

A FREE BOOK ABOUT FOREX

“No Idea”

By Simon Gurney

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1 Introduction

Without going too much into my life's story I will explain where it is I come from and what purpose, I hope, this book will have in your own Forex trading career.

At the time of writing this book I am 28 years old, recently moved from the UK to Johannesburg and have been trading forex full time for 1 year. Before becoming a full time forex trader I worked for 6 years as a software installation engineer for an IBM business partner in the UK. It was during this time I discovered forex and put every spare second of my time into learning how to trade. I became so obsessed with trading and so bored with my computer job; my then boss offered me a redundancy package.

I am sure anyone who has left a regular monthly salary to follow a dream of independence can tell you there are a few emotions involved, as there are with most types of change. At the end of the day I think I was as relieved to be leaving my job as my company were to see me go.

Throughout my early life I was made well aware of the amount of stress and hardship that can result from having to slave your life away for a salary you are barely able to support yourself with. As soon as I was able to work I got a job in computers, it was easy fast cash and there was no way I was doing a three to five year university degree in how not to have money.

From the time I started working it was always my intention to work hard for a few years, save my money and then live off the interest, (such a great idea, but so naïve). As soon as I had some money saved I began looking on the internet for investments that would let me retire within 5 years. I believe I must have thrown away \$30,000 - \$40,000 to crooks basically; there is not other word for them. Stupid I know, but my belief in this was so strong I failed to see why these investments would not work; this same strong belief has kept me going with this whole forex thing despite that fact I did not make a cent for many years.

This brings me to the purpose of this book. In my early 20's, I had some money, I was working as an IT consultant, I had no formal education other than high school and I dedicated my entire personnel life, for many years, to learning to make money from the forex market. During the 6 years of my life I have spent on this I have been through the mill as regards online forex trading and it is the purpose of this book to share my experiences with you so your experiences may be better than mine.

I can tell you now the world of on line forex trading is full of sharks. Having experienced this I can safely say I am an honest, easily fooled person, I just do not understand how some one can sell lies for money or trick you out of your money; especially if they do it for a living. It just amazes me what people are like when it comes to money, there are a number of phrases to describe these people, (I would like to see what they put on their CVs). The first chapters of this book deal with my experiences of these people. I have not mentioned names as having anything further to do with these people is the last thing I want, if however you would like to know specifics please email me.

I can tell you now I know the tricks; I have spent \$1000s on online e-books and forex trading systems and alert services. I could quiet easily write an e-book called "Proven Forex System" make up a load of BS and sell it for \$100, this of course would be supported by a flashy website and a bit of on line marketing, or even worst I could offer a managed account service and then just tell you I lost your money.

I am not going to do any of these, (forex trading system, on line alert service, managed account service), if you would like these I will recommend a number of providers who will be more than happy to take your money. There is so much misinformation or inadequate information on the internet, marketing and advertising of the forex market are 2nd to none, and they have made it so easy for you to give your money to them.

This book is a subjective story of my experiences of dealing with all these on-line forex crooks and eventually finding out what really works. I hope this book will guide you past the crooks and direct you towards the real gurus, I hope it will show you what the forex market is really about and what a real forex trader does. If you are expecting a cut and dry trading system, then this book is for you, even though you are not going to get it. This book may totally change your ideas of what you will need to do to be successful; this may in itself crush your dreams of ever making money from forex. Do not worry it is possible to make money from forex and this will point you in the right direction.

2 Losing Money and Finding Forex

The best place for this book to start is in the year 2000, it was then I managed to save a reasonable amount of money, (more than \$10k to \$20k). As I said before I knew I could find a way to make this money work so that I would not have to, at this stage although I was not 100% sure how I was going to do it.

What I did next, (in hindsight), was extremely stupid. The whole scam is still out there on the internet so it is important I mention it because people must still be being fooled and at the time couldn't find anywhere on the internet saying the whole thing is a scam, and it just amazes me how blatantly these people steal money, they get away with it every day, and it seems perfectly legal. Hopefully some big gun will read this and bring them to bear.

Ok my excuse for this is I believed so strongly I could live off the interest of my savings and I am such an honest person I could not comprehend someone would do this, (be sure this book is 100% honest).

The first place I lost money was "High Yield Internet Investments", (do not laugh)! Just do a search for high yield investment programs on Google and see what you get.

To be fair I now do see a number of government websites warning you about these, although I may have been blinded by the money, back in 2000 I did not see any warnings. If you get into one of these programs, all agreements are made electronically, (email) and inevitably you deal with some the other side of the world. You will see returns coming back to you for a few months while at the same time you are sent loads of information on other really good high yield investments.

You get regular updates and everything looks good, the cheeky bugger I was dealing with even sent me pictures of his family holiday in Costa Rica, then all of a sudden you are told the fund is bankrupt and there are no more payments. Oh well my fault for being so stupid to begin with, hope he enjoyed his holiday! So my advice is to steer clear of stuff like that, again if you want further advice on something email me.

The second place I lost money was with people phoning me and selling me forex options. I had read a little about forex funds while looking into high yield investments. Now these people calling me sounded a lot more professional, they explained the whole option thing to me and how they recommend I use a weighted straddle technique to get in on the action on the euro. Again there are 100s of companies doing this, if you want them to call you just do a search for forex options or investments and fill out a few online questionnaires. I did this a couple of times back in 2000 and I have had people calling me weekly for the past 6 years trying to sell me investments.

The people and companies selling option based investments to the semi-informed public are no less crooked than the high yield investment people who just take your money and go on holiday with it. While the options selling people are slightly more professional, all they do it confuse you with too little or too much information, act as the counter party to your options and tell you what strike price to use. At the end of the day it is a legal way of stealing people's money.

They employ a load of people who know a bit about the market but never made it as traders themselves, and cold call any poor member of Joe Public who is unlucky enough to have filled out an online questionnaire. As mentioned the sales techniques combine too much information, too little information and on many occasions aggressiveness. It seems like some people have been driven mad by money, (ok man, calm down, I am sure you know what you are talking about).

You could also do a Google search for people who would like to sell you some options, but I wouldn't bother.

