learn to "breathe" when a small loss occurs and be willing to wait for the market to tell you if you were right or if you were dead wrong! Patience in your trading decisions will always make more profits than trading on the fly or trading emotionally. Just stick with your trading strategies and the disciplines you know. Be confident your trading decisions will be right the majority of the time – consistent profits will come from both confidence and discipline in your personal trading methods and will define a personal style that works for you over the long term.

# Chapter 3

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## Practice makes (almost) perfect!
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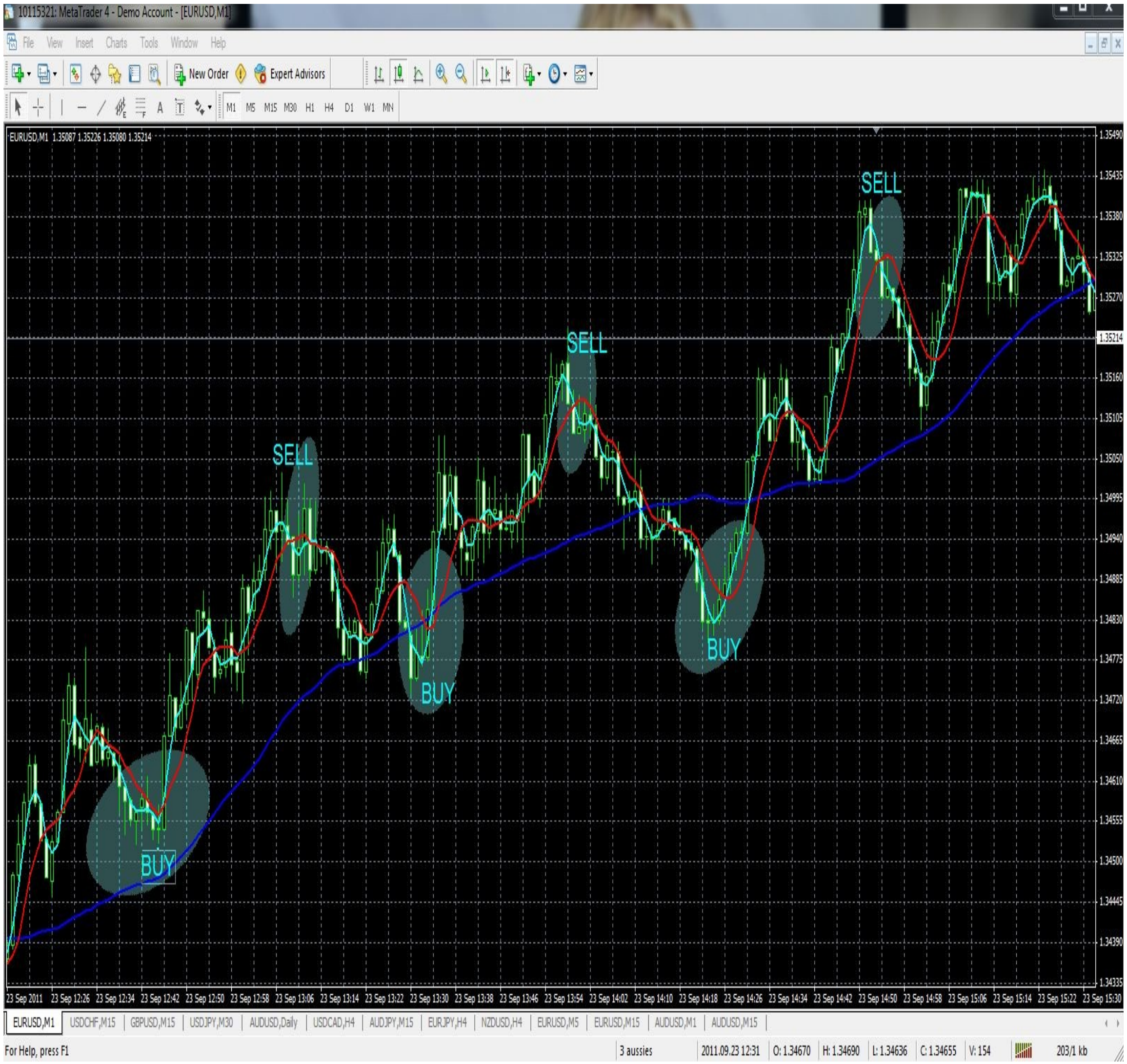
Ok, you've got some basics, and may feel knowledgeable enough to make your first trading decisions… let's go to a chart and do some practice trading on the one minute time frame. I don't recommend trading on the one minute time frame for long periods of time because it will become very stressful, but I guarantee you the one minute time frame will get you up to speed teaching you how to pick a direction and stick with that direction if you're right and help you quickly change direction if you are wrong.

Open up a new chart by clicking on "File" and then click on "New Chart" and then click on the Eur/Usd currency pair. Now with that new chart make sure it is on the one minute time frame by clicking the "Period" icon of one minute. Find the icons on the top part of the chart window that allow you to choose a bar, candlesticks or line chart and choose candlesticks. Next to those icons are "Zoom In" and "Zoom Out" icons. Keep hitting the minus sign (zoom out) till it is a maximum zoom out. Then go back to the plus sign (zoom in) and click it three times. This will allow you to see about 3 hours of past history of price action on the one minute chart. Then, make sure the Auto Scroll button is "on" right next to the "Zoom" icons and then click on the "Chart Shift" icon, (right next to the "Auto Scroll" icon) and keep clicking it till the most current price of the market or most recent candlestick is on the far right. Now the chart will auto scroll as minute by minute chart history is recorded on the candlesticks.

Now, I want you to make sure there is a 50 Moving Average and also a 3 and 7 MA. Be sure to make sure the moving averages have different recognizable colors so you can easily distinguish the different MA’s. The support levels and resistance levels should be easily recognizable by the price action bouncing off support and resistance. These levels are always changing and in a one minute time frame you get to see how fast they really change. I want you to pay particular attention to the 3 and 7 MA’s. Notice how when the 3 crosses the 7, something happens – the market generally will follow through to the next minor support or resistance level. Also, notice that if the 50 MA is declining, the market will usually tend to break thru support more predominantly than not and vice versa for an upward trending 50 MA.

What I’m leading you into is a very easy, yet highly reliable trading strategy - when the 50 MA is declining we will enter the market when the 3 MA has crossed the 7 MA to the downside at the END of the ONE MINUTE CANDLESTICK and not before. Then, we will stay in the market till the 3 MA starts crossing the 7 MA in an upward motion and close our position with a buy order. When you actually exit is subjective, but the whole idea is to get a maximum amount of pips accumulated for this trade without getting too greedy. On a one minute time frame, 5 pips can be a great trade.  There will be times when you can get more for sure, but don't get too greedy.


This most recent trade example was for selling, but if the 50 MA was in an upward trend we would be buying as the 3 MA crossed the 7 MA to the upside at the end of a candlestick and close our position when the 3 MA starts to flatten or cross the 7 MA to the downside.




This simple 3/7 Cross moving averages trading strategy I just taught you is probably the most important thing you will ever learn about entering the market at the right time. If this was the only strategy I ever taught you, please remember this strategy used alone could make you easily 20 pips or more a day. If you were trading a full lot, with a 6-7 thousand US dollar account you would be making 200 US dollars a day. I really wanted to give you an idea how incredibly important this simple, yet reliable trading strategy is.

So, if you are experiencing 2 – 3 trading losses in a row or more, just go back to the one minute chart and use the 3/7 Cross strategy and get all your money back and more.  That's what I do when I mess up or get too emotional and start losing money.  My confidence for trading will be forever well intact, knowing this simple strategy and I'm sure your confidence will grow as well with this very reliable and profitable Forex weapon in your bag of trading tricks.

What's really cool about using this 3/7 Cross on the one minute chart is that you will be naturally closer to the major areas of support or resistance when you enter the market.  Thereby, you are entering into a low risk, highly favorable reward situation.  By that I mean you can have smaller, tight stop loss orders - I usually use 12 pip stop loss orders.  Although it may be true that you will be risking more than you might gain on the reward side, it is also true that you will be losing less frequently.

What I do to increase my reward side of the equation is trade off a 5 minute chart and wait for the 3 MA to cross the 7 MA.  As I see the cross getting closer on the 5 minute chart, I go to the one minute chart and when the 3/7 Cross on the one minute chart signals a buy or sell order at the end of the candlestick, I place my order.  As soon as I enter the market, I go back to the higher 5 minute time frame to pick my take profit exit order, which usually is the next major level of support or resistance.

Now, I have the best of both worlds – a smaller, low risk, stop loss and a higher take profit order for higher reward. Once I enter my stop loss and take profit orders, I usually go to the kitchen and make a sandwich and pour my favorite beverage of choice. If I'm right, usually within 30 minutes I've made 20 pips. If I'm wrong, I just lost 12 pips and re-evaluate the market demeanor! Remember, when you are confident in your trading system, you can enjoy a sandwich and a cool drink, rather than get bothered by an occasional loss. With a good trading system you will be winning the majority of your trades.

I want you to start practice trading with what you know… you know more than you realize if you've been keeping up with the general understanding of the material presented. And I'm sure you'll agree - this is not rocket science - this is price action and what goes up will eventually come down and vice versa!

Now, we will practice the 3/7 Cross strategy in real time on a demo account. You should have a one minute chart with about 3 hours of trade history and the 3, 7, and 50 MA's displayed. If you right click on the chart you will see the "Trading" button at the top of the pop-up screen. Just click on "Trading" and then "New Order" and a new pop-up screen will appear allowing you to buy or sell at the current market price. Make sure the "Volume" or "Lot size" is 1.0 Lot. The size of your order determines how much money per pip you will win or lose. With 1.00 Lot, every pip is worth 10.00 US dollars with the Eur/Usd currency pair. Pull that screen to the side for now and watch for the next 3/7 cross. Remember, if the 50 MA is declining, you want to sell and if the 50 MA is climbing, you want to buy. When the cross occurs at the end of a one minute candlestick, buy or sell appropriately.

Another screen will populate and before you hit "OK", make sure you also enter your sell or buy stop price. That price will be 12 pips from your entry price. If you have a current sell order in the market you want to set your "Stop Loss" order, which is a Buy Stop, 12 pips above your entry price. If you have a current buy order in the market, you want to set your "Stop Loss" order, which is a sell stop, 12 pips below your entry price.

Next, make sure to set your Take Profit order. To determine a reasonable Take Profit order, take a look at your chart and from the previously chart history determine the last significant level of support of resistance. If you have a sell order in the market, you want to find the most recent level of support in the market and set your Take Profit just above that level. If you have a buy order in the market, you want to find the most recent level of resistance and set your Take Profit just below that. For now we don't want to be greedy, just want to learn how to place orders and make consistent profits.

Trading off of higher time frame charts will help you get the bigger profits, but at the expense of wider stops --- which in the long run is worth it. This one minute trading exercise will help speed up the process of learning what we are looking for in a good trade and how it develops and how to see it through till the end.

I want you to spend at least an hour or two a day learning to make 20 pips a day using this 3/7 Cross strategy trading on the one minute chart trading one lot at a time. Just thought it worth mentioning again – NEVER MOVE A STOP LOSS ORDER. That being said, you can close your position at any time by simply going to the top left of the Metatrader4 window and click on “View” and then click on “Terminal” and then double click on your order at the bottom of the screen in the terminal box and then click “Close Position”. Make sure the “Type” of order is set to “Market Execution” so it displays the option, “Close Position”. Just to be on the safe side, it doesn’t hurt to lock in profits, especially when you’re within a couple of pips of the Take Profit target.

Up to now, the entry orders you are practicing trading with are called instant execution orders or market orders – you have been buying or selling at whatever the current market price is. There will be times when you want to pick a better buy or sell price and you would then place what is called a pending order called a “Limit” order. What you are effectively doing is asking your Forex broker to buy or sell at a specific price. It’s kind of like being at an auction and you’re willing to pay only so much for a particular item. You are willing to make a Bid to buy at a certain specified price or better. On the other hand if you were selling something precious you already owned, you would Ask to sell or offer your item at a certain specified price or better.

Please remember, in a Forex market auction, at any given time, the buy price becomes the price the sellers are Asking – and the sell price becomes the price the buyers are Bidding up to pay. This ever changing stack of buy and sell orders at specific prices is forever changing with the ebb and flow of the price action of the market. If more people are willing to sell at a lower price, the market is declining in price. If more people are willing to buy at a higher price, the market is moving up in price.

Here is a great example of when and how to use a limit order to your advantage. Let's say you're trading off the one hour chart and the market has been bouncing off a specific moving average like a 13 MA in a declining market. It would be smart to put in a limit order to sell one full lot slightly below the current 13 Ma and if executed, you would be in the "sweet" spot, having a very low risk, sell position in the market. By the way, when you are entering a pending limit order, you can enter your stop loss and take profit order at the same time. If your limit order is executed, your stop and take profit order will immediately go into effect as well. Sometimes, when market conditions become highly favorable, I'll enter a pending limit order with my stop and take profit orders before I go to the gym to work out. If executed and a profit made, I can proudly say I'm earning money, even while I'm enjoying my favorite activities – what a life!

Here is another great example of when to appropriately place a limit order and take advantage of current market conditions. Let’s say on the 15 min chart the market is in a 20 pip range for about 3-4 candlesticks and market conditions have turned to a sideways direction. Now would be a good time for a short term trade just playing the current support and resistance levels. You could enter a pending limit order to buy a few pips above the current support level or put in a limit order to sell a few pips below the current resistance level – and naturally you would enter your stop and take profit orders simultaneously. The take profit orders would be a few pips slightly below the current support or resistance levels. When a market slows down and begins to trends sideways or consolidate, this range bound trading allows you to rack up the pips scalping the market many times in a few hours.

If you’ve been practice trading already, you’ve probably noticed when you buy a full lot at the market price; the Ask or buy price is higher than the Bid or sell price. The difference between the ask and the bid price is commonly referred to as the “Spread” and this difference in price is what the broker gets for their sales commission. To get the lower spreads you have to trade the more popular currency pairs. These major currency pairs have heavier trading volume, so brokers can give you lower spreads and charge you less in commissions.

The most popular currency pairs include the Eur/Usd, Usd/Jpy and the Aus/Usd.  To make your practice trading more beneficial, I want you to stick with these major pairs to become more familiar with how these major pairs tend to react in real market conditions. Then, when you do start trading with your own money, trading these major pairs will help you get more pips in your pocket by paying less in broker commissions. The average commission you'll pay is about 2 – 2.5 pips per trade with these higher liquidity currency pairs. You can get lower spreads with most brokers simply by funding your account with more money and actually get the cost of the commission down to .5 to 1 pip per trade with larger accounts of 10,000 US dollars or more.

I hope you have challenged yourself on the one minute chart.  Making 20 pips or more a day is not that hard if you keep going back to the 3/7 Cross strategy, don't get too greedy on your take profit orders and keep your stops where they – REMEMBER, NEVER EVER MOVE A STOP LOSS ORDER – I've been telling you this over and over for a reason. The human emotional part of your brain will tell you that if I just move my stop 5 more pips I'll be able to stay in the market and not lose any money. The reality is if the market takes your stop out, chances are this is just a new beginning for the continuation of current directional movement in the market. In fact, chances are the movement of stop loss orders from other amateur traders thinking just like you is already taking place. The sharks that control of this market direction can now smell blood and are purposely driving the market to an extreme by continuing to take out more stops. This is the reason YOU NEVER MOVE A STOP LOSS ORDER.

I’m sure you have probably found that trading the one minute chart can be rewarding, but also is a very stressful way to trade the market to end up with a series of small wins. To remove some of the stress you will need to trade off a higher time frame. Trading off a higher time frame will increase your risk, so you will have to trade with wider stop losses. Trading off higher trade frames will allow you to yield greater reward. I’ve found that the 30 minute time frame tends to give me the reward I’m looking for but yet I can find suitable entry points where my risk is quite small. The reason I can get a 70 percent win-loss ratio is because I mainly trade off the 30 minute chart, but actually choose the direction of the trend with the hourly 50 Moving Average to determine if I’m buying or selling. With the same 3/7 Cross philosophy in mind, when I see the market getting close to making a 3/7 Cross on the 30 minute chart and the market direction is again moving with the trend, I will switch to a 15 minute chart and make sure the 3/7 Cross is also about to cross and moving in the trending direction, and then finally enter the market upon a confirmed cross on the 5 minute chart at the end of a 5 minute candle. I will place my stop 7 pips below the last hourly support or resistance as appropriate and place my take profit order at about two times the number of pips of my stop loss order, which is usually about 25 – 30 pips on the hourly chart. If the stop loss needs to be wider than that, I just don't trade and wait for another opportunity. It is so much less stressful trading like this and when you profit 50 - 60 pips a trade with out the stress of being glued to your computer, the reward is so much sweeter – and I boastfully declare, "Now that's what I'm talking about!"