I have been cold called by 100s of people trying to sell me options. I lost loads of money with an investment advisory based in Barcelona. The whole experience was so terrible, it was in December 2001 this happened, (I am sure Windsor limited changed its name a long time ago). I was on holiday in Johannesburg at the time; I can still recall how sick the telephone conversations I had with them made me feel. The whole thing had been sold so well sold, (UPS shipment of signed agreements, wiring funds to banks in the Bahamas), it crushed me when I was told it had fallen apart, not even the "straddle technique" had helped, (surprisingly!).

At this stage I had lost around \$30,000 to \$40,000 in the space of about 2 years. Thanks to all of this I had learned the lesson never give your money to any one, never let your money out of your control and never make an investment based on someone else's advice.

Call it stupidity, call it determination but despite losing so much I still believed I would be able to live off my savings one day. I kept looking, this time looking at how I could trade forex myself. I soon found my first forex brokers website, I saw the charts, I saw the trade station, I read the briefs and I was sold.

At the time I believed I had made it past the sharks and was with the good guys who would help me make money on forex. It was simple, accessible, and there were loads of educational resources. I did not know it at the time but I was just swimming with a different bread of shark.

I can tell you now although online forex brokers on the whole provide an excellent service their main objective is to transfer the funds from your trading account into theirs, much like the firms selling forex options, online brokers use a combination of too much information, too little information, miss-information and generally suggesting trading parameters and methods that are unfavorable. I cannot complain about online forex brokers too much as they provide the general public to the once exclusive forex market and generally their trading tools are good, however much like a casino giving players an opportunity to gamble online brokers use loads of subtle tricks to part the would be trader with his margin account.

It is not only the online forex brokers that are attempting to make money from the aspiring forex traders, as stated in the introduction there are numerous forex alert providers, managed account services and people selling trading systems and forex trading courses. Believe me when I say none of these people are for real, they are all selling bogus products, selling lies, trying to steal your money!

If you do a Google search you will find 100s of such forex trading related products and services. To me it is almost unbelievable that these are all bogus scams, (as I can't comprehend dishonesty, especially on such a level), but 99% of all online forex trading related products and services, i.e. courses, alerts, systems, managed accounts are scams, believe me and do not get involved!

Although I have spent \$1000s on forex courses, alert services I have lost very little money on actual forex trading. This I believe is due to the fact I was so badly burnt by my previous investment attempts. I never risked any money on the spot forex market until I was able to make consistent profits on a demo account. Thanks to my adamant, to not trade with real money until I had a method of trading I knew worked, I have been able to persevere with my forex endeavors without wiping myself out.

The next three chapters will deal with my early forex trading experiences, (dealing with forex sharks), forex courses, forex e-books, forex alert services, managed accounts, forex technical analysis and brokers. The remaining chapters will deal with my experiences of legitimate trades and what you need to do to succeed in the forex market.

3 Learning Forex

Now that I had found the websites of online forex brokers I needed to learn what the forex market was all about and how to trade. Besides reading many paper books, e-books, website, and forums I have also taken several online forex courses, the cost of these courses has ranged from \$500 to several \$1000s.

Now I do not want to criticize anyone's forex training course, if I am honest many of the courses I have taken have been very informative, some people have put a lot of work into them and they are a good place to start to learn the basics.

However there is a ton of misinformation in these courses they explain techniques to you that are based on stock trading and fall down when it comes to the currency market, there is also a distinct lack of information in these courses, they touch very lightly on the history of money, the reasons for the relative value of money, the structure, participants and purpose of the forex market. They really just do not give you the correct picture of the forex market.

They charge you \$1000s for a minimal amount of information, at the end of the course they pat you on the back and send you into a world of sharks with nothing other than your highly leveraged margin account.

What is important for you to understand is that the vendors of most of these forex trading courses and even forex mentorship programs for that matter are failed traders. These people have no interest in your success in trading; their only concern is that you purchase their course and then their advanced course and then their mentorship offerings. These people want your money, they will sell you anything to get it and they do not care if you make it as a trader.

In the case of brokers offering training courses, their interests also lie in giving you enough information to make you a danger to yourself.

Can you believe that virtually all vendors of online forex trading courses are little more than crooks, selling quickly put together courses whose only intentions are to make as much money off you as possible? The vendors of these courses must have some good intentions as much of the material in the courses is correct, however if they have any thoughts that their courses will enable some one to make money from forex they are sorely deluded.

It is the lack of information and the blatant misinformation in both the courses themselves and in the advertising of these courses that in my opinion make these people crooks.

There are a small percentage of forex training courses that do give you the correct information, if you are lucky enough to do one of these courses you will soon realize that no course by itself, irrelevant of cost, will make you a successful forex trader. This comes from developing a clear idea and being able to anticipate what the large forex market participants are doing, this comes from understanding global economics and through years of experience watching global financial movements, this will be covered in later chapters.

Now I would like to go through the material covered in some of the online courses I have taken in the past, (2000 to present), the courses were very professional and the people offering the courses are still around so I will not cover their material in too much detail. It is not my intention to state here what these courses should have said but merely to point out where they lack information and where they have provided completely wrong information. These courses typically cost over \$1000.

These courses generally fall down in their first few lessons as they try to describe the forex market; a typical first lesson is called "What is the forex Market" and the second lesson might be called "What moves the forex Market". A professional forex trader must have a clear picture of what the forex market is, this is especially important as most of the time the trader is sitting at home with little more than numbers on a screen to guide him.

To be fair, to a certain extent, these courses do cover this information, central banks, investment banks, hedge funds, corporations, inflation, interest rates, balance of payments and the economic news releases that impact exchange rates.

Where they fail is the proportion of the material that is dedicated to the fundamentals of the market against the proportion of the course dedicated to technical analysis. The big forex market movers almost exclusively look at fundamental economic conditions when deciding where to invest money, yet these courses dedicate little more than a couple of chapters to this.

The little information they do give you on the structure and fundamentals of the forex market excludes vital information regarding the history of money and current characteristics of money, the history and current structure of the international banking system, the international money markets, global economic cycles, and the physical underlying structure of the market. They fail to impress upon you exactly what is happening, whose money, coming from where, going to where, and why? All these courses have left me with these questions.