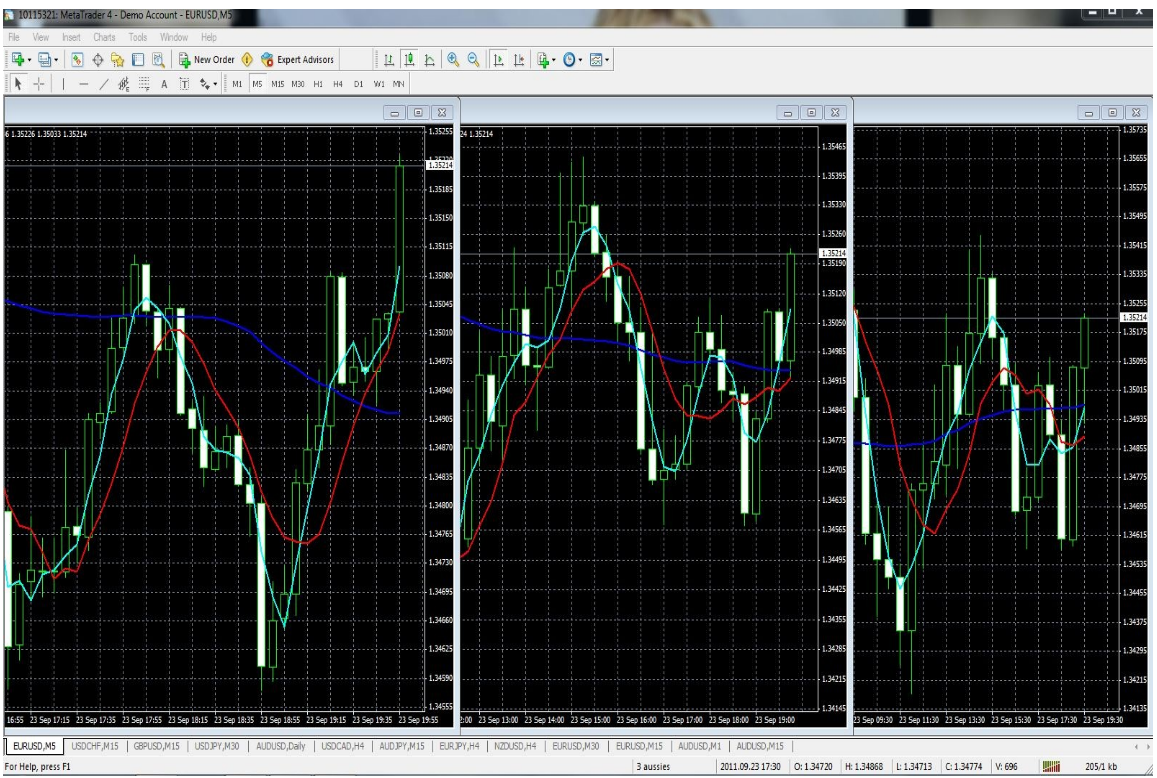
I most certainly can testify that using these different time fractals or multiple time frames to base my trading decisions are the most profitable way to trade. The higher time frames really do give you a true reflection of the established direction by basing your buying or selling decision off the trend of the 50 MA. The smaller time frames are really just a way to fine tune your entry for the most opportune moment, where the risk is still very low and the market is just starting to accelerate again in the trending direction so you can capture a larger move in price action, especially on higher volumes, in a relatively small time frame. In other words, you get in and get out of the market a.s.a.p. and make a decent profit quickly while being exposed to very small risk.

If you wish to explore trading on multiple time frames, you will need to know how to set up your charts. I'm sure you can probably figure it out on your own, but I just want to give you a few tips to point you in the right direction.

First, I want you to make a "Template" of these technical settings to preserve the 3, 7, and 50 MA's on your one minute chart. All you have to do is right click on the chart and then click on "Template", and then click on "Save" at the top of the new pop-up screen, and then give it a name like "3.7.50" and save it as a template file so you can easily load the template on the new charts you are creating.

The next step is to change the one minute chart to a five minute chart by clicking on the 5 minute "Period" icon. Now that you have a five minute chart, you have to add another chart. Just go to the top left of the Metatrader 4 program window and click on "File", then click on "New Chart" and then click on the Eur/Usd currency pair. Make this new chart a 15 minute chart by clicking on the 15 minute "Period" icon. Now, simply right click on the new chart and click on "Template" and then click on the "3.7.50" template file and that will add the moving averages and whatever settings were included with that particular template's settings. You also want to make sure the “Auto Scroll” is on this new chart by clicking on it if you have to. Then adjust the “Zoom Out” and “Zoom In” so the candlesticks are the same size as the candlesticks on the five minute chart. Finally, adjust the “Chart Shift” so the last candle stick on the right is as close to the right edge of the chart as possible. In this same fashion you would have to add a 30 minute chart and now you will have all three time frames needed. Make sure when you click on the “View” button at the upper left of the chart, that the “Charts Bar” is checked. This will allow you to switch between the 3 different time frames of charts. You simply click on the desired time frame needed at the bottom left of the screen.

I actually then position these windows so that I can see all three time frames at once. To do this you simply right click on the 30 minute chart and click on “Restore”. This will reduce the size of all your charts. Then adjust the size of the 30 minute chart so it takes up about one half of the width of the screen and maximum height and then click on the top bar of chart and drag it too the far right edge of the screen. Then I would click on the 15 minute chart and make it the same size as the 30 minute chart and actually overlay it on top of the one hour chart. Then simply click on the top bar of the 15 min chart and drag it over to the middle of the screen. Then finally click on the one minute chart and make it the same size as the 15 minute chart and click on the top bar and drag it over to the far left of the screen. Pretty amazing huh! Now you can see all three time frames moving in tandem with the market price action. You can even save these three Eur/Usd windows as a specialized "Profile" setting of your favorite charts. Just click on "File" at the top left of the screen and then click on "Profiles". Then click "Save As" and label this "Profile" a name of your choice, like "3_Euros" for example.




Example of Multiple Time Frames – 5, 15, & 30 minute charts aligned side by side of each other

You would not believe how much this multiple time frame style of charting has helped me understand market action and give me more confidence in making smarter and more justified trading decisions to drastically improve my profits. What you're effectively doing is using a higher time frame to look for more reward and then fine tuning your entry order for optimum timing of the market to greatly reduce your risk. Professional traders rely on this technique to give themselves a profitable edge in the Forex market for the long term.

I realize that not everybody will feel comfortable choosing the 30 minute time frame like I do. Each individual trader will learn to develop his or her own style of trading that works for them. Some traders just prefer trading the minute charts and they are happy and successful. Some traders that have heavily funded accounts might choose to trade on longer time frames like the daily or weekly charts, but if they do they better be prepared to use 110 - 150 point stops.

Maybe you'll end up preferring the 30 minute chart as a starting point and as you grow more profitable, prefer to start trading off the higher time frames. I think that's what happens to most traders as they refine their trading skills. When I started trading, I traded primarily off the 5 minute charts and started realizing my stops weren’t wide enough and was getting stopped out too often. Then when I switched to trading primarily off the 15 minute time frame, I learned with a well timed entry, I would not have to risk that much more to gain that much more reward.

For now, I want you to keep practicing on the one minute chart with the simple 3/7 Cross strategy till you can do it in your sleep. When accumulating 20 pips a day seems fairly easy, start trading off the higher time frames, using fractals or multiple time frames to better time your entry order for minimum risk and maximum reward. This multiple time frame style of trading, along with my personal template of preferred technical indicators that I use to base my trading decisions, will help you make 100 or more pips a week and can be done in 3 – 4 trades a week with a lot less stress than trading just the minute charts.

# Chapter 4

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# My Forex secret to momentum trading
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I’m really getting excited about introducing you to a very close friend of mine, who I have nick-named my “Mean Green Money Machine”. He has become my personal template of preferred technical indicator settings, which I use and rely on to simplify my trading decisions. Although he is not a robot, he does tell me when to buy and when to sell and helps me reap more Forex profits overall. I’m sure your anticipation to meet this truly helpful and intelligent friend of mine is peaking as well - especially if you’ve been practicing the 3/7 Cross strategy faithfully and achieving 20 pips a day fairly easy. I’m sure you’re eagerly waiting to learn more and how to refine your trading skills.

As a dedicated seeker of truth and purveyor of knowledge myself, I really must cover some very important topics so that you have a more complete understanding of how to spot the really great setups in the market that allow you very lucrative profits. Anybody can find a few good trades and brag, but the traders that can look beyond those “easy money” trades and have their eyes peeled for the really “great trades” are the traders that really know how to build and preserve wealth. Trading will surely keep you humble and really force you to put your money where your mouth is – so the more ammo in your Forex arsenal the better!

I believe with all my heart, you will really like this momentum trading style. It's very flexible, versatile and can easily be viewed at a glance with simple moving averages, a few key time frames and some simple technical indicators that will produce reliable buy and sell signals for you. The real trick to trading profitably over an extended period of time is NEVER get too greedy. Don’t try to buy the very lowest price or sell at the very highest price. The market will usually beat you at that game. The trick is in the timing. Get the easy money in between the bottom and the top. You might not get the full 90 pips of the current trading range, but if you’re smart you’ll get the easy 40 pips in between the top and bottom, simply looking for high probability conditions with low risk set-ups, like the ones my unique setup of specific technical indicators will reveal. With a tried and true reliable trading system, you will always be able to make a profit the majority of the time. And the real beauty of my system is how it will help minimize your losses and tend to give you more potential profit because you will be properly timing your market entry. Let me explain in more detail.

Before I take you thru the thought patterns of how to use my system, you must learn the fundamentals of what constitutes a great trading set up. Placing a buy order blindly just because the market is trending upward on the higher time frames is not reason enough to enter the market. The trend may be your friend, but timing the trend is even more important. In fact, timing the market is much more important than relative price! That usually takes a while for beginners to learn, because we've all been trained by society to buy the lowest price and to sell at the highest possible. In the real world of currency trading, that can be like buying into a falling knife and it keeps cutting you - the death of a thousand cuts. Better than buying bottoms or selling tops, is to use my reliable trading system to find that opportune moment when to buy or sell, with minimal risk. For those fools who say you can't time the market, this is simply not true in the currency trading world – timing the market is everything for professional currency floor traders, only because they know what to look for in the technical indicators to place a trade in market conditions that exhibit a high probability of a low risk, high reward scenario.

The reason only 5 - 10% of traders make a profit on a consistent basis, is because most amateur traders don't really understand market timing and/or the games that professional floor traders play - and their favorite game is taking out the sell stop orders on bottoms and taking out the buy stop orders on tops. If you didn't already know, currency markets are primarily driven by sell and buy stop orders. The pros are busy driving the market to extremes on both the buy and the sell side. If there is support at a certain price point, then there are sell stop orders looming just beneath. If the underlying fundamentals of the trend suggest upward direction, the pros will purposely drive the market down further to take out the sell stops first, so they can get a lower price, and vice versa on selling market tops. Knowing how to spot these opportunities like the pros do, will greatly improve your understanding of market conditions and greatly improve your profits.

I call this intentional triggering of stop losses, "swimming with the sharks" and you must learn to attack and feed when they do, if you want to beat the market. If the sharks or professional floor traders are aggressively buying tops, you must learn why you would buy high and sell higher. If the sharks are aggressively selling bottoms, you must learn why you would sell low and buy lower – and not surprisingly, this trading concept will completely contradict how amateur traders think and is exactly why the sharks do what they do. The longer you trade, the more you will understand how to play this game of "Taking out the Stops" and how to profit from it.

The 50 MA on the higher time frames like the one hour and the four hour charts is a good trend line to monitor. Typically the price action will either bounce off the 50 MA as support for a continuing uptrend, or the price action will show the 50 MA as a new wall of resistance in a continuing downtrend. When these overbought bottoms or oversold tops "Take out the Stops", that's often a great time to enter the market with confidence.

Now, that you have a basic understanding of how to spot market tops and market bottoms developing on the higher time frames like the one hour or higher, you are ready to properly time your entry order with the help of my trading system. There are four main market parameters that must align themselves correctly to generate a reliable buy or sell signal. If any of these four factors is weak or out of proper alignment, then the probability of a good trade set up is just not there and a trade should not be taken. On the other hand, if these four parameters do align favorably, the higher the probability of a low risk, high reward trade scenario.

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The Four Main factors that must be present simultaneously for optimum timing of your market entry order:

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Direction of the trade entry is determined by the dominant trend on the larger time frames like at least the 1 or 4 hour chart (If direction of 50 MA is trending up, you would buy, or if 50 MA is trending down, you would sell – the trend is your friend!)

The current market price should be very close to Support or Resistance price levels in either overbought or oversold market conditions, measured by the Relative Strength Indicator (Candlestick tails will often times mark the extremes of relative highs and lows, or the major support and resistance levels)

The current Market Cycle must be starting to accelerate in the dominant trend direction again (Stochastic Oscillator indicator measures the market cycles or oscillations - blue line crossing the red line marks entry signal for potential buy or sell order)

Momentum or strength of directional price movement must be starting to accelerate again in the dominant trend direction (MACD histogram lines measure strength of the momentum – a narrow band of histogram lines means the momentum is still weak and the price direction still questionable, while longer histogram lines indicate strong momentum is still present)

What a lot of people misunderstand is that you can have a strong overall trend, but without positive building momentum at the time you enter the market, putting on a trade might not be very profitable. In fact, it may become too risky and too little reward for the risk. A better strategy is to wait for a build up in momentum and then enter the market. So, the real trick that comes into play is how to properly time the beginning of the next market cycle, whether it is buying into weakness or selling into strength and it's not as tough as you may think. The dynamics of the market are displayed in the technical indicators and the price action. Let me explain more specifically what to look for to confirm all four factors are present simultaneously to enter a low risk trade…

First, determine the dominant trend of the market on the one hour and four hour charts so you know whether to look for a buying or selling opportunity.

Second, you will have to look at your Relative Strength Indicator or RSI and determine if market is overbought or oversold on at least the 30 minute chart. RSI reading of 75 or more would indicate the market is overbought and a reading of 25 or less would mean the market is oversold. If the 50 MA on the hour chart is trending upward, you would be looking to buy into weakness with and oversold condition, and if the hourly 50 MA was trending downward, you would be looking to sell into strength with an overbought condition. The market must be very close to major support or resistance levels as well to present a low risk entry.