Even information provided to me by legitimate successful traders has left me with questions regarding what is going on with the forex market on a day to day basis. No forex training courses will teach you what is fundamentally going on with the forex market at any given moment, this changes day to day. Banks employ 100s of people to analyze the global economy, no course will teach you this, but it is possible to learn this, you firstly need the correct information and then long term exposure and experience of the global financial trends, you also need contact with an already successful trader who you can learn from. I will recommend legitimate educational material and mentoring services in the latter chapters of this book.

On top of the lack of information into the fundamentals of the forex market, the second failing of most of the online forex training courses is misinforming the student as to how to analyze the forex market. Most of the forex courses I have taken have devoted 70% of their material to technical analysis of the market; which charts to use and how many to have open, trend lines, candle sticks, double tops and bottoms, 1-2-3 patterns, head and shoulder formations, triangle, flags and pendants, Fibonacci, Elliot waves, Gann cycles, indicators and how to put these all into a trading system.

My short answer to all of the technical analysis that can be applied to price charts in the forex market is; by itself none of it works! In later chapters I will explain to you what I have done to prove technical analysis by itself does not work and no consistent prediction of the future movement of exchange rates can be gleaned from historical price data alone.

There is a general accepted notion as present by forex brokers and vendors of forex trading courses and other systems that the forex market responds well to technical analysis. This is an out and out lie, and reinforces the statement that the majority of vendors of forex trading related services are little more than crooks. Technical analysis serves two purposes, people can make money teaching it and forex brokers can make money from people using it.

The final failing of the majority of forex training courses and forex brokers alike is the suggested money management and risk management strategies, leverage your account at 100:1, always use a stop loss and keep your losses small, let your profits run. All of these are commonly accepted truisms in the forex market, so it may be a surprise for you when I tell you these are not the strategies the big professional players are using and if you use these strategies you are liable to get wiped out pretty quick.

It is not my intention here to explain exactly what these training courses should have said. There legitimate documents and courses available from legitimate successful traders covering this

information. I will cover much of this information in the latter chapters of this book along with directing you towards additional information vital to your success as a forex trader.

The next chapter will deal with another breed of forex shark, the vendor of the online forex trading system. This can either be an e-book outlining an easy to follow trading system or real time buy and sell signals based on an amazing proprietary indicator, both systems offer an 80% success rate and are usually so good that they are only offered to the first 100 people who apply, (total BS).

These guys are complete crooks and deserve to be thrown in jail. I have absolutely no worries about naming these people and exposing their scams, (they may as well steal handbags for a living), they are that low.

If you bought one of their systems, do not worry, I have bought many of them. I just fail to see how some one would want to make money so dishonestly. Well the wheel turns people and you are going to get named.

4 Typical Bogus Forex Trading System

So now I have finished my forex training courses, I have my PC, trade station, \$100 charts, 5 x TFT monitors, I know all about pips, leverage and spreads, price patterns, Fibonacci levels, trend lines, Elliot waves, Gann cycles, stop losses, risk reward ratios, fear, greed, pivot points and 100s of different indicators and the last thing I am told as part of all of this is I must develop my own method, or trading system based on what I have learnt in the courses. I have absolutely no idea where to start!

But not to worry there are really clever, helpful, honest people on the internet who will help me!?

The first forex system I bought is still actively being sold on the internet. The "Pitch" page of his website is very similar to the "Pitch" pages of the High Yield Investments and Options advisory website.

I can tell you now this sort of thing is the absolute biggest load of BS. This guy is selling lies and deserves to be thrown in jail. I have his e-book and will be more than happy to send it to you if you request it. Frankly it is not worth the disk space it is stored on, let alone the \$100 I paid.

Looking at this whole thing in hindsight I can hardly believe I was so stupid as to believe the claims he makes on his website. At the time I was oblivious to the methods and motivations of the major forex market players, hedge funds, high worth investors and investment banks. Now I understand who it is I am dealing with in the forex market it is laughable that I could even for a moment think that \$100 worth of e-book excrement would allow me to compete with them.

Before I go into the details of his system, you should do a Google search for "forex systems". There are literally 100s if not 1000s of websites and people offering simple systems to trade the forex market. Are all these providers of forex systems crooks and con artists selling lies and complete BS systems based on technical indicators they have sucked out of their thumbs, Yes! Do they all know they are selling lies and conning people for a living; yes! Are they all failed, would be traders who lack the intelligence to make money from the market and have turned to making the lives of honest people harder, yes! Do they know every word I am saying is true, yes! Should they be publicly flogged and thrown in prison, yes!

If you happen to be one of the afore mentioned people and have made money from aspiring traders with bogus systems you made up you yourself or a buy sell alert service you know does not work, then please after you have refunded every cent you made from vulnerable aspiring traders, go and kill yourself, society does not need you.

Excuse me complaining, it would be too easy for me to follow the route of these "people". This book is my effort to add something honest to the online marketing of online forex trading and expose the sharks.

No matter what method a trading system uses there are basically only two things a trading system has to do. Firstly identify a trend and secondly buy a dip, sell a rally or enter on a break out. Obviously there is more to take into account, risk management, targets and fundamentals. All on line forex systems I have purchased have completely ignored the fundamentals of the market, with the exception of a system suggesting you gambling on economic announcements like Non Farm Payrolls and rate decisions.

The forex trading systems I have bought all focused on purely mechanical technical criteria for entry points and targets and their risk management strategies focused on extremely mechanical support and resistance levels based on short time frames. Trust me when I tell you if you follow these systems you will get wiped out and the people who write these systems know this, there is no way in hell any of these system will work.

We will now review one of the on line forex trading systems I purchased in the past.

The first thing the e-book containing the trading system talks about is background into the forex markets, pips, spreads, brokers, etc, etc. We will not beat around the bush and move on to the meat of their trading system.

1. Identify a trend. Below is this systems suggested method of identifying a trend using a 4 hour chart

Well now it all makes sense.....I can't believe I did not figure that one out myself.....Of course when the 89 EMAs on the highs and the lows cross the 144 EMAs on the highs and the lows it means the US economy has reached a turning point and funds will flow into that country to support the favorable economic conditions.

This is the same method the investment banks use to identify a turn around in a country's economy.

Please understand I am joking here, I am almost as full of crap and the guy who made up the system to begin with.

2. Identify a dip to buy. This system uses 2 x higher highs.

The manual this system is outlined in makes little mention of what time frame to use when looking for consecutive higher highs, saying the system can be used with many different time frames. But when you see 2 x higher highs you can be sure a dip is turning back into the longer term rally.....Absolute crap!