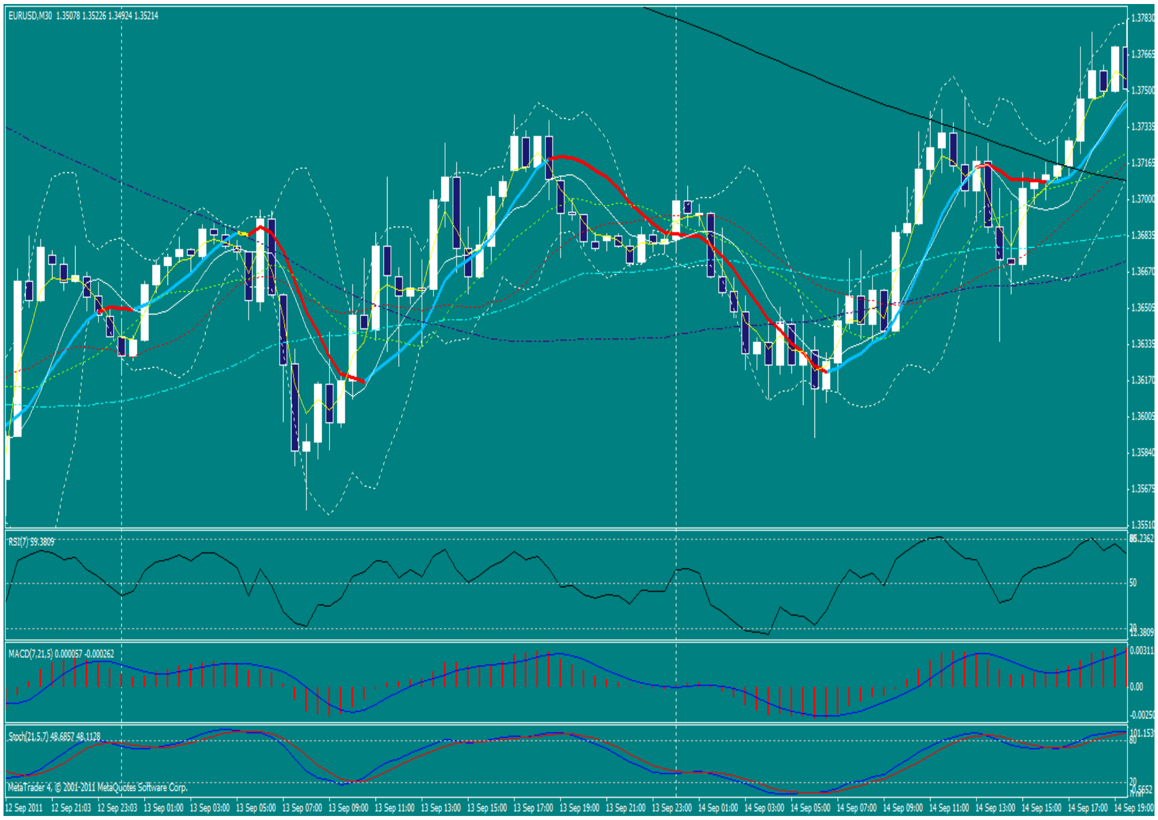
Third, you must enter in the correct part of the market cycle. The Stochastic Indicator will let you know when the market is starting to accelerate again with the dominant trend and is indicated by the blue line crossing the red line at the end of a candlestick. This stochastic cross signals a potential buy or sell signal, and should be executed if the 3/7 cross and other 3 conditions are confirmed as well.

Fourth, the momentum or strength of directional price movement must be starting to accelerate again in the dominant trend direction and can be measured by the MACD indicator. Longer lines on the MACD histogram will indicate that higher momentum is still present and a low risk trade looks promising, but on the other hand, if the band of MACD histogram lines are contracting over time or producing a relative narrow band, it is best to avoid the trade because the momentum has dried up. The MACD indicator can best be explained in terms of stretching out a rubber band. When a rubber band is stretched out to its maximum, the tension is very strong and if you let go, that tension releases quickly and there is accelerating momentum, now in the opposite direction - the point is you want to be entering a market when the momentum is very strong and is just beginning to accelerate in the opposite direction, once again resuming the direction of the dominant market trend. The MACD histogram lines simply indicate how far the rubber band is being stretched – the longer the lines, the stronger the momentum present in the current market price action.

To further explain the four main factors that must be present simultaneously for the initial set-up conditions needed to enter a low risk, high reward trade, you will need to view the technical indicators I use and how to utilize them to find the better buy and sell signals.

I'm more than happy to introduce you to my good ol' buddy, "Mean Green Money Machine", my personal template of choice! He is a true friend in the Forex business and he actually tells me when to buy and when to sell, based on the use of his guru technical analysis. You can download my little technical indicator guru buddy in the form of a template you can install very easily on the Metatrader 4 platform. Simply download "Mean Green Money Machine" template file by clicking HERE and save it to your desktop for now. Now you will proceed to drop and drag this template into your Metatrader 4 program folder labeled TEMPLATES. To do this, you will have to go to your C: drive under MY COMPUTER and then click on Program Files and find your Metatrader 4 program folder and double click it to open it. Now just drop and drag this template file saved from your Desktop into your Metatrader 4 program sub-folder labeled TEMPLATES.

The next step is to download my NO LAG AMA indicator file and save it to your Desktop. To install this file properly, first open the METATRADER 4 program folder again found on your C: drive and then open up the EXPERTS folder. Inside the EXPERTS folder you will find the INDICATORS folder. Now double click on the INDICATORS folder and just drop and drag the NO LAG AMA file from your desktop into the INDICATORS folder already opened. If your Metatrader 4 was open, please close and reopen Metatrader 4 and pull up the one hour chart of the Eur/Usd, and right click on the chart and choose **"Template"** and then click on **"mgmm"** and the chart should show all the technical indicators I use.



Upon first inspection of these technical indicators, you will readily notice from the parameters displayed, I rely heavily on a specific set of moving averages (3, 7, 13, 21, 50, 100, and 200). Moving averages are very important because they ultimately determine the dominant trend. A market may bounce off of a 50 moving average many times before it decides to breakout to a higher or lower level. So, hence it can become a very good entry or exit point reference. Just as we looked for the 3/7 cross, the 7 MA crossing the 13 MA becomes meaningful as well, because momentum is increasing and potentially the 13 MA will push to the 21 MA and so on, and so forth. I hope you are getting the picture why monitoring moving averages is so important - especially on the higher time frames of 30 minutes or more. Moving Averages can be great entry and exit points because markets will tend to bounce between the different averages and move from one average to the next in both up and down markets.

Once the dominant trend is determined from the one or four hour chart and I know whether to look for a buying or selling opportunity, I will move down through my 30, 15, or 5 minute charts to fine tune my entry point for that most opportune moment to enter the market for a really low risk trade. In the process of finding a good market entry, I'm always looking for what the most recent support and resistance prices were. That gives me a good idea of how to spot for stops being taking out in the market tops and bottoms. Usually, the 21 or 50 moving averages on the larger time frames like the 30 minute or higher, become major support or resistance areas where the stops tend to briefly get taken out, till the market reverses and the market direction again resumes the direction of the current trend. Below are some terrific examples of "Taking out the Stops" and how to take advantage of this price action.

### "Taking out the Stops" for a bullish reversal


The dark blue Moving Average line is the 100 hr MA and is becoming major support price level. See how the price bounces off initially a couple times, only to continue downward to go thru it and eventually bottoms, after all the sell stops have been triggered, and then resumes its upward trend. No better way I know to see when bottoms are forming.

## “Taking out the Stops” for a bearish reversal


The blue Moving Average line is the 50 hr MA and is close to a level of major resistance. See how the price almost touches the 50 MA and bounces off initially, only to continue upward to go thru it and eventually becomes exhausted, after all the buy stops have been triggered, and then resumes its downward trend. No better way I know to see when tops are forming.

Once the dominant trend is determined and you're acquainted with the relative highs and lows on the chart, make sure the RSI or Relative Strength Indicator is low for buying (25 or below) or high for selling (75 or greater) on the at least the 30 minute chart.

Now it's time to watch the market cycles in that time frame. A market may trade in a certain range for hours before it moves either to the next level up or down, depending on the trend. Those oscillations are a swing traders dream, buying the support and selling the resistance of that trading range. So, if you're looking for new potential support or resistance price points, candlestick formations can be a real good indicator. The candlestick tails to the downside or upside extremes on the 5 or 15 minute charts are usually good signs of relatively new bottoms or tops. The tails combined with a favorable Stochastic Oscillator cross can lead you into a low risk trade. When a tail has formed, then prepare to enter the trade when the Stochastic Oscillator indicates the blue line crossed the red line at the end of a 5 minute candle. The 3/7 cross should also have been confirmed at the end of a 5 minute candlestick.

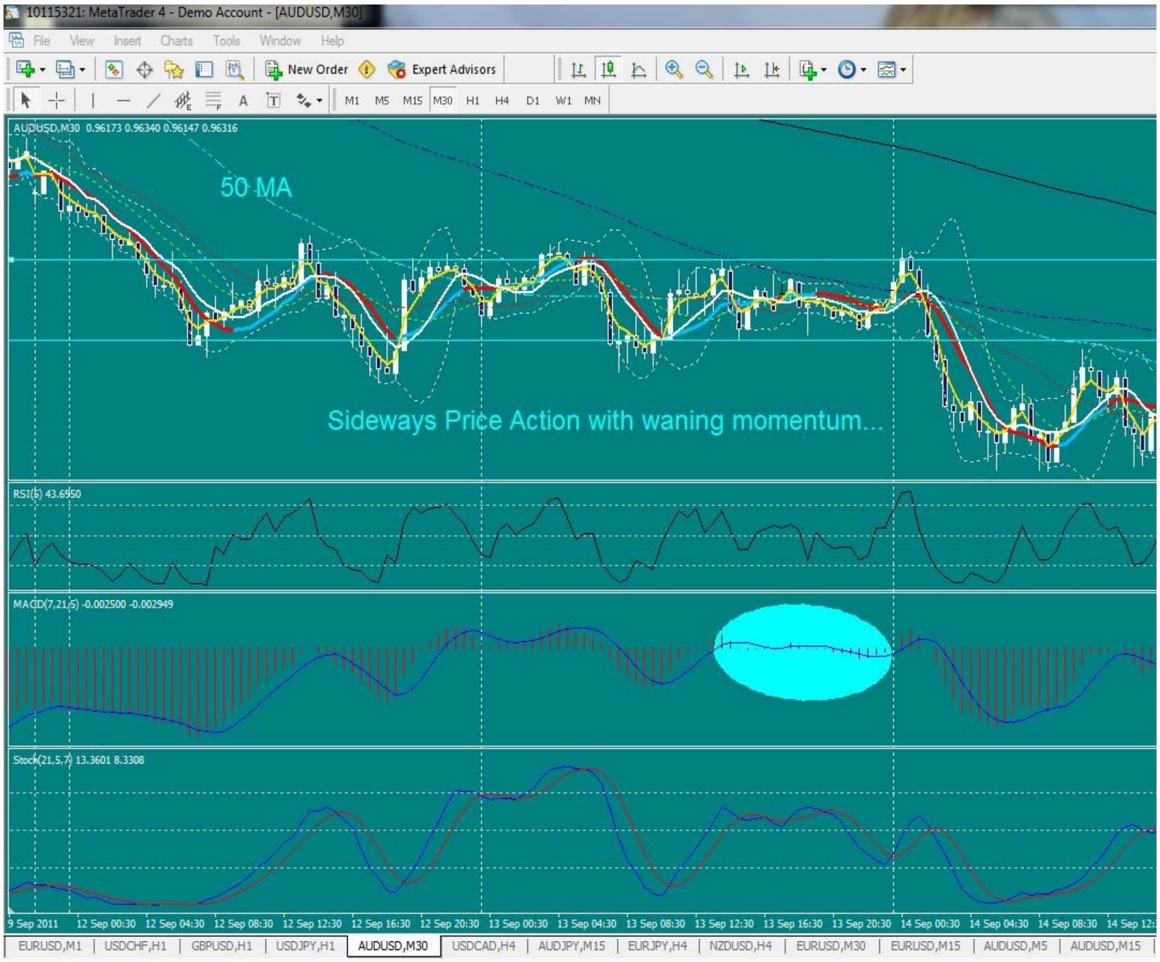
To summarize briefly, once you have determined TREND, and found your SUPPORT and RESISTANCE points, and have also determined extreme RSI settings, and your STOCHASTIC OSCILLATOR has signaled your buy or sell entry point, you must also consider MOMENTUM. It is true that even in low momentum conditions you can enter this trade and win, but the potential reward is often limited and may become a more risky trade. What we are ultimately looking for is a potential setup where all four main factors have aligned themselves correctly. If you have all FOUR MAIN FACTORS working in your favor, you've got a higher probability of a more rewarding trade working in your favor. So, if trend is your friend, with larger positive momentum potential still present in the price action, this can only improve your chances of entering into a more profitable trade scenario.

I feel the most reliable indicator for measuring Momentum is the MACD indicator. The MACD histogram (displayed by the vertical lines of the MACD indicator) tells you the relative strength of the momentum developing. As the lines grow longer from one line to the next, that represents positive building momentum. If the histogram lines are above the zero or neutral horizontal reference line and getting longer, accelerating momentum is building to the upside. If the histogram lines are below the zero or neutral horizontal reference line and getting longer, accelerating momentum is building to the downside. Most people overlook how important these histogram lines really are.

If you are only looking for the stochastic oscillator lines to cross and the 3/7 cross, you will get more false entry signals and get stopped out more often.

To get more reliable entry signals, look at the relative band height of the histogram lines. If the band height of the histogram lines is getting relatively small, that becomes a hint to stay out of the market because the momentum has dried up. Better yet, wait till these histogram lines start building again on at least the 5 or 15 min chart. Reading the MACD carefully has taken me years to fully realize how important momentum is. I've included some helpful examples to study below.

**Waning momentum on the MACD Histogram signals to stay out of the market till momentum builds again…**




In sideways market price action, a narrow MACD histogram band usually is a warning of weak momentum. See how the highlighted eclipse reveals a very low level of momentum. If you had placed a trade in that time frame, you might have been able to squeak out 10 – 15 pips, but had you entered a little late, you might only have got a few pips or even a small loss. If you had the discipline to be patient and waited for the histogram lines to grow larger, signifying more momentum, you would have been able to sell the market with the stochastic sell signal and picked up 30 or more pips instead and then, could have bought the market with the next buy signal and made another 30 plus pips.

**Longer MACD lines indicate higher momentum is developing…**


The same holds true with this example. Staying out of market, due to low momentum, represented by the narrow MACD histogram band, really paid off. Simply waiting for the histogram lines to grow larger would have allowed a super great buying opportunity for a good 50 pips on the buy side.

As you now know, the MACD indicator will help you measure the strength of the momentum. To find that actual point in time when the momentum shifts and is just beginning to accelerate in the opposite direction can be visually displayed by the NO LAG AMA line indicator – which really makes it easy to detect reversals in market price action.

Let me briefly explain this NO LAG AMA line, which is the thicker Blue/Red line on the template. This line will turn from blue to red if the market price action is shifting from upward to downward momentum. Likewise, if the NO LAG AMA line turns from red to blue, it indicates the market price action is shifting from downward to upward momentum. This indicator really makes it so much easier to view visually shifting momentum or price reversals and is really a reliable indicator from my experience, especially on the higher time frames like the 15 minute and higher time frames. That's why I tend to use the 15 minute chart as my lowest time frame to enter trades because the momentum shift is more solidified in the price action and I can still use small stop orders, like 20 – 25 pips!

Ever since I've been utilizing this indicator, it has kept me from entering trades too early and getting stopped out. Following this NO LAG AMA line and waiting for it to turn color at the beginning of at least a 15 minute candlestick will keep you from entering the market too early. This is why I’m so proud to help new students of Forex benefit from this NO LAG AMA line, because it really helps traders stay out of the market when the price momentum is not sufficient enough to have a high probability, low risk, high reward trade! It’s really the best auto stop loss order you have, because you risk absolutely nothing, just by avoiding the temptation to put on a new trade in vulnerable market conditions, where you shouldn’t be trading! In other words, the NO LAG AMA line will help you resist the temptation of trading extreme market lows and highs, which often times are a fast moving market that will keep pushing the price to even further extremes, taking out your measly 20 pip stops!

The real beauty of heavily relying on this NO LAG AMA line to turn colors before you enter any trade is how this indicator becomes an integral, auto defense mechanism that really prevents you from trading extreme tops and bottoms. The main reason amateur traders lose money is because they often overlook what professional traders see as the most important aspect of trading – TIMING is much more important than PRICE. True professional traders are looking for momentum and more often than not will enter the market at the most opportune moment, when momentum is shifting and just starting to accelerate again in the direction of the dominant trend.