If it was that easy, I wouldn't be writing this book and he probably would not have written his. What I say now is the closest to an absolute truth you will get in the forex market, which is it is impossible to anticipate future price movement based purely on historical price movement.

Combine this with the fact that at any time of the day or night a corporation or exporter may buy or sell millions of \$ worth of currency for no other reason than they need this for their business and you begin to see that basing your entries on something as trivial as 2 x higher highs is nothing short of madness.

3. Identify a target. The system's method for this is to use a Fibonacci extension.

His own example shows just how ineffectual this Fibonacci method is for planning your targets. From the above picture you can see if you had gotten out on Target 3 you would have gotten out of the market 4 days too early.

Even the theory that you can base your target on a math calculation of historical price is flawed. As said before you cannot predict future price movement based solely on past price.

As we will come to in the latter chapters of this book, the only way to effectively identify entry and exit levels is to base your decisions on the underlying fundamental factors driving the big players in the forex market. Math, indicators and Fibonacci do not work!

In this case it would have been useful to note the scheduled economic releases between the 1st November and 17th November and base your entries and exits on how these release affect motivations of the big players.

4. Do some risk management

As I said if you would like a copy of his e-book forex trading system I will be happy to email it to you, but please do not base you trading on it. In terms of his risk management methods, they are pretty much the standard methods suggested by most training courses and other vendors of forex trading related services, which are:

Do not risk more than 3% of the account at any one time

Always use a stop loss based on short time frames and Fibonacci levels

Stop loss is generally 30 – 50 pips

Ratio of Risk to Reward should always be greater than 1:1

Now all these risk management methods are accepted norms in the world of online forex trading marketing. I will tell you now risk management methods based on mechanical factors and disregarding underlying fundamental sentiment and the fact the forex market is used by millions of people just to go about their daily business will wipe out your account quicker than you lose chips on a roulette table.

Now the poor unfortunate aspiring forex trader, who buys these on line e-books, is obviously caught up by the marketing and sales pitch of the whole thing. What he then reads in the e-book all makes sense and it matches all the stuff he has learnt about in the forex training courses he has taken. So he starts trading this system with high hopes and high expectations only to have them cruelly smashed one failed trade at a time. Does this mean the new trader is doing something wrong or is a bad trader? No, the lower life form he bought the book from has lied to him and stolen his money with no regard for the life, welfare or emotional state of the poor would be trader. The wheel turns my friends; these people will get what is coming to them.

After failing to make this bogus forex trading system work I decided to pay for an on line alert service, this was now real time data coming direct to my chart feed from professionals who had been getting fantastic results with their proprietary indicators over the last 24 months. A proven track record and the removal of my subjective self from my trading will surely improve my trading results!

The next few chapters will cover my experiences with on line alert services, managed accounts, my own attempts to write buy and sell alert systems using meta-trader, fxtrek scripting, CMS's VT trader and other charting / scripting packages I now do not recall, along with my effort to automate forex trading based on these scripted indicators. It is through these experiences that I can safely say it is impossible to anticipate future price movement based solely on historical price movement.

Following this we will cover another online forex trading system I purchased that used no indicators and made use of fundamental economic announcements. To be fair this system was better, however knowing what I know now, I fail to see how this system could ever have worked, (that said my many endeavors to make his system work all failed). At this stage I just did not understand the fundamental structure and driving forces of the forex market. If you do not have this no matter how good your system is you will fail.

5 Online Forex Alert Providers

There are literally 100s of online forex alert signal providers out there; just searching on Google for forex alert will return 100s of different providers. It is unfair for me to pass comment on all the alert providers with the exception of saying if they use technical indicators to generate the alerts they are crooks and they know it.

Just tell me what indicator can measure the potential for change in the fed funds rate, or predict when, how much and to what extent the balance of payments will affect the exchange rate. On top of this I can tell you no mathematical indicator can predict human / market behavior, the way in which the market anticipates and reacts to global economic events.

Again they have great websites, and really good past performance figures along with lots of good relevant information. One of the alert providers I used had written their "proprietary", (black magic), indicators into a popular forex chart service, to generate the buy and sell alert signal.

It all looks good and I would even go as far as to say it is professional, there is always some one on the other end of the phone. They make it sound like they have discovered the secret math formula that has unlocked the secrets to unlimited profit potential in the forex market.

All you have to do with this software is automate it to open and close your trades for you and you will have an endless stream of wealth flowing to you every month all for the cost of their monthly subscription. Oh even better they run a managed account service based on their alert signals, I could just give them my money and let the profits roll in.

Oh thank you god, thank you for letting me find their web site, finally I am going to be able to retire in a couple of years. Again the poor, unfortunate aspiring forex trader has been conned by the sharks, these people know their alerts do not work and they still sell them. They know they do not work but they vehemently defend their products on the forex trading forums. They know they are stealing people's often hard earned money and preying on people's aspiration. To me these people are nothing less than sick, and are little different to drug dealers. The unfortunate thing is it is completely legal for these people to sell you lies and part you with your money.

As said before it is impossible to predict future price based purely on historical price and this is exactly what these online buy / sell alert signal people are trying to sell you.

It would not surprise me if the proprietary, (black magic), indicators these people are using to generate their buy / sell alert signals are something along the line of a 5 / 13 EMA cross over alert on an hourly chart.

These people are complete idiots who think the rest of the world is as stupid as them.

Well I used and paid for their service for several months trying my utmost to make profits on a demo account, unsurprisingly this did not happen. Each time I phoned them for support or advice they were always so supportive and polite, what a bunch of lying idiots.

The one good thing that came out of this experience was realizing I could write my own buy / sell alert signals. These people made it sound like they were unbelievably educated and clever to be able to program chart software with buy and sell alert, but I was working as a software engineer, I knew how to program. I had done the forex courses and I knew about indicators, risk management, lot size etc, etc, etc. These online alert people were nothing special I could do what they do.

I quickly got hold of charting software that could handle buy / sell alert scripting and began writing my own alerts. This next section of my forex education introduced me to massive on line community of people trying their utmost to program profitable buy / sell alerts into forex charting packages.