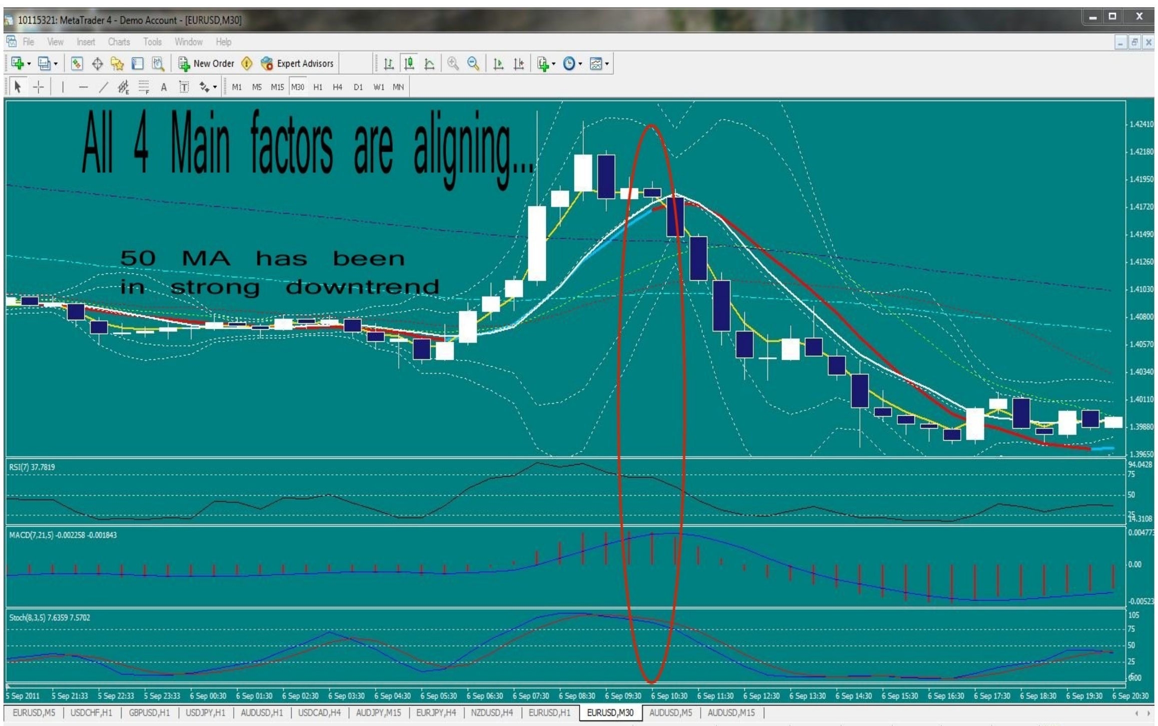
Watch carefully as the lines on the MACD histogram grow shorter with time as a trade develops - when the lines actually do cross over the zero reference, to either the top or bottom, this usually becomes a sign to stay in the trade for at least half your position to maximize your profit gains. Below are some examples where all FOUR MAIN FACTORS have aligned and the signal to buy or sell becomes very reliable and profitable.

**You will need to make sure all 4 main factors are starting to fall into proper alignment on at least the 30 minute chart, to highly improve your chances for a low risk trade.**


See how the highlighted area above represents all four factors are starting to align most favorably. The higher momentum represented by the larger histogram lines is starting to show signs of bullish reversal. Also, the RSI has been into oversold territory for a couple hours already and getting ready to shift back again to the dominant uptrend. Both the Stochastic and the 3/7 MA's are starting to cross on this 30 minute chart and also the NO LAG AMA line is starting to turn from Red to Yellow to Blue, further confirming a real shift in momentum again to the upside. The former support in price levels on the hour chart is very strong around this area as well.

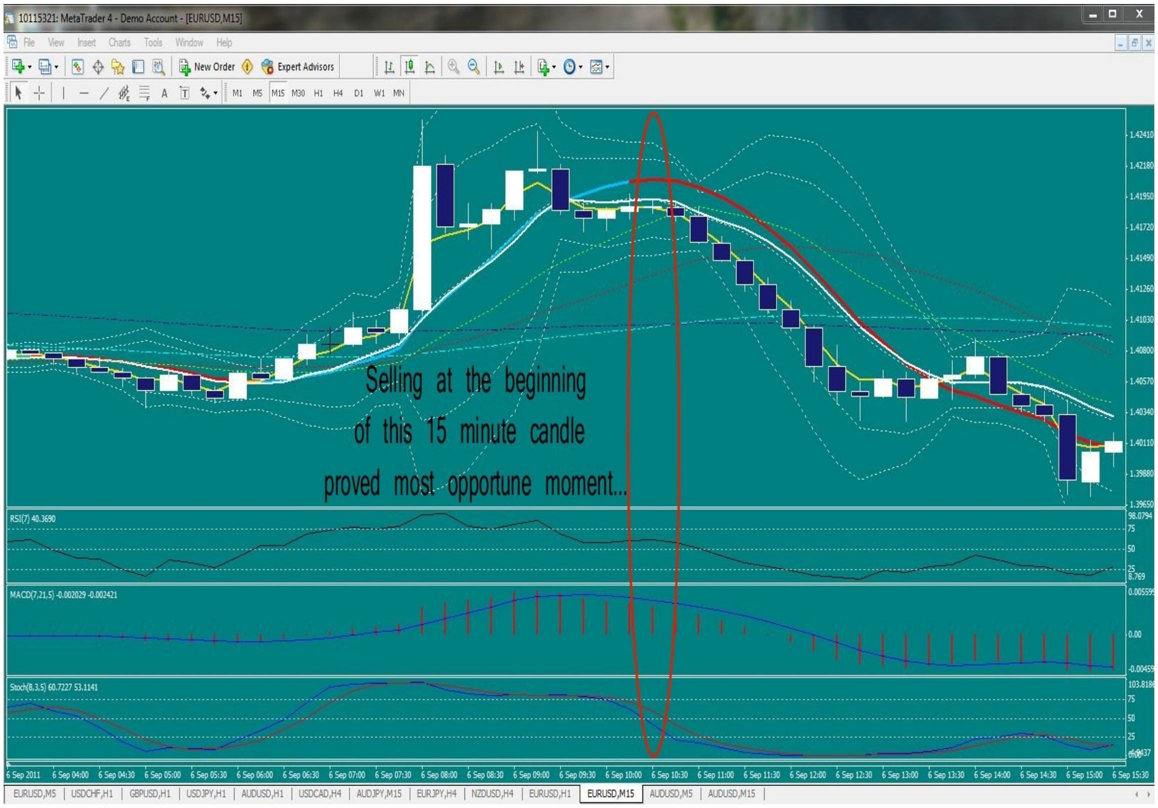

When the 30 minute chart had the four main factors aligning a favorable trade set up, you would then focus your attention on the small time frames like the 5 or 15 minute charts. When the 15 minute chart above shows the Stochastic blue line crossing the red line at the beginning of a new candlestick, would have been the perfect opportune time to buy. This would also have been confirmed by a 3/7 Cross and the NO LAG AMA line turning from red to blue at the beginning of a new candlestick.

**Below the 30 minute chart marked a most favorable selling opportunity, while the 15 minute chart helped find the opportune moment to sell...**




As you can see the stops were taken out above the 50 hour MA. That should have been your first clue of a great selling opportunity in the works. Then, the RSI dropped fiercely, and the Stochastic blue line was starting to cross the red line. Shifting your attention to the 15 minute chart about that time becomes very helpful to fine tune your selling entry point.

## Finding that opportune moment to sell…

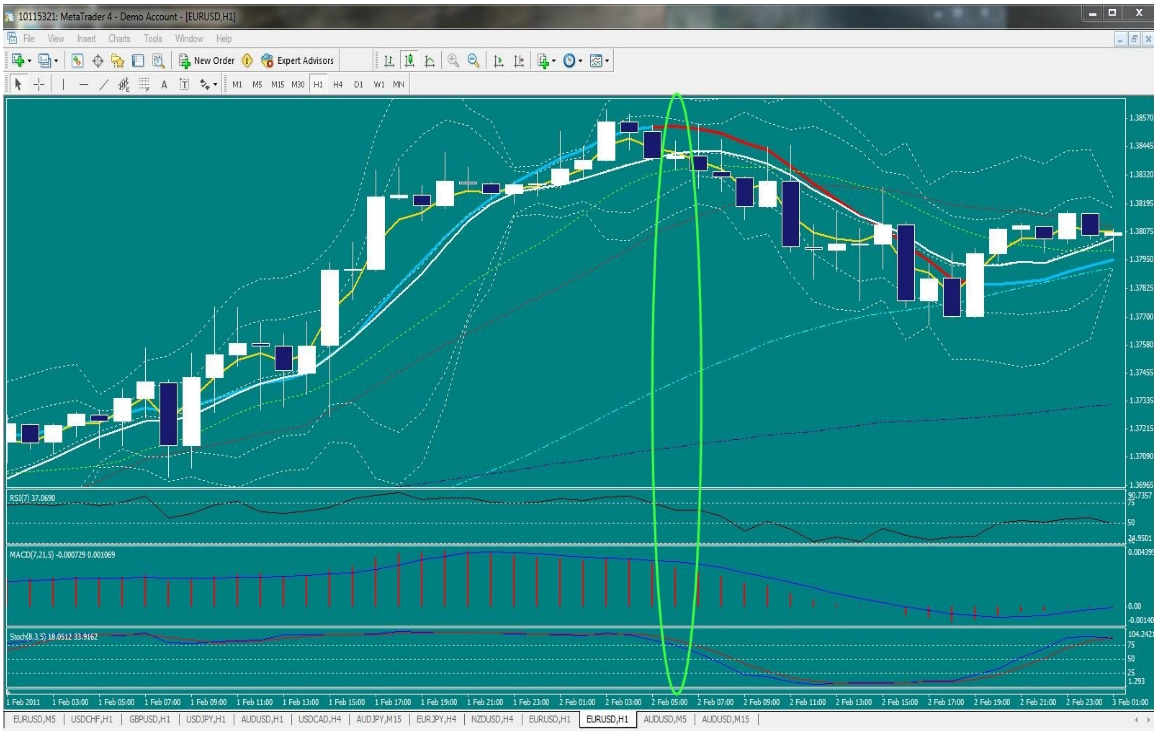



Waiting for the NO LAG AMA line to turn from blue to yellow to red at the beginning of a new candlestick proved to the opportune entry point to sell. The confirmation of the Stochastic and 3/7 MA Cross was also added insurance this is a great selling opportunity. About 75 minutes into the trade you would have made 50 pips or more, just placing a buy order and closing your position at last major support price level! Not bad for a day's work!

Simple basic trading rules dictate that you go with the trend till you see a major reversal building on the 4 hour and daily charts. Remember, currency markets are generally markets of extremes and if there is buy stops or sell stops lurking, chances are the big players and floor traders are gunning to take out those stops first before the major trend reverses. So, be careful when taking on what you think is a great major reversal trade, because you could be a day early and off by 100 points or better from a new high or new low. That's why it's best to stay out of the market till the market signals a reversal on at least the 1 hour chart with the Stochastic blue line crossing the red line and then enter with tight 25 – 30 pip stops.

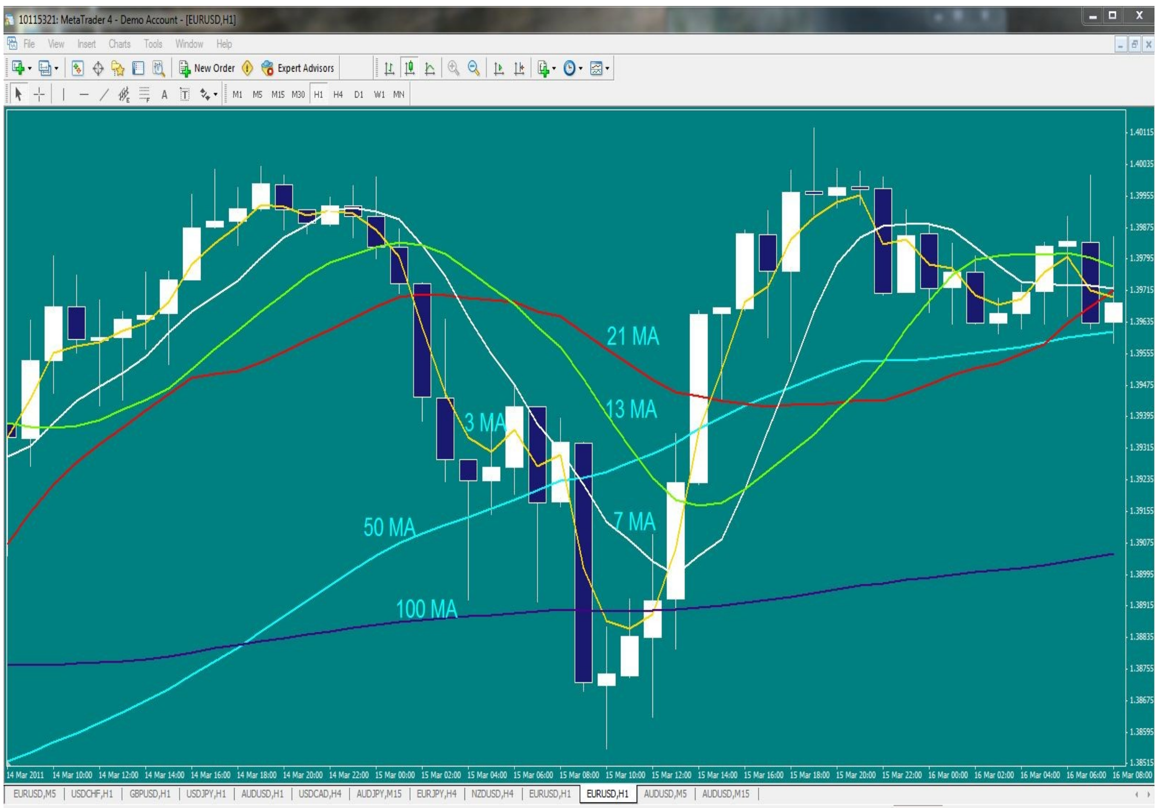
Better to miss the first 30 - 50 pips of a reversal trade than to get the direction wrong. It is tough to pick a bottom or a top, so if you miss the first 30 pips, so be it. Don't be afraid to buy or sell into strength. That's what the pros do everyday and that is why they are pros. The Euro for example usually has a daily trading range of usually at least 100 pips or more. If you miss the first 30 pips of a top or the last 30 pips of a relative bottom, you still get the 40 pips in between because you are selling into the acceleration of downward momentum in the market. Take a look at this well illustrated 1 hour chart of the EUR/USD on the brink of a major bearish reversal.

## Market on the brink of Major Bearish Reversal



If you look at the highlighted eclipsed area, the histogram bars are starting to get smaller and the RSI is retreating from overbought territory. Selling at the beginning of the 60 minute candlestick would have be en an opportune selling opportunity, because of the Stochastic and 3/7 Cross at the beginning of a new candlestick. The NO LAG AMA line changing from blue to red was a third confirmation of a sell signal! Just waiting to buy it back around the 50 MA would have yielded 70 plus pips in 10 hourly candlesticks – and you would have only had to risk 30 pips for a suitable stop order. That's why you gain higher reward for relatively lower risk when you trade higher time frames – another reward vs. risk advantage of trading higher time frames that so many amateur traders totally ignore.

**Moving Averages are great entry and exit points…**




See how major support bottoms at just about the 100 MA and then keep bouncing off the 7 MA till it convincingly takes out the stops around the 100 MA level. Notice then how the market price action starts accelerating to the upside when the yellow line (3 MA) crosses the white line (7 MA), which is a great example of when to buy into accelerating buying strength. The price continued the upward trend through the 13 MA and bounced briefly off the 50 MA, only to convincingly blow through the 50 MA and headed for the 21 MA and beyond, only to bounce back off the 21 MA and continue its bullish buying pressure to retrace all the way back to what was once a major resistance level. Markets tend to bounce between moving averages and move from one average to the next and in doing so, moving averages often times become great opportunities for buying or selling!

Hopefully, you will be able to get a better and more realistic picture of current market conditions by monitoring the charts with my personal template settings. The reason for the specific parameters I have chosen is simply to see how they line up with the appropriate moving averages. As you may be starting to slowly understand, this whole system is really devised to help you see how the market is revealing itself and letting the system tell you, or help you interpolate what more than likely will happen next.

The last indicator I wanted to briefly explain how to better utilize is the Bollinger Bands. I've chosen to use the setting of "7" which is the middle band being the 7 MA. When price touches and bounces off the upper Bollinger bands, the price is thought to be overbought. Conversely, when price touches and bounces off the lower band, price is thought to be oversold. Therefore, I use the bands as points of potential support and resistance. I also look carefully for patterns. If the lower bands have been pierced several times to the downside and the next two candles are up candles and the lower band is rising, I may put a limit order for two lots to buy around the bottom level of the rising lower Bollinger band. I always use protective stops about 20 pips below entry price and then set my first target as the price level of the first upper Bollinger band. When that target is reached I sell half my position and then move my stop to my entry price and set the second target for next level of resistance on the 15 minute chart. The chart below illustrates this technique.