This is the community of people who have been tricked by the online forex marketing scams, brokers, courses and all the other sharks on the internet. These people have been blinded by the

online forex marketers and trapped in the world of technical analysis. They stumble around in this cruel world bumping their heads on one failed system after another.

I know there are 1000s of you people out there; I can see the 10 x 1000s of users registered on forex forums. I can see from your forum posts you have been tricked by all the forex sharks on the internet. I have been in your boat, worked with you and contributed to your efforts to crack the secret forex money making indicator.

This book is my effort to help the many people out there who have been tricked and are in the process of giving all their money to the sharks, not to mention their emotions and minds. If you are trying to trade forex using technical analysis and you are reading this then this book has fulfilled its purpose.

You are probably going to have to experience these things for yourself before you yourself know them to be true, (this is completely natural), I would not expect you to behave any other way, but at least you have read what I have to say and will be better prepared to deal with forex sharks.

The next chapter will deal with my experiences writing indicators and collaborating with like minded people on the internet's many forex forums.

6 Moneytec, Systems and indicators

As with all other types of vendor of forex related products there are 100s of forex forums on the internet. I will say it quiet plainly is that you will not learn to trade successfully from one of these forums. With that in mind however these forums are great, if you are new to forex and you do not personally know any one who is into it, they are a great place to meet other would be traders.

You can also get a good idea of the different methods employed by these 1000s of would be online traders, the majority of these people are intelligent individuals as is evident in the numerous and wondrous techniques they have come up with. In many cases there are also chat rooms available, you can sit chat and trade with other online traders. For me this was a really great experience, at the time I knew no one who even had the slightest interest in forex and it was good to speak to like minded people, even if it was only on the internet. If you are stumbling through the world of online retail forex trading, it is comforting to know there are 1000s of people in the same boat.

Some popular forums include www.openforex.com, www.moneytec.com, www.forexforum.com, www.global-view.com, www.forexfactory.com, the list goes on, (I am still amazed at the speed with which the on line forex market place has grown).

Although I learnt little from these forums that ever helped me to trade profitably I did meet some very good, intelligent people, and learnt a lot about how not to trade. Like I say the vast majority of people on these forums have been tricked by the online forex marketing sharks, the fact 95% of any forum is dedicated to technical analysis is testament to this. This again highlights my lack of respect for the many forex product vendors.

Although I appreciated the contact I had with all the people I met on all the forums, I felt the forum I gained the most from was www.moneytec.com, it was from my experiences with and suggestions from other people in this forum that eventually help me dump indicators as a way to trade.

The first really good person I met on the forex forums was a welsh lady going by the name of Bunny Girl. My first couple of years learning forex had over loaded me with techniques and information, I was loading up charts with 100s of different indicators, different time frames, trend lines, Fibonacci lines, candle stick identification.

She just made the whole thing seem a lot more simple, she summarized her system in a forum post and was quiet often available in the chat rooms to answer questions about it. Her forum post was so popular I think I must have had over a thousand pages; it might even still be on the forum it was so popular.

Her system involved a 5 / 13 EMA (exponential moving average cross over) on a 15 minute chart, she had a filter where by she would only get in if the price broke the level of the cross + 30 pips. That was it, a single moving average cross was the only indicator used. I did not know it at the time but this system was pointing in the direction of the only thing that works when trading forex, knowledge of the underlying fundamentals and discretion.

At the time however I was blinded by programming my indicators into the charting software and getting my 24 hour a day online money machine rolling. Unsurprisingly things did not go quiet as planned, I used the fxtrek charts and scripting language to start off with \$100 per month, expensive but I need it! This is what the online alert providers were using and with this I could back test the systems over 10 years worth of 5 minute data.

Well needless to say strictly following the 5 / 13 ema cross + 30 pip filter did not work, so next step is to add a long term trend indicator to the formula. It was many years ago now I went through all of this and I dumped all this junk from my mind once I realized it would never work. I did keep records of most of the stuff.

Here are some pictures of the Bunny Girls system programmed into the fxtrek charts. Note the values of the emas in the top left hand corner. The Long term EMA is white, the little brown and blue arrows indicate time when the EMAs cross, and the tiny blue and red little chevrons indicate the level at which to enter should that price be reached.

The 30 pip filter, (entering 30 pips from the level of the cross), certainly keeps you from getting caught up in the lot of the "noise". I would also only go long if the price was above the white, long term EMA and short if the price was below this white EMA.

Looking at these things now they look pretty professional. I certainly have the option of selling this crap, but that is not why I am into forex.

Now this was my first attempt at programming buy and sell alerts into charting software at the same time it was also my best effort, that is to say all other attempts produced no better results. I will mention two other techniques that I borrow from other traders and tried to program. I will only talk about two others as they are frankly as bad as each other.

Please bear in mind as with the all systems discussed involving technical analysis and buy / sell alerts do not work and I do not recommend you use them. After we have looked at a few more methods I will explain the results you get from back testing these systems over many years of short time frame price data.

One of the other systems I spent some time programming involved defining a trend with Moving Averages, (first mistake), then selling over bought levels or buying over sold levels based on the overall trend based on RSI, from looking at my notes I can see I also managed to throw MACD in there as well, (more indicators better results? ☹).

Besides dubious back testing result what every trading system based on technical analysis and probabilities lacks is paying any consideration to the fundamentals of the market. I can see at the time I came up with this system I had absolutely no regard for the fundamental driving forces behind the markets. There is no mention of scheduled economic data release, important speakers, interest rate futures or anything pertaining to what really moves the market.

At the time trying to understand how the global economy and in turn how the forex market works just seemed way out of my league. Investment banks employ 1000s of people to analysis and make decisions on the global economy and where to put their funds, I had no chance at competing with them at their game. At the same time everyone on the forex forums was using technical analysis, it was what I had learnt about in the courses I have taken and even the brokers recommended you use it.

I guess I am making excuses for why I bought into the whole technical analysis thing, at the end of the day I was blinded by the sharks. Here is a different trading system I came up with.