**Bollinger bands are great entry and exit points…**

Knowing former major support at 1.3244 was hit and bounced right back on the 5 minute chart, I saw the market price starting to trend upward with a 3/7 MA potential cross in the making. Now that I know the lower Bollinger band had been pierced on several candlesticks and also several bullish candlesticks have had a chance to develop with the lower Bollinger band slowly sloping upward, I placed a limit order to buy two lots just above the current lower Bollinger band price level at 1.3265 with a 20 pip stop. My limit order was filled successfully and my first target was the newest minor resistance of 1.3303 and my second profit target was 1.3329, just below the 200 MA. When my first target was hit I made sure to move the sell stop up to my original point of entry of 1.3265 to protect my initial gain. Both targets were hit and I made a total of 102 pips! I hope this example helps you better understand how you can use Bollinger bands and Moving Averages together to help you make more profits in relatively short periods of time.

Putting it all together and utilizing all the indicators of my “Mean Green Money Machine” template to its fullest potential is certainly not going to happen overnight. With time and patience, slowly but surely, you will start to see “The Big Picture” of what the market reveals to you and more easily recognize the better entry signals confirmed by the Four Main Factors being present simultaneously in proper alignment. Practice the basic RSI, Stochastic entry signal technique, on the hourly or 30 min charts, and then fine tune your entry point on the 5 and 15 min charts with a 3/7 Cross at the end of a candlestick. You can also be looking for other factors like the price action moving from the 7 MA thru the 13 MA and possible follow thru to the next major moving averages like the 21, 50, 100 and 200 MA's. Markets tend to fill those gaps in moving averages and advance from one average to another in both up and down markets.

You can also use the Bollinger bands as support and resistance points to potentially buy or sell. Bollinger bands can also signal change in volatility. Contracting Bollinger bands usually signal the market price action is about to explode and the market is about to make a convincing move either up or down, and usually staying with the trend is your best bet.

I know we started with the basic 3/7 Cross for a buy or sell signal, but now with the aid of this template, you can build upon that knowledge and really expand your Forex arsenal of buy/sell strategies. For example, now when you see the 7 MA crossing the 13 MA, you realize the market is picking up momentum and will continue to keep building momentum as each new major moving average is crossed. The former moving average can also be used as support or resistance more often than not. I’m sure this template will become a great visual guide to help you more readily identify the composite market behavior and as the market price action unravels, help you spot more buying and selling opportunities. Remember, if confirmation of all Four Main Factors are present and aligned simultaneously, you are entering into a low risk, high reward scenario.

# Chapter 5

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# My manual FOREX trading system works. PERIOD!
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Now that you have sufficient background information on the Four Main Factors and have a better understanding of what market conditions must be present for a high probability, low risk, high reward trade, you might still be a bit overwhelmed. Good News! --- The “Mean Green Money Machine” template will lighten your mental load and will actually visually display a buy or sell signal. With a few simple confirmations, which actually determine that the Four Main Factors are present, you can safely enter into a low risk trade when a buy or sell signal is generated. Surprisingly, this template will do the majority of the work for you, ultimately telling you when to buy or sell.

This chapter is dedicated to giving you a simple analysis of how to properly place a trade using the “Mean Green Money Machine” template. To place a trade, first and foremost, I determine the direction of the dominant trend on the hourly 50 MA and look for buy or sell opportunities accordingly, appropriate to entering the market in the direction of the dominant trend. Then, I wait until the RSI indicator has been in either overbought (reading above 75) or oversold territory (reading below 25) on at least the 30 minute chart. Once RSI is confirmed, I check to see if support or resistance price levels are approaching areas of major support or resistance on the 30 minute chart. If you have proper RSI confirmation of overbought or oversold conditions and support and resistance levels on the 30 minute chart are aligning with the price action, a low risk, high reward potential trade set up is currently developing. Also, be sure the MACD histogram lines on the 5 and 15 minute charts are relatively long because a narrow band of MACD histogram lines means price momentum is weak and you should wait for a better opportunity.

To further summarize and breakdown the steps of how to place a trade using my “M.G.M.M.” template --- if on the 30 minute chart, there is a suitable RSI reading and the price is close to support or resistance and relatively longer MACD lines on the 5 and 15 minute charts are all present in this current market cycle, then simply wait until the NO LAG AMA line is in the process of changing colors to that of the dominant trend on the 30 minute chart --- (from red to yellow to blue for buying, or from blue to yellow to red for selling) --- and then simply wait for the NO LAG AMA line to change color to that of the dominant trend (BLUE=BUY or RED=SELL) at the beginning of the new candlestick on at least a 5 or 15 minute chart. Then be sure to confirm that both the 3/7 MA and Stochastic crosses have occurred on at least a 5 or 15 minute chart at the beginning of a new candlestick. Then finally, without hesitation, confidently place your entry order to buy or sell appropriately, with the proper stop and take profit orders.

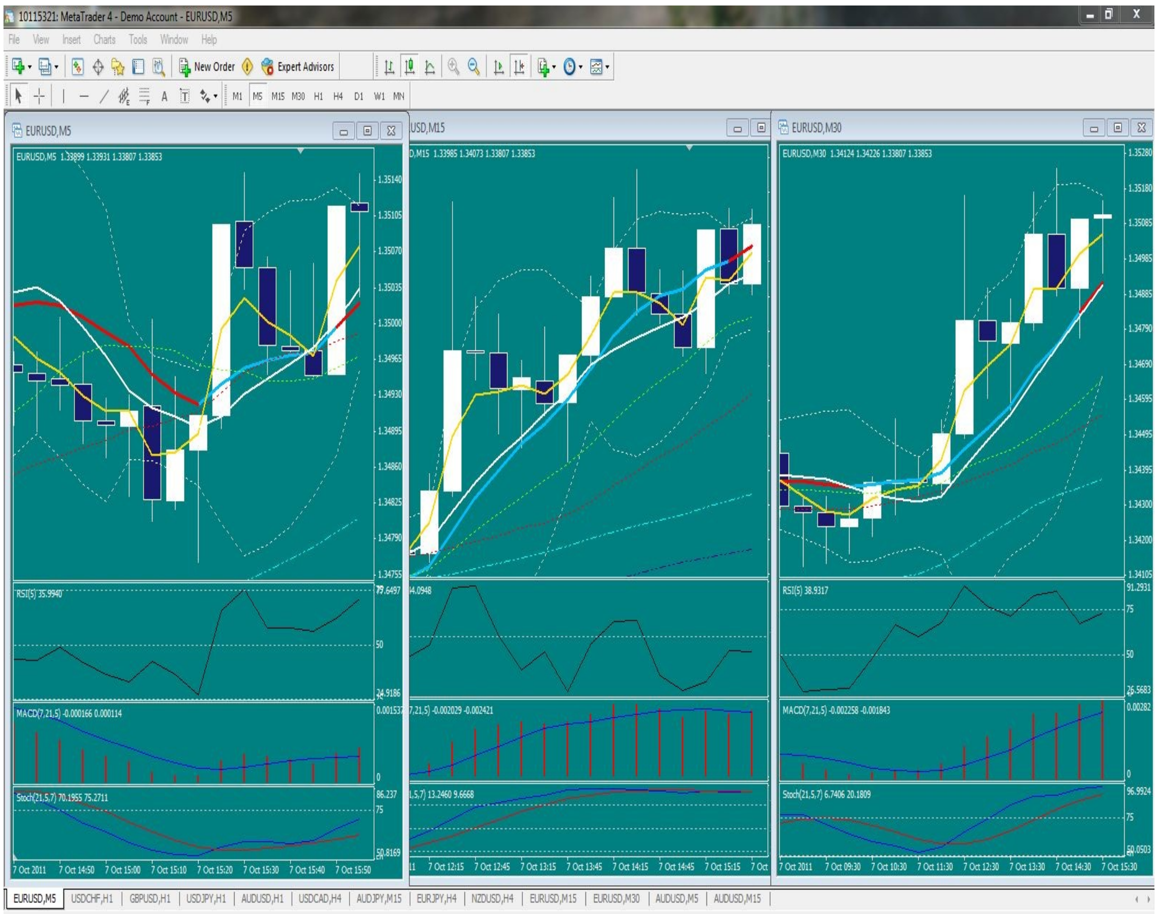
Simply observing the visual cues from the NO LAG AMA line and the 3/7 MA and Stochastic crosses make it very easy to find buy and sell signals. The main judgment call you have to contend with first, is in regard to the whether the RSI has been in overbought or oversold territory on at least the 30 minute chart. Also on the 5 and 15 minute charts, it is important that the MACD histogram lines are still relatively long, indicating strong price momentum is present. You must also make sure that the previous price levels of major support and resistance are relatively close to current price levels, but have not been critically broken. Then finally, if the NO LAG AMA line is now the color of the dominant trend direction (blue for buying and red for selling) and both the 3/7 MA and Stochastic crosses have occurred at the beginning of a new candlestick on at least a 5 or 15 minute chart, you have a very high probability of a low risk, high reward trade going down and you may confidently place your buy or sell order, along with your respective stop and take profit orders!

Now, after reviewing the steps to place a trade using my template, I want to issue a final word of warning! The easiest thing to do is to place a trade every time the 3/7 MA and Stochastic crosses have occurred and the NO LAG AMA line has turned to the dominant trend color. Placing a trade with every buy or sell signal generated from those obvious visual indicator cues will more than likely substantially lower the profits gained simply because of trading recklessly without regard to making sure all four main factors are present!

Remember, for a great low risk, high reward trade set up, you need all Four Main Factors to be present simultaneously. Rarely will all the ideal trade conditions be there in perfect alignment, but the Four Main Factors must be present and accounted for. So, if you want to make your Forex trading profits grow more consistently, you will have to make absolutely sure when placing a trade, that not only the obvious visual cues have occurred, but also the trend direction, RSI reading, support and resistance price levels, and sufficient momentum are all present and properly aligning to achieve success with that trade.

It just takes a little practice and a little extra effort making better trade decisions based on actual market conditions that “Mean Green Money Machine” is forewarning you of – the point being, don’t take the “risky” trade scenarios that your “gut” and your “MGMM” template warned you of! If you have to pass on an “iffy” trade scenario, so be it! There is always another opportunity coming along the next day. I trade mainly off the higher time frames like the hour and four charts and I usually only trade 3 – 5 times a week, but I can usually average 80 pips a week – the point is, don't trade too often once you start using "real" money!

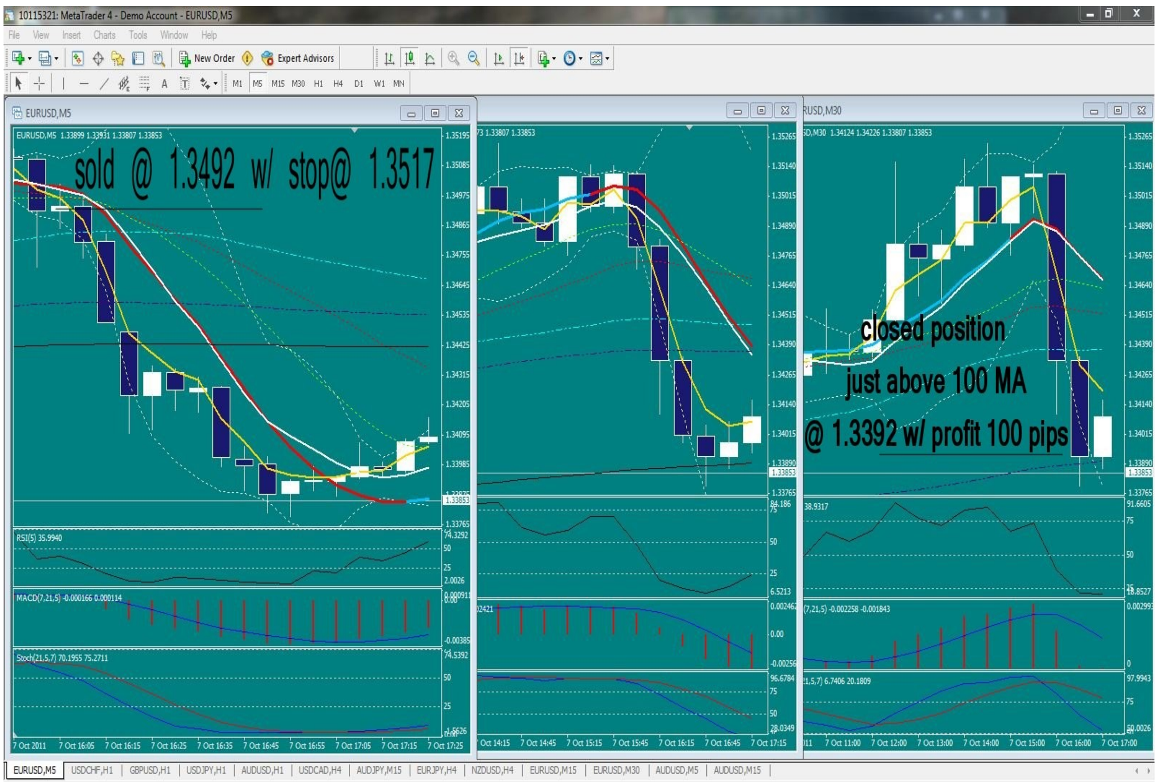
**Here's a great example of a potentially low risk, high reward trade set up and how it develops on the 30 minute chart and where all the Four Main Factors are simultaneously starting to align…**



The 30 minute chart is seconds away from starting the next candlestick and as you can plainly tell the NO LAG AMA line is red now, indicating the market momentum is reversing and ready to resume the downward trend – the 50 and 100 MA's were in steady decent on the 4 hour chart. The market has been in overbought territory for about 3.5 hours now, so I'm just waiting for the tide to turn! Even on the 5 and 15 minute charts the NO LAG AMA line has turned red, but no confirmation of even a 3/7 MA cross yet, so I wait and see what happens…


At the close of the next 5 minute candlestick, the "MGMM" template signals a sell signal - with the confirmation of a 3/7 MA and Stochastic cross at the beginning of a new 5 minute candlestick. Without further hesitation I hit the "SELL" button and place a

25 pip stop loss order and an open take profit order because I want to give it at least an hour of market price action in a down market and see where it takes me…

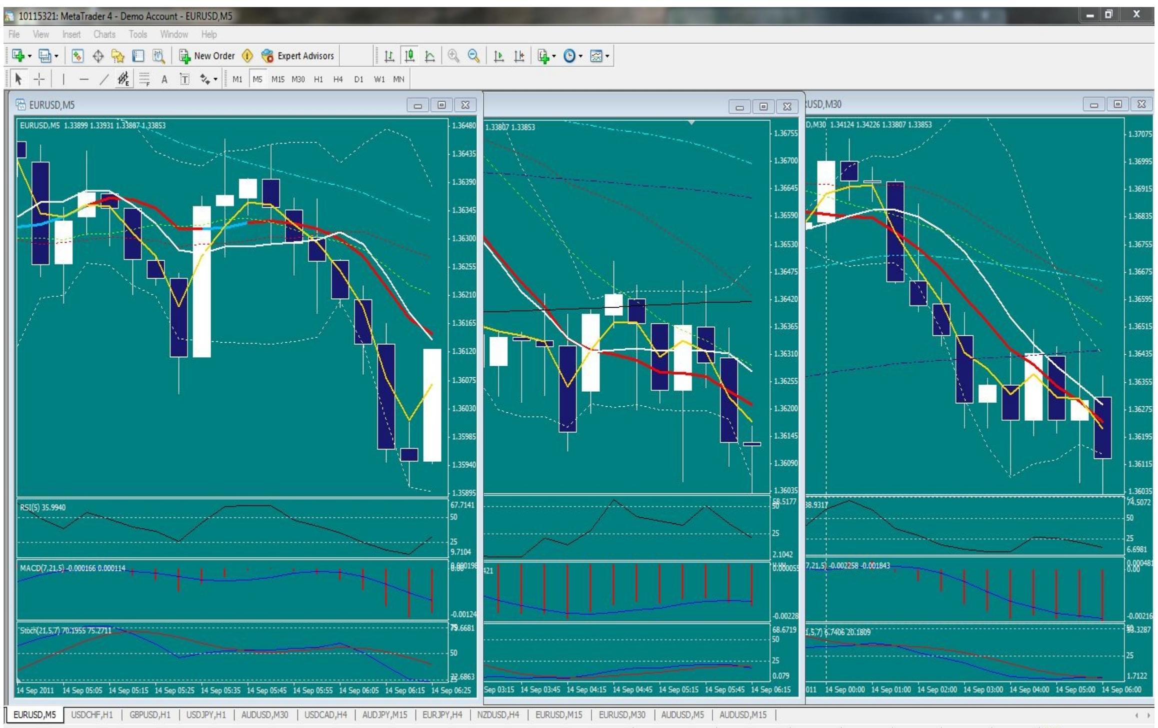



After only one hour the market price breezed through the 100 MA on the 30 minute chart and I was happy to close position at 1.3392 for 100 pips profit in an hour. This is why you have to be patient and look for the better opportunities. The template told me exactly when to enter the market and there was no guess work – just pure profit!