Indicators

EMAs 5, 13, 89, 144

RSI 8

MACD 12/26/9

A. Finding opportunities / 1 hour chart

1. Establish trend with an 89 and 144 EMAs on close
2. Enter on conditions of OB in downtrend or OS in up trend, establish OB and OS with 8 RSI +71 or -29
3. Establish Support and Resistance with Fibs and recent price levels
4. Consistently enter on OB / OS of the RSI - consistency is the key

B. Entering trades

1. Enter as 12,26,9 MACD and 5/13 EMAs are crossing over and price is at least 38.2% away from point B
2. Enter only if conditions occur between 8am and 11pm
3. Stops other side of recent Sup or Rest levels or the 61.8%, do not over expose yourself, max exposure 100 pips
3. Use a 50 pip moving stop - yes definitely
4. Re-enter correctly if divergence occurs
5. Calculate Targets with "Risk Probability calculator"

C. Exiting trades

1. Move stop loss in 50 pip increments
 2. After T1 is reached significantly tighten stop loss (if.....)
 3. If retraction and stop out occurs re-enter provide above entry conditions match (see A.4)
- EURUSD 30/1/02 - 3/2/03
4. If 89, 144 EMAs cross while trade is open close the position or move stop to break even immediately
 5. Please, please - accept the trends and learn to be stopped out Bunny girl

I put so much effort into planning and following these systems and would be crushed time and time again when they did not work. It was thanks to the vast amount of price history provided by the fxtrek charts, I was able to program and back test these systems over a very long time to see exactly how effective an automated indicator based system could be.

Here is a picture of the above system on the charts, again this is just to show you how not to trade forex.

The next system I got from a guy going by the name of autofix on the www.moneytec.com forum, again a very intelligent, nice man. He made a lot of posts on the forums discussing different methods of technical analysis, he also offered a buy / sells alert service and swore blind it was 100% profitable and even posted results on the forums.

It was at this stage that he transformed himself from helpful aspiring forex trader, with a good knowledge of technical analysis and programming into a lying con artist.

Here is a forum post of his and the accompanying performance results:

Trade in the 15-minute timeframe.

Use three consecutive higher lows to trigger long trades.

Use three consecutive lower highs to trigger short trades.

Use 35 pip stops and 115 pip limits.

If the 35 pip initial stop gets hit, start waiting for the next entry signal. It's fine to reenter immediately, as long as the trigger signal is seen.

Close half of the position and set a breakeven stop upon a 15-minute close with a 35 to 49 pip advantage. If the breakeven stop gets hit, you may want to wait until the 35-pip initial stop WOULD HAVE been hit before reentering.

Set a profit-lock stop of 12 pips upon a 15-minute close with a 50

to 69 pip advantage.

Close the full position upon a 15-minute close with a 70 to 114 pip advantage. Start waiting for the next entry signal. It's fine to reenter immediately, as long as the trigger signal is seen.

If the 115 pip limit gets hit between 15-minute periods, start waiting for the next entry signal. It's fine to reenter immediately, as long as the trigger signal is seen.

Do not execute a stop-and-reverse when stops are hit for losses.

Live long and prosper.

Well there you have it 3 x 15 minute bar higher lows and go long, of course that is the same signal investment banks' analysts work on. Well now I have been told the secrets to endless wealth in the forex market I have nothing more to worry about.

And look his performance result proves it!

This system was probably the easiest system to programming into charting software, 3 x 15 minute higher lows is not a very hard thing to describe to a computer. I backed tested these systems and many others over large amounts of data on many currency pairs.

Here is a sample of some of the back testing data generated by the fxtrek charts, pretty much all my long term back testing was done through them as they were the only ones to provide such a large amount of historical price data. Other charting and scripting software I worked with especially when attempting to automate systems with the trading software were VT trade and Meta trader and the e-signal service.

As regards the different charting packages, you do not need to pay for charts to trade forex, you do not need indicators and in fact if you have a firm grasp of the fundamentals you do not even need charts. That said there are some quiet nice charts out there, fxtrek, esignal and trade station, nice interfaces, lots of features you don't need and ridiculously expensive. They do have their uses, without the fxtrek back testing capability I might still be trading with a moving average cross.

Summary for Contract2 Detail

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Produced at 08:40:28 PM ET

GBP/USD (null)

Date Time Long+/Short- profit/Loss Cumulative Profit/Loss DrawDown

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02/03/2003 0430 -1.63885(s) 0 79 0
02/03/2003 1145 +1.64185(sx) -30 49 30
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 07/02/2003 1430 +1.66385(b) 0 291 136
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 07/04/2003 1130 -1.66580(s) 0 231 196
 07/04/2003 1200 +1.66880(sx) -30 201 226
 07/04/2003 1230 -1.66660(s) 0 201 226
 Profits 53 Largest 122 Average 79
 Losses 133 Largest 30 Average 30
 Total profit or loss 200 Maximum Drawdown 540
 Open Short at 1.6666 Time: 07/04/2003 12:30:00
 Position -8

On the above back test we can see the final results say 53 Profits, (largest 122), 133 Losses, (largest 30), obviously I had programmed a 30 pip stop loss. At the end of 6 months the system had made 200 pips profit, but at one time the system was -540 pips in the red, not listed but from looking at the results themselves at one time the system was 411 pips up.

These results are pretty much standard, they are not an indication of the best or worst testing result I ever obtained, but the implications of all the back testing I did are this:

You program your system, the program has a number of variables, what values to use for the indicators, what stop loss or exit criteria to use and what target, and probably a number of other variables depending on how complicated you like it.

You then run your back test, now let's say we back test using two different years of the same currency pair, say 2001 and 2002 for EUR / USD. Using the same system with the same variables, 2001 maybe fantastic and 2002 maybe dreadful, changes a couple of the variables and you will get different results. Sometimes the system will perform like a king other times it will get the crap kicked out of it.

What changing the variables or using a different system does is just change the times at which the system wins or gets hammered. Do not get me wrong at stages I got amazing results and really thought I had cracked the formula, but the larger the sample of data used to back test the greater the inconsistency of the system.

From these test results I could see there was absolutely no certainty or consistency when it came to trading purely with indicators. If you are going to trade with indicators you will probably have more fun at the roulette table.

As said before indicators do not take market sentiment into account, they cannot predict or anticipate the out come of economic data releases; they take price data and turn it into a casino type game of probabilities and randomness. When you trade with indicators you do not ask why, you give all your powers of discretion and intuition away to your indicators; you mask the perfectly presented price chart in layer upon layer of crap.