Once you start interpolating the buy and sell signals on the “MGMM” template and simply confirm the crosses, you usually have a pretty high percentage of a winning trade if you don’t get too greedy with your take profit orders! I know I’ve probably almost over trained you to be very attentive to the Four Main Factors being simultaneously present and probably put your brain on “overdrive”, but all that repetitive teaching was for a reason – I want to help you look for the best trades and be more selective. A monkey can hit a button when two lines cross at the beginning of a new candlestick, but a professional trader knows in a heartbeat if that signal is an “iffy” trade, simply because he sees weakness in all Four Main Factors being simultaneously present.

For the most part, if you have a buy or sell signal on the 5 or 15 minute chart, just make sure the reversal price is in the dominant direction of the higher time frames and the market has been overbought or oversold for quite some time. Also make sure price levels have not been critically broken and the MACD lines have been relatively long on the at least the 5 and 15 minute charts. If these simple checks are in order, just simply follow the visual cues of the NO LAG AMA line and the confirmation of the crosses! I hope it all is starting to seem easier to understand. The hardest part I believe for any trader is to exercise patience and simply waiting “to strike” when the time is right! The NO LAG AMA line will visually cue you when the momentum is actually shifting and keep you out of harms way trading price extremes in a fast moving market, protecting your capital, when other amateur traders are being “fed to the sharks”!

**Here’s one last example for this chapter – a suburb buying opportunity is developing on the 30 minute chart…**



The RSI had been in oversold territory for about 3 hours and 15 min chart had just made a long tail to the downside but closed about where it opened, indicating a potential reversal to the upside. The 5 minute candlestick also closed on a high indicating building buying momentum pressure was present. I also saw the 3/7 MA cross developing on the 5 minute chart.  Look what happens next as I anxiously await a buy signal…


My patience finally paid off.  After 4 more 5 minute candlesticks, the NO LAG AMA line turned blue and the 3/7 MA and Stochastic crosses confirmed a buy signal at the beginning of the fifth candlestick and I bought 1 lot at 1.3615.


Within 55 minutes I closed my position with a 50 pip profit. Knowing the positive uptrend on the higher time frames was very much intact and could easily verify the 4 Main Factors were also properly aligning again for a bullish reversal, made this a simple, no brainer trade, just taking advantage of a short term low. The virtue of patience should not be underestimated because it will lead to almost perfect timing of the market cycles!

# Chapter 6

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# Primary Advanced Strategies: Divergence, Japanese Candlestick Reversal Patterns, Fibonacci Retracements, and Trend Lines
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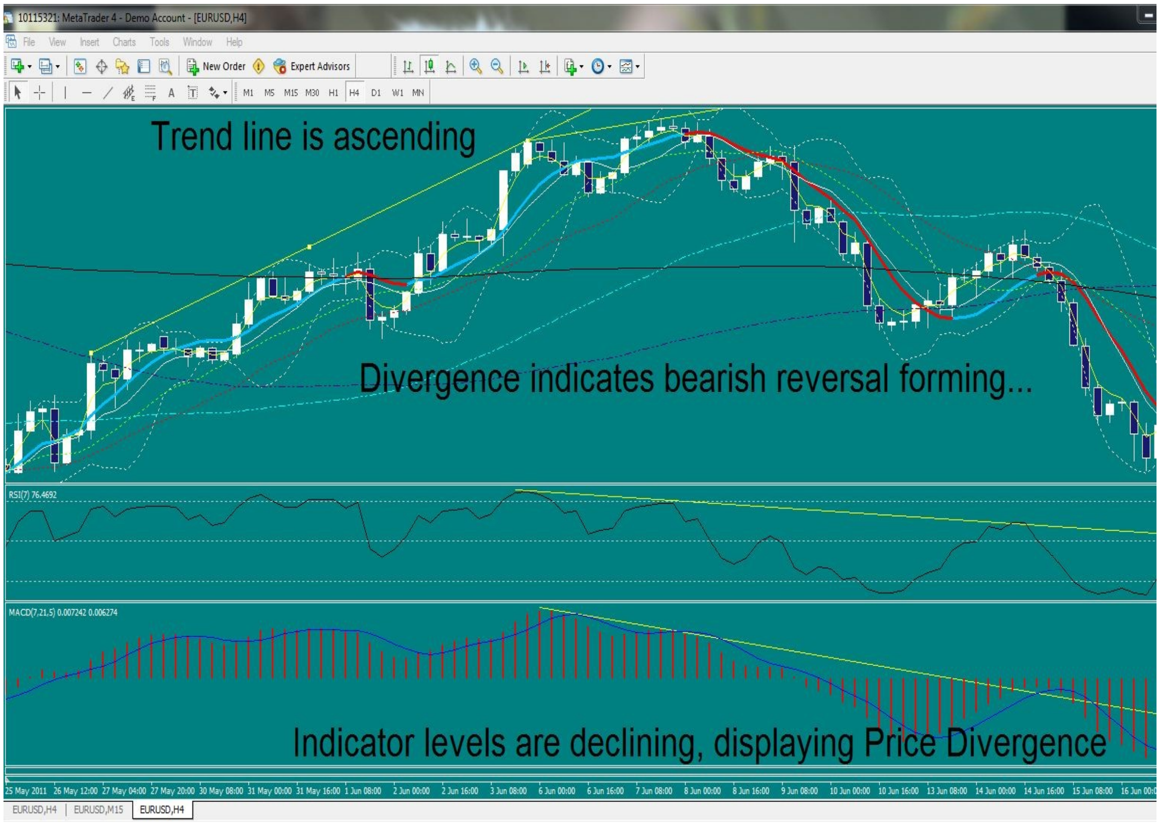
If you feel confident in the understanding of what you've just learned in the past five chapters, then this chapter will simply put the icing on the cake! With your continued devout study of some simple advanced techniques and strategies found in this chapter, you will gain some simple tools to add to your Forex arsenal to prepare you for real combat in the brutal price action that bestows you in your personal fight to continuously "beat the market" out of other people's money. Let the games began!

The simplest additional confirmation you can see on a chart before you anxiously hit the buy or sell button is whether or not there is Divergence between the price and the indicators. Divergence is what occurs when the price inversely relates to the direction of the indicator – and that indicator could be one of many indicators, but most easily displayed on the RSI, MACD, or STOCHASTIC oscillators. Divergence is most easily seen on the RSI for short term trades on the smaller time frames, like 30 minutes or less.

Let me explain how divergence displays itself on a chart. When the market price direction is still going higher and the RSI line display is getting weaker and declining, this indicates a bearish reversal of the uptrend is close at hand. On the flip side of this, if the price is going lower and the RSI line display is getting stronger and ascending higher, this indicates a bullish reversal of the downtrend is close at hand.

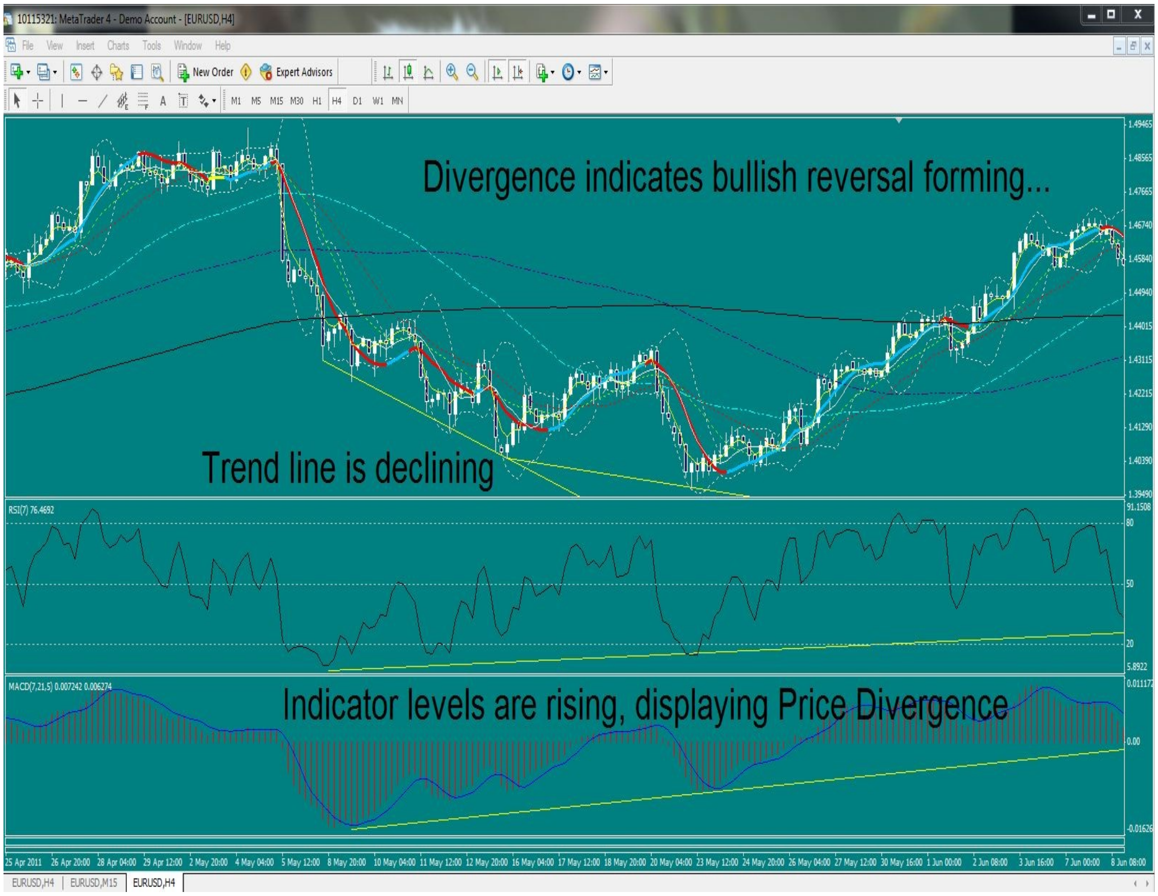
The same can be said of the MACD indicator when it comes to divergence - if a previous band of histogram levels are relatively long at a certain price point and the market price continues to test a new high or low, chances are if the new MACD histogram levels are shorter than before, there is a greater chance of a reversal in the current trend. Divergence is just another strong confirmation of a reversal in progress. Experienced and professional traders get pretty exited about divergence developing on a chart, especially the higher time frames, like the hour, four hour, and daily charts. Divergence on higher time frames means very high potential for major reversals, helping you to closely anticipate the timing of a major reversal of the dominant trend. Below are a few examples of what I’m talking about and why entertaining the notion of market price and indicator divergence can be very profitable, especially when it shows up on the higher time frames.

**Divergence spotted on higher time frame charts usually means a Major Reversal coming soon…**




## Bearish Divergence

See how the market price is getting gradually higher on the four hour chart. The MACD histogram lines are gradually declining or getting smaller as the price is still ascending to the highest point on the chart above. The RSI level is also decreasing as the price is increasing. This divergence of higher market price, yet declining indicator strength within an upward trend, signals the high probability of a Major Bearish Reversal is forming. Looking for divergence on smaller time frames is also helpful when trying to spot minor bearish reversals.




**Bullish Divergence**

See how the market price is getting gradually lower on the four hour chart. The MACD histogram lines are gradually rising or getting smaller as the price is still declining to the lowest point on the chart above. The RSI level is also rising as the price is decreasing. This divergence of lower market price, yet increasing indicator strength within a downward trend, signals the high probability of a Major Bullish Reversal is forming. Looking for divergence on smaller time frames is also helpful when trying to spot minor bullish reversals.

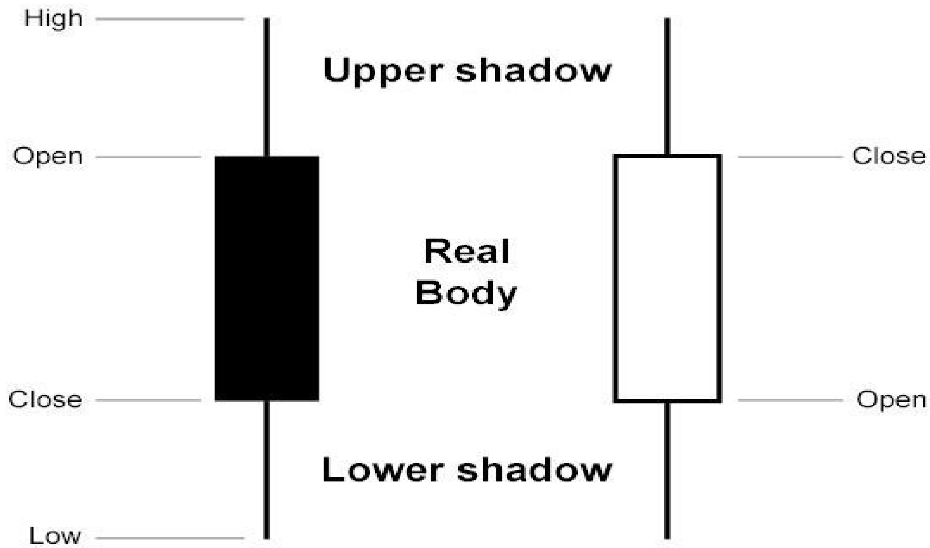
For more interesting information on divergence, feel free to download this free eBook on divergence, http://www.tradeology.com/hidden-divergence-a.html, which has really helped me understand how properly spotting divergence on a chart can lead to some very profitable trading.

The next subject I want to cover is Japanese Candlestick Reversal Patterns, which will essentially help you predict future bullish or bearish reversals in price action so you can find highly reliable trade setups with a low risk, high reward scenario.

I don't want to bore you with all the details of Candlestick history and theory because you can read about that in your spare time and I'll even provide you with some excellent free web links to dive in head first if you want to learn more details. What I really want to accomplish here is how to view candlestick price action in the practical sense and learn to spot basic reversal patterns. Knowing and understanding these patterns will give you yet another confirmation that the potential trade setup you see unfolding is truly a great trading opportunity. It is very possible to trade completely on price action using Candlestick Reversal formations and even plan your exit with former minor and major areas of support and resistance. Therefore, understanding the power of what a candlestick is telling you, says a lot about where the market price action is going!

To start with let's make sure you understand the basics of what a candlestick displays…

**The basic candlestick**



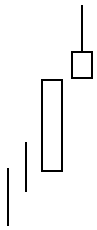

Candlesticks usually have a body, which generally is dark colored for bearish candles or light colored for bullish candles. Candlesticks usually have an upper and a lower shadow, which is also called a wick: the area between the open and the close is called the real body, price movements above and below the real body are called shadows. The wick illustrates the highest and lowest traded prices of a currency during the time interval represented. The body illustrates the opening and closing trades. If the price closed higher than it opened, the body is usually white or light colored, with the opening price at the bottom of the body and the closing price at the top of the body. If the price closed lower than it opened, the body is usually black or dark colored, with the opening price at the top and the closing price at the bottom of the body.

A candlestick may not even have a wick. These are full body candles that signal strong price momentum. Naturally, if the price ended on the high of that time period, price momentum is becoming more bullish and if the price ended on the low of that time period, price momentum is becoming more bearish.

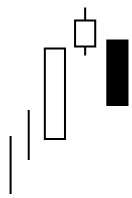
Candlesticks with no body visually appear as crosses and simply indicate the price opened with the same price it closed with. A candlestick cross signals that the battle between the sellers and the buyers has stalled and the current trend direction is either pausing temporarily only to resume current trend direction or the indecision in the price movement predicts a reversal of the current trend direction.