Indicators were developed for the stock market environment and contrary to the advertising of the online forex market, the forex market does not respond well to technical analysis or indicators, not at all! It is a decentralized, over the counter market, used by millions to go about their daily business and manipulated and engineered by central banks and market makers. Much of the short term price movement is completely random, these short term, (5, 10, 15 minute prices), are often just made up and quoted to you by your broker.

If you try to anticipate future price based on math calculations of recent price bars you may as well just flip a coin, or do a best of three coin flip, that has to be more consistent and is similar to the rock solid 3 x 15 minute higher lows system, which we all know by now unlocked the secret of perpetual wealth in the forex market.

Ok jokes aside, the point here is indicators, technical analysis, buy / sell alerts and to a large extent any system that uses historic price as the sole means for predicting future price does not work. So now you have read this now you know. If you want to experience this for yourself, write some systems and do some long term back testing. www.fxtrek.com. I am more than happy to help you with scripting although it has been a while; I still have loads of information on it.

One last technical analysis method I was unable to program were divergences, I played around with these manually for a while. I can tell you they do not work either, reason being as previously said using indicators by themselves and you totally disregard all the fundamental driving forces of the forex market, and you may as well play roulette. Here are some examples of divergence using different indicators, just so you know what to avoid.

It was from creating forum posts to share with others my many efforts to make technical analysis work, that I met a man by the name of Tim Davies. He suggested to me that I read educational material provided by a well know futures and equities trader and author [Joe Ross](#). Joe's methods of trading used no indicators and concentrated on the psychology behind price movement.

In the next chapter I would like to talk about my experiences with the educational material I got from [Joe Ross](#), I read a [free e-book](#) of his and purchased many of his physical, (hard back), books. His [books](#) were excellent not only on price movement but also on psychology of trading. The unfortunate thing was his books were about futures and equities trading and as I was later to

find out futures and especially equities are vastly different to forex. Although his books did not make me a successful trader I did learn a lot about price movement and about myself.

Following my review of [Joe Ross education](#) I would like to talk about another on line forex system (e-book) I bought, this book was much better, like [Joe Ross](#) it did not use indicators and actually made mention of the fundamental economic announcements. Like the simple bunny girl 5 / 13 EMA system this new system I purchased was good in the fact that it left a lot up to your own discretion, however it provided you with none of the knowledge necessary to have an opinion on the global fundamental forces at work in the forex market at this present moment. This is why I describe it as throwing darts in the dark.

This system was good in the fact it got me away from the indicators and introduced me to the fundamentals of the market. As regards my thoughts on the system itself and the vendor of the system, the system will never work, it is like throwing darts in the dark and because the vendors made such bold statements regarding the performance of his method both on his website and in the book and marketed his product to the poor, blinded aspiring forex traders through down right lies; I consider him to be no better than the rest of the bottom feeding on line forex marketers, (that is the vendor of the slightly better bogus forex trading system described in chapter 8 and **not** Joe Ross).

7 Joe Ross



The first experience I had with [Joe Ross](#) was reading his [FREE online Law of Charts™ book](#) available from the resource section of his website.

<http://www.tradingeducators.com/resources.htm>

It is not my intention here to re-write his on-line book, I recommend you download his e-book and read it for yourself. Other books of Joe's I read included, "[Trading the Ross Hook™](#)," which deals with futures, and "[Electronic Trading Gorilla Trading stuff](#)" and "[How to win trading stuff](#)," which deal with the stock market.

"[Trading the Ross Hook](#)" and "[Gorilla Trading Stuff](#)" are centered on the online [Law of Charts™ e-book](#) with further elaborations. The "How to Win Trading Stuff" book focuses on the how your personal psychology affects the trading decisions you make, and how to think like a winning trader. Although the first of his books I read really only focused on technical analysis of the stock market and as previously discussed technical analysis alone will not make you successful trader, I would however say his information on price action is invaluable to your success as a trader. I would say you must read his [FREE online e-book](#) even if you never use it to trade forex with it is essential to know. However, I have since discovered there are many traders who do use his [Law of Charts™](#) to trade forex.

His book on the psychology of trading, "How to win trading stuff", is written with day traders of the stock market in mind and as such is not as relevant to trading in the forex market as is his book "[Trading Is a Business](#)," but it was an excellent read and very inspiring and insightful. "[Trading is a Business](#)" comes much closer to what is needed for forex traders.

As said before you should read his [e-book "Law of Charts™"](#) on price action and the crowd psychology behind the actual price action. When you read this you should however bear in mind his book was written for all markets not specifically the forex market. Joe firmly believes that what

he teaches can be used in all markets.

I personally thought Joe's books were some of the best books I have read on trading and as such I am not going to divulge the entire contents of the books of his I have read, I will however briefly cover some of the elaborations he made to the [Law of Charts™](#) in the hard back books I read. At this stage it is important for you to have read his [FREE online "Law of Charts™" book](#), so please read it now before reading my book any further.

The most amazing piece of knowledge I got from Joe is that prices are always in a range. Since the conception of the Euro currency, the value of the Euro has been in a range against the US Dollar of about 0.8 to 1.4. The longer the time frame the wider the range of prices. Large price ranges contain within them smaller price ranges, often called congestions, and rallies or drops are the connectors between these congestions.

Joe was also the first person to point out to me that price charts are not 100% accurate, so when you look at an individual price bar you cannot be sure if the information presented by it is correct, or error numerous, (a bad tick, a fault with the charting software). As I later found out that due to the decentralization of the forex market there is never one global correct price for a currency pair and 90% of the time the prices sent to your trade station are made up by your broker. Joe's solution to this was to say a single price bar may lie to you but if you look at several price bars in relation to each other you will see one of two things, either congestion or trend. Congestions and trends were thus the only two truths you can glean from price charts.

After reading [the Law of Charts™](#) you will no doubt know Joe's methods centre on trading swings, break outs of congestions, and trends, often getting into the market before the actual break out through the use of his traders trick entry. Further elaboration he makes on this in his hard back books is to mainly trade the break outs of Inter-day congestions, (congestions taking place over a number of days).

He talked about not trading too much and just searching out a few really good quality trades to make your money from, being patient and not being desperate. Although he does touch on the use of indicators in his hard back books, [the Law of Charts™](#) system in its purest form uses no indicators, and having been through the mill with indicators I was happy to be learning how to read a price chart from just looking at the price bars. To this day I do not put any indicators on my charts and having read Joe's material I have such a better understanding of why and how the price was moving. His material will not in itself make you a successful trader but it is essential for you to know.