Candlesticks need to be observed because Candlestick Reversal patterns predict terrific trading opportunities! Below are the most common bullish and bearish Candlestick Reversal patterns to learn…

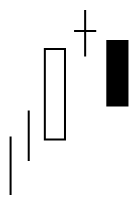
**Bearish Reversal patterns**



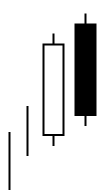
**Shooting star**. Can signal an end of the bullish trend. Should be confirmed by other patterns. The longer is the shadow the stronger is the signal.



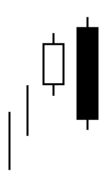
**Evening star**. Acts as a stronger trend reversal signal. Note that the shadows should be very short and the body shouldn’t be too large as well.



**Evening Doji star**. Almost the same as previous, but some traders consider it a stronger signal.

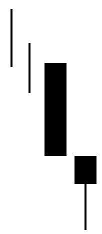


**Dark cloud pattern**. The two-candle pattern is ending the bullish trend. Note the opening of the second candle — it should be above the first one’s close. Second candle should close below the 50% of first candle’s body. Both bodies should be long enough. Moderately strong signal.

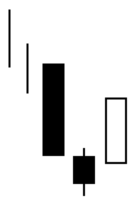


**Bearish engulfing pattern**. This two-candle pattern appears at the end of the uptrend. Second (bearish) candle should open higher than first candle’s high and should close above the first one’s low (completely engulf it). Moderately strong signal.

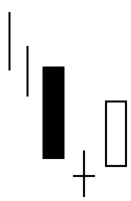
**Bullish Reversal patterns**



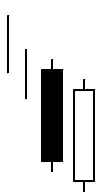
**Bullish hammer**. Can signal an end of the bearish trend. Should be confirmed by other patterns. The longer is the shadow the stronger is the signal.



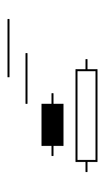
**Morning star**. Acts as a stronger trend reversal signal. Note that the shadows should be very short and the body shouldn't be too large as well.



**Morning Doji star**. Almost the same as previous, but some traders consider it a stronger signal.



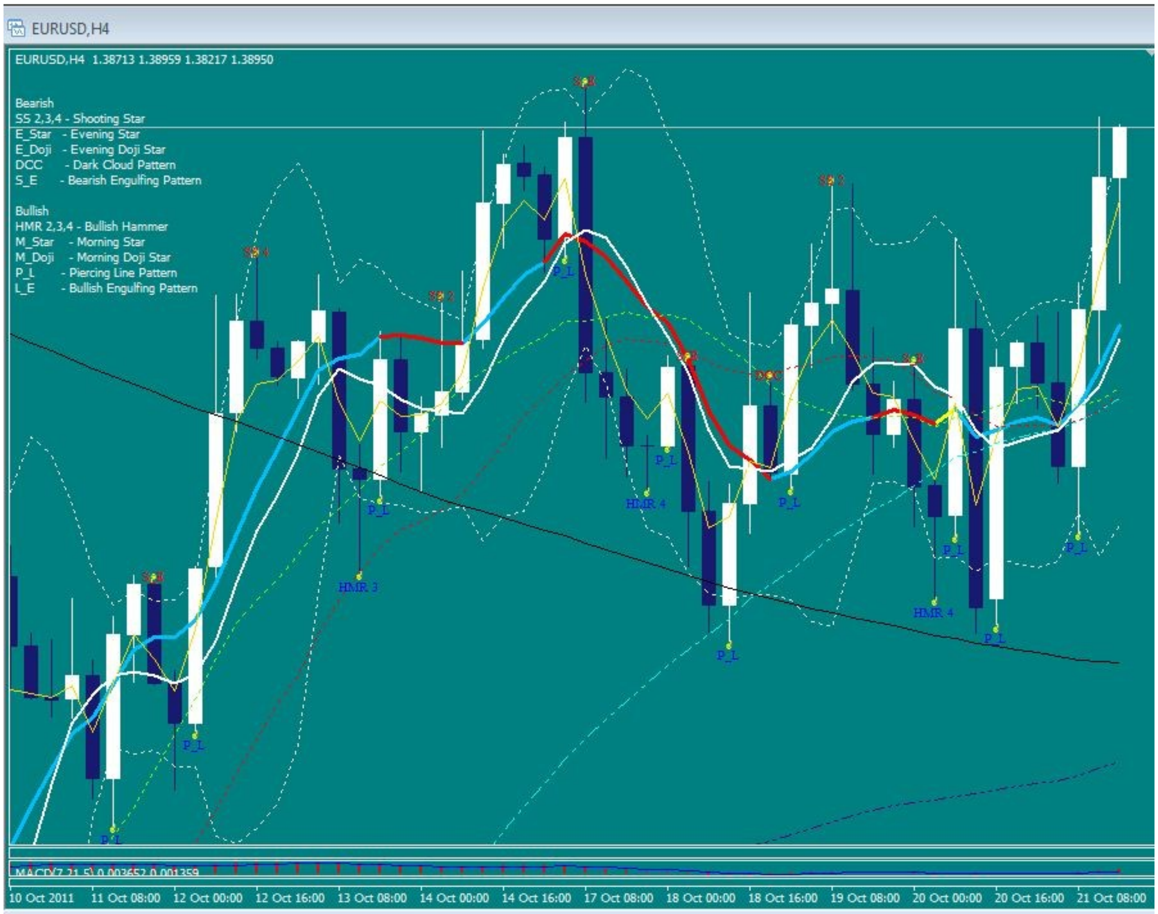
**Piercing line pattern**. The two-candle pattern is ending the bearish trend. Note the opening of the second candle — it should be below the first one's close. Second candle should close above the 50% of first candle's body. Both bodies should be long enough. Moderately strong signal.



**Bullish engulfing pattern**. This two-candle pattern appears at the end of the downtrend. Second (bullish) candle should open lower than first candle's low and should close above first one's high (completely engulf it). Moderately strong signal.

These candlestick reversal patterns can also be recognized and detected with a MT4 indicator that you can download and utilize with your Metatrader4 platform. Just click on this highlighted file name underlined Pattern Recognition Master to download and save this ex4 file to your desktop. Then, open your MT4 program folder and double click on the "Experts" folder and then double click on "Indicators" folder to open it up. Then simply drag and drop the Pattern_Recognition_Master_v3.ex4 file into the "Indicators" folder. Be sure to close the MT4 program if currently in use, and then reopen it. Now you can add this Pattern Recognition indicator to a chart. Just click on "Insert" in the top left corner of your MT4 main screen and then click on "Indicators" and click on "Custom" and then click on the "Pattern_Recognition_Master_v3.ex4" file and a pop up window will appear on your chart, and just click ok to add it to the chart.

**Here's how the [Pattern Recognition Master](#) indicator displays on your MT4 platform…**




As you can see there are many candlestick reversal formations on this 4 hour chart. This indicator has a legend of the names and abbreviations of the various bearish and bullish reversal formations in the upper left hand side of the window. This MT4 indicator is best used on 30 minute and higher time frames. The higher the time frame, the more accurate the buy or sell signal and the reversals indicating the dominant trend again resuming current trend direction can be most trusted. Once a reversal is found on a higher time frame and the price momentum is resuming the current dominant trend direction, use a lower time frame to trade the current price cycles and that will give you the best entry and exit orders!

If you want to do further study on candlesticks, here is a few web links that are very informative and great knowledge to absorb…

http://www.fxwords.com/j/japanese-candlesticks.html

http://www.forexonlinelearning.com/candlestick-analysis/

http://www.actionforex.com/education/free-ebooks-and-videos/advanced-candlesticks-and-ichimoku-strategies-for-forex-trading-20100227107683/

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As you have just learned, recognizing Reversal Candlestick formations can lead to great entry and exit orders. Fibonacci Retracement Levels may also determine very reliable entry and exit points and worthy of the time needed to understand basic Fibonacci techniques. I'm surely not going to give you a thorough in-depth study about the history and theory, but I am going to give you the more practical aspects of how to use Fibonacci Retracement levels to your profit advantage for great entry and exit orders.

Fibonacci retracement is a very popular tool among technical traders and is based on the key numbers identified by mathematician Leonardo Fibonacci in the thirteenth century. However, Fibonacci sequence of numbers is not as important as the mathematical relationships, expressed as ratios, between the numbers in the series. In technical analysis, Fibonacci retracement is created by taking two extreme points (usually a major high and low) on a currency chart and dividing the vertical distance by the key Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8% and 100%. Once these levels are identified, horizontal lines are drawn and used to identify possible support and resistance levels. Before we can understand why these ratios were chosen, we need to have a better understanding of the Fibonacci number series. (For more in-depth discussion, see **Fibonacci and the Golden Ratio**.)

The Fibonacci sequence of numbers is as follows: 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, etc. Each term in this sequence is simply the sum of the two preceding terms and sequence continues infinitely. One of the remarkable characteristics of this numerical sequence is that each number is approximately 1.618 times greater than the preceding number. This common relationship between every number in the series is the foundation of the common ratios that are used in retracement studies.

The key Fibonacci ratio of 61.8% - also referred to as "the golden ratio" or "the golden mean" - is found by dividing one number in the series by the number that follows it. For example: 8/13 = 0.6153, and 55/89 = 0.6179.

The 38.2% ratio is found by dividing one number in the series by the number that is found two places to the right. For example: 55/144 = 0.3819.

The 23.6% ratio is found by dividing one number in the series by the number that is three places to the right. For example: 8/34 = 0.2352.

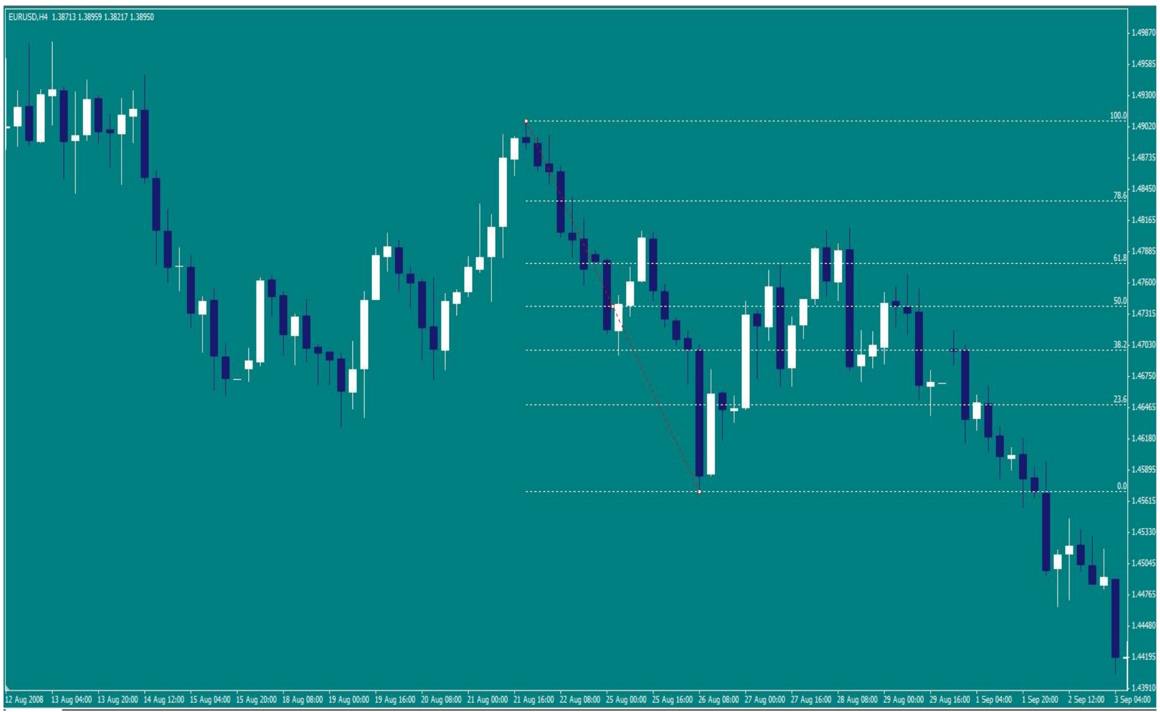
For reasons that are unclear, these ratios seem to play an important role in the stock market, just as they do in nature, and can be used to determine critical points that cause an asset's price to reverse. The direction of the prior trend is likely to continue once the price of the asset has retraced to one of the ratios listed above.

**The following chart shows how Fibonacci retracement can be used. Notice how price action changes direction as it approaches the Fibonacci levels and forms support and resistance levels**.


In addition to the ratios described above, many traders also like using the 50% and 78.6% levels. The 50% retracement level is not really a Fibonacci ratio, but the 50% retracement level occurs so frequently in currency and other markets that is should always be considered as a very common retracement level.

In the above chart illustration, I plotted a Fibonacci line graph with a dominant bullish trend in place on the four hour chart.

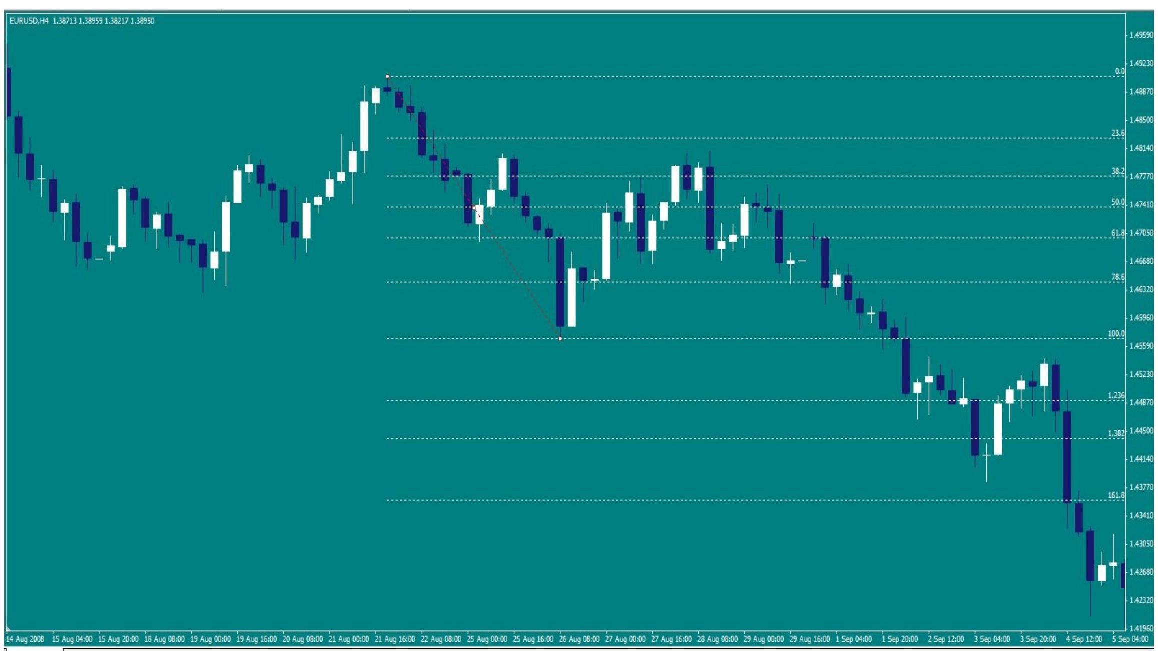
**Now let's see how a strong bearish trend reacts to Fibonacci levels…**



In the above example, if you would have seen the Doji cross formation, you could have opened a buy position at the beginning of the next candlestick and sold it at the 38.2%level for a nice profit of about 50 pips.

Realizing the dominant trend would more than likely resume, you could have considered opening a sell position. When the buy stops at the 61.8% level were taken out and a bearish engulfing formation soon appeared thereafter, it was obvious the market wanted to continue the dominant bearish trend. Placing a limit order to sell at the 50% retracement level would have been a good idea because it would have been hit and the market resumed its bearish trend as anticipated, slamming thru the zero reference Fibonacci level for a whopping 240 pips if you would have cashed out at about the 23.6 percent Fibonacci extension level!

**The chart below shows how the bear market continued and went thru the 23.6, 38.2 and even the 61.8 percent extension levels!**




In the above chart illustration, to display the Fibonacci extension levels, all you have to do is flip the 0 and

100 percent points to re-plot your Fibonacci levels to display extension levels.

Please note: to display Fibonacci levels on MT4, simply click on the Fib tool icon on the upper top left, and then double click on a high or low and drag it to the other respective high or low, and the Fibonacci Retracement and Extension levels will appear.

Hopefully these Fibonacci chart examples will give you some great inspirational insight as to how you can utilize both candlestick formations and Fibonacci levels to find very profitable opportunities.

To continue more detailed study of Fibonacci retracements and extensions, use these web links to learn more…

http://www.fibonaccibook.com/

http://www.actionforex.com/education/free-downloads/basic-fibonacci-trading-ebook-free-download-200509162032/

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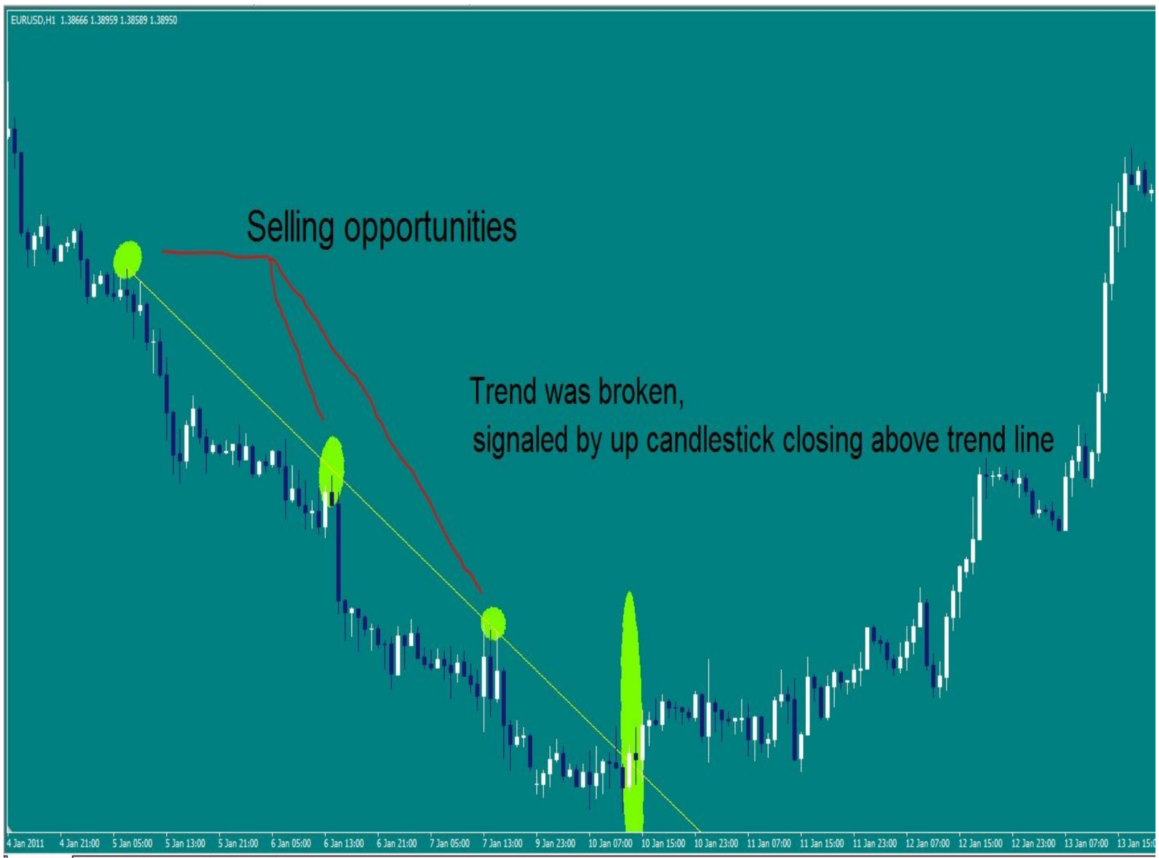
The final advanced technique covered in this chapter is something I use pretty much in my everyday chart analysis and is by far, the simplest strategy of all – trading off a **Trend Line**!  A simple trend line is the most highly visible price action pattern that can be spotted, showing either a series of higher lows or a series of lower highs.  Simply drawing a trend line and waiting for the market price to bounce off the trend line, is a great way to initiate a new position or close an existing position. Trend line trading is the pretty much the easiest way to profit and usually a very reliable method, so be sure to take advantage of these trend line trading opportunities.

A terrific mini-eBook on trend line trading can be downloaded at this web link:

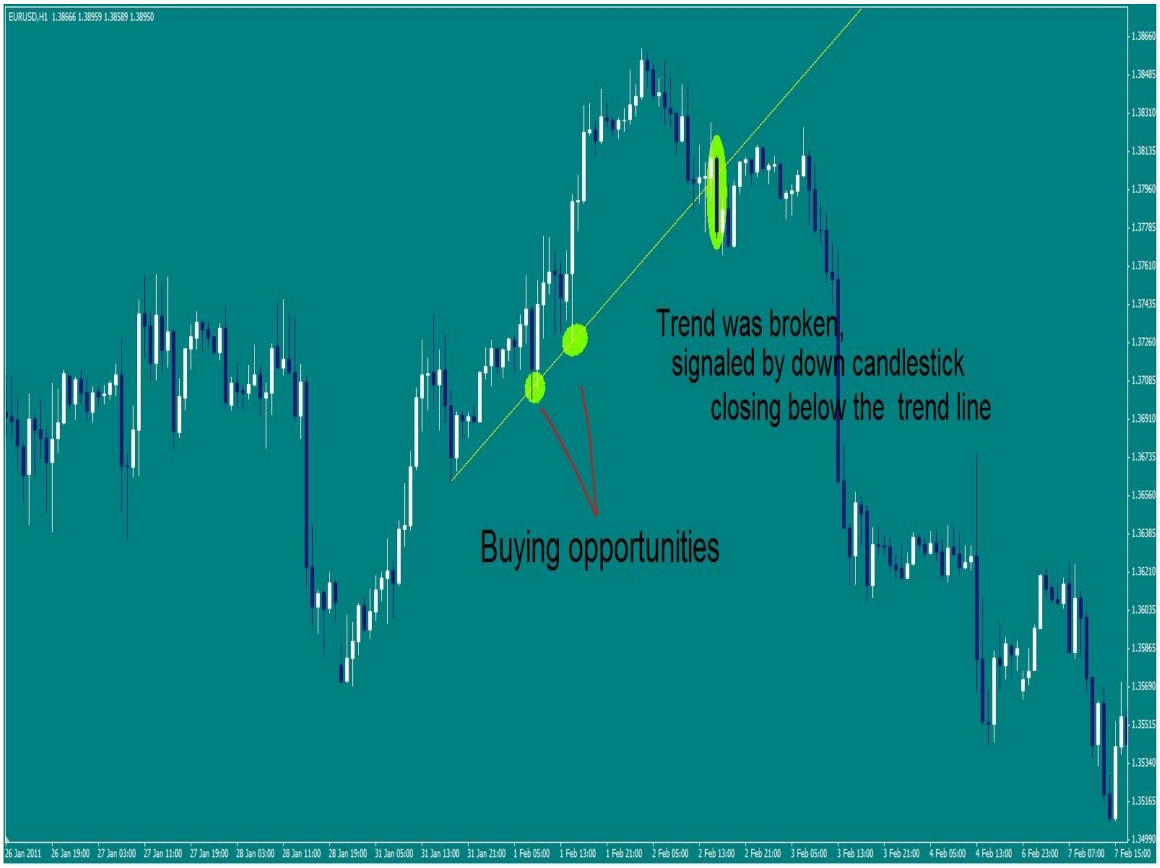
[http://www.elliottwave.com/club/trading-the-line/default.aspx?code=47406](http://www.elliottwave.com/club/trading-the-line/default.aspx?code=47406)

Trend lines naturally show direction of the dominant trend. Trend lines also show the strength of the price action. The steeper the angle of the trend line, the stronger the price momentum will be and the longer the trend will last. On the other hand, a trend line with a lesser angle of incline would be more prone to a weakening trend and eventually a reversal in trend. Chances are if the price action breaks the current trend line, a reversal of the current trend will occur. So, therefore a break of a trend line can and usually does lead to either a bullish or bearish reversal – so be sure to take advantage of the buy and sell signals that trend line breaks offer!

**Here is a bearish trend line below, where the price action gradually breaks the trend line and offers a great buying opportunity.**



**On the other hand, here is a bullish trend line below, where the price action gradually breaks the trend line and offers a great selling opportunity.**




Always be sure to look at the bigger picture of the market using trend lines based off higher time frames. Switching to a larger time frame makes it easier to see the dominant trend displayed by a trend line. It should become obvious where the market is going: the trend is either heading up or down. If it is still difficult to tell market direction, and it seems that the market price action currently moves sideways, you need to zoom out even more and view a larger time frame.

Learning to draw your own trend lines is so easy. Let's assume you saw the market price going up, and the overall picture was telling you that the market price action is in an uptrend. In the uptrend, our trend line will be placed below the pattern formation, showing a series of higher lows. In a downtrend your trend line will rest on the top of the pattern formation, showing a series of lower highs. Now you know some really good basic information about trend lines that can help you spot some terrific buying or selling opportunities!

For more learning resources on trend lines, visit these websites:

http://www.trendlinebook.com/

http://daytrading.about.com/od/indicators/a/TrendLineHub.htm

Trend lines can combine with each other and form triangular shapes. Most typical shapes include ascending triangles, descending triangles, and symmetrical triangles. Also, you will find rising and falling wedges. For more great information on how to spot these common chart patterns and how to best trade these patterns, go to this website:

http://www.babypips.com/school/how-to-trade-chart-patterns.html

# Chapter 7

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# Best Times for Trading FOREX!

## (and when not to trade)
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The Forex market might be open 24 hours a day and over 5 days a week, but there are times when you really don't want to initiate a trade. Naturally these times would include when there is little momentum in either direction and the market is stuck in neutral. In these relatively inactive times, there are typically going to be larger than normal spreads, so you will lose right off the bat, paying too much for a wider spread of greater than even 4-5 pips. Remember how I told you when the MACD histogram bars display a relatively narrow band don't initiate a new trade. The narrow band of bars is a sign to stay clear of a trade and wait till the momentum builds one way or another.

The best time to trade is when the market is the most active and therefore has the biggest volume of trades. More active currency price movement will create a better trading opportunities and enable you to profit more effectively. Knowing this little rule will keep you out of the market in periods of low liquidity!

The Forex market is open from 5 PM EST on Sunday afternoon to 5 PM EST on Friday afternoon. There are four main sessions worldwide:

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Sydney – opens at 5:00 pm to 2:00 am EST

Tokyo - opens at 7:00 pm to 4:00 am EST

London - opens at 3:00 am to 12:00 noon EST

New York - opens at 8:00 am to 5:00 pm EST

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Forex Market Hours (EST)

Open 17:00 EST Sunday to 17:00 EST Friday


**And so, there are hours when two sessions overlap…**

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New York and London — 8:00 am — 12:00 noon EST

Sydney / Tokyo — 7:00 pm — 2:00 am EST

London / Tokyo — 3:00 am — 4:00am EST

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For example, trading EUR/USD and GBP/USD currency pairs would give good results between 8:00

am and 12:00 noon EST when two markets for those currencies are active.

At those overlapping trading hours you'll find the highest volume of trades and therefore more chances to place winning trades in the foreign currency exchange market.

To monitor Forex trading hour's sessions while being anywhere in the world:

Download Free Forex Market Hours Monitor v2.12 (814KB) Time zone option is added for most of North American and European countries.

My personal favorite hours to trade are from 8:00 PM EST to 12:00 AM EST; 3 AM EST – 7:00 AM EST; and 8 AM EST to 12:00 PM EST

I try to avoid trade during or just prior to news releases and wait till the announcement is over and the market has regained some sense of stability again. You can really get whipsawed in both directions and therefore a 40 pip stop will do you no good at all, so just best to stand on the sidelines.

The main US financial news comes out around 8:30 AM EST almost daily so that is a good time to stay clear of being in the market. The really craziest period to be in the market is before a major FED announcement when the Federal Reserve announces changes in interest rates – I've seen the EUR/USD go up and down 80 pips seconds before the announcement and any reasonable stop loss order is DOA, so just wait till the dust settles after news announcements I've found to be the safest bet!

# Chapter 8

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## A Simple FOREX Business Plan - Planning your work and working the plan will yield exponential profits!
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**Here is my suggested trading Business Plan…**

Whenever you are seriously working at building a business, it is certainly a great idea to have goals and track those goals. What I developed here was a practical plan with realistic goals that helps you use the money in your trading account to your best advantage. It is very important to adhere to strict risk management disciplines and place a protective stop loss order on every entry order – AND NEVER MOVE A STOP! I hardly ever have to risk more than 25 - 35 pips on any one trade, even when trading higher time frames. To risk anymore just becomes harder and harder to recoup.

The chart below is great inspiration to me and helps drive me to stay on track with my weekly goals. The Min. Margin row starts with $600 and allows me to safely trade 1 mini-lot, making a $1.00 per pip with the EUR/USD. If you save $100 from trading profits every month, after every six months your account will grow by $600. After 6 months you should have $1200 and can trade 2 mini-lots, or make $2.00 per pip. The goal then becomes to save $600 every six months, so you can trade another additional mini-lot to make more weekly and monthly income. It's like giving your self a raise every six months!

My achievable goal is 60 pips a week profit on the EUR/USD and that comes to $240 per month the first six months. In six months after adding $100 month, I have $1200 in my account, and will trade 2 mini-contracts. I hope you can see how it grows exponentially every six months, potentially yielding over $30,000 annually from a $600 starting balance in about 60 months. I hope this plan inspires you!

| Min. Margin | 600 | 1200 | 1800 | 2400 | 3000 | 3600 | 4200 | 4800 |
|---|---|---|---|---|---|---|---|---|
| **pips/wk** | **60/wk** | **120/wk** | **180/wk** | **240/wk** | **300/wk** | **360/wk** | **420/wk** | **480/wk** |
| $ per month | $240 | $480 | $720 | $960 | $1200 | $1440 | $1680 | $1920 |
| ***$ in 6 months*** | ***$1440*** | ***$2880*** | ***$4320*** | ***$5760*** | ***$7200*** | ***$8640*** | ***$10080*** | ***$11520*** |
| Min. Margin | 5400 | 6000 | 6600 | 7200 | 7800 | 8400 | 9000 | 9600 |
| **pips/wk** | **540/wk** | **600/wk** | **660/wk** | **720/wk** | **780/wk** | **840/wk** | **900/wk** | **960/wk** |
| $ per month | $2160 | $2400 | $2640 | $2880 | $3120 | $3360 | $3600 | $3840 |
| ***$ in 6 months*** | ***$12960*** | ***$14400*** | ***$15840*** | ***$17280*** | ***$18720*** | ***$20160*** | ***$21600*** | ***$23040*** |

If you're looking for a good Forex broker you can trust with outstanding customer service 24/7, be sure to let www.Forex.com know I referred you. You will be treated like family, I assure you. I have had absolutely no hassles with them – ever! If I want to withdraw funds, I receive a deposit in my check account well within 24 hours or less (usually much less) with no transaction fees! I've been trading with them for 4 -5 years now and will continue to do so the rest of my life on this planet!

Feel free to download a free demo account and learn how to place trades on either their Forex Trader Pro platform or MT4 platform… I personally just use the MT4 platform to monitor the charts, because the technical indicators are much better and would rather use my "Mean Green Money Machine" template that generates reliable buy and sell signals. I initiate my actual trade orders on their Forex Trader Pro platform just because I'm more comfortable placing orders on that platform. You can sign up for a free demo account – just go to Forex.com. Be sure to view their tutorial trading videos as well.

If you have any trading questions, let me know. I love to help fellow traders beat the market and stay in profit!

jojo@meangreenmoneymachine.com

My best advice to new traders is to be sure to trade on a demo account until you can make at least 60 pips a week consistently for at least a full month, before you trade with "real" money.

If your looking for more Forex learning resources be sure to go to my website and click on “Learning Resources” and I’m sure you will find some excellent tips and strategies to help you better understand how you can always become a better currency trader!

www.MeanGreenMoneyMachine.com

Thank you for reading my book!  Again, let me know if you have any questions.

jojo@meangreenmoneymachine.com

Be sure to live, laugh and prosper – life is too short!

Sincerely,

JOSEPH WOHLERS