Joe's advice on stop losses is to be quick to get out if prices are moving against you. Joe uses a time stop as well as a money management stop. He notes that you can be just as wrong about the timing of a trade as you can be about the direction of prices.

Joe's book on the psychology of trading, "[How to Win Trading Stuff](#)", and its comparable book for futures "[Trading is a Business.](#)" are excellent. They really let you know that a trading system that does not take fundamentals into account and does not allow for the trader to use his / her discretion is doomed to failure. He makes the point that the market is a truly illogical, random environment and talks in some length about what it means to be wrong. His chapters on mental grid lock, patience and perseverance really inspired me and get me going at a time when it seemed I would never figure out how to make money in the forex market.

I am sure the education I received from Joe has contributed no end to my success as a trader; however his information in itself did not make me successful. Although the books I read were good, the ones I read were written for the equities market and spoke nothing on the structure and driving force behind the forex market. Since I have not read his futures books I cannot describe what is in them. As I have said before and will expand upon in further chapters to be a successful forex trader you must have a clear mental picture of what is going on in the forex market, who are

the players, what is motivating them, what are the current global economic conditions and how do people perceive them to change the exchange rate in the future. You must at very least know what economic data releases are scheduled for the next few days and anticipate price movement based on them. I understand that he discusses these facts to great extent in his [futures books](#), his [free weekly chats](#), [his forum](#), and in [his seminars](#).

One last thing to say was after reading his books I noticed many people in the [www.moneytec.com](#) chat room were trading using his techniques, including Bunny Girl, the author of the 5 / 13 EMA cross system, mmmmmmmhhhhh thanks for telling me earlier guys! She was in fact somewhat of the ring leader in that chat room at stages, calling trades for everyone. It was good fun trading and chatting even if the blind were leading the blind.

The next system I would like to discuss was another e-book I purchased claiming to unlock the secrets of the forex market. They have a great website and make big bold statements regarding their easy to follow system, they were actually recommended to be a guy advertising himself as a forex mentor for \$1000 a month, if some one wants to charge you \$1000 a month for mentorship do not take them up. They are obviously trying to make money from you, "just because it costs a lot does not mean it is good".

As regards this e-book we will now discuss, to be fair it did make mention of the fundamental announcements that cause high volatility, Non farm pay rolls, etc, etc but did little more than recommend you take a punt on these highly volatile announcements. It did not cover any information regarding the players or fundamental driving forces of the forex market. As we will see his method were very similar to Joe Ross'. This was good because I really like Joe's books but as I said the ones I read were not written specifically for the forex market, so the slightly better bogus forex trading system seemed to bridge the gap. The next chapter will discuss the trading system.

8 A Slightly Better Bogus Forex Trading System

As previously said I thought this system was one of the best one I purchased, only problem was it had absolutely no chance of working. That said the information in the e-book I purchased for several \$100s well thought out, extremely relevant to forex and to a certain extent made mention of the fundamental forces behind the movement of exchange rates.

However because the author made such bold statements about the performance of the system, how it could turn \$300 into \$3000 in 6 months, and I spent such a long time banging my head against this system thinking I was a bad trader, I have no problem with explaining his million dollar system to you in my book along with my own renditions based on this system and the Joe Ross techniques.

By the time I had finished with this portion of my forex trading education, I knew roughly what did not work, I knew all about price movement and the psychology behind it, I had what I thought were really good methods for entering and exiting trades, and I was aware of the fundamentals of the market, (economic releases, central bankers speaking), but I was still unable to turn a profit. The reason behind this is I did not have a clear mental picture of what the forex market actually was, I was scared to even attempt to try a more fundamental approach as I would be in the realms of hedge funds and investment banks. I needed to try and copy what the other retail / home based forex traders were doing.

Thinking about it now, I was stuck in a box and going through mental grid lock. I did not know it at the time, or perhaps did not what to accept it but 90% of internet traders lose their money to the market and I would reckon about 50% of these losers go on to steal their peers money through the sale of scams, lies, and suicidal advice.

This chapter will cover this slightly better bogus forex trading system's techniques and my attempts to improve them, which finally resulted in me only doing the "50/50 bet" on major economic release as these were the only times when I at least knew there was about an 80% chance of a major move, that techniques does not work either, you are trading on too small a time frame and are just as liable to get wiped out by the high volatility as you are to make money.

Here is a quick look at how this guy makes his millions:

This guy's system is so good that the trades you will select with it will generally never go more than 20 pips against you for the life of the trade. Oh yeah and make sure you get some training!

I purchased his "Clever Profits Package". He is a clever man and was making a profit from me. The package consisted of two books, Forex Surfing and Explosive Profits.

You should have read the online Joe Ross book by now so you will understand when I say Forex Surfing is basically buying break outs of Ross hooks™ or using traders trick entries and then Fibonacci extensions to get out. "Explosive Profits" is a book about how to gamble on major economic releases.

Well I basically summarized his Forex surfing book, so I could have a set of trading rules on the wall in front of me when I was trading. I am pretty much going to share my old trading rules with you. Notice how at this stage I was aware of fundamental conditions and I had made mention of them in my trading plan, problem was I did not have a real deep understanding of global economics and knew little of how these news releases affected the market.

As I have said this system was very much like throwing darts in the dark, I had narrowed the best times to trade down to 6am – 12pm EST, but in terms of exactly when to hit buy I was completely clueless. Thus the 20 pip stop loss was hit time and time again.

My trading rules were adjusted over time to incorporate new knowledge, this continued until the day I said to myself....."I actually have no idea of what this market is going to do next, then only time there is any higher probability of a move in one direction or the other is during major economic releases, this game is about probabilities, I am only going to gamble on economic announcements from now on."

I will share the first rendition with you, (the version most closely matching the forex surfing system) and then the final rendition with you, (the version most closely matching the "Explosive Profits" system). The Final version was the system I was using at the time I got involved with my forex mentor, (I can tell you I was instantaneously enlightened with regard to the global economy after reading his work, and his daily analysis of the market against actual price action lets me see this knowledge in action every day). More of that to come in later chapters, here is my first set of trading rules; these most closely match the "Forex Surfing" system.

Sections 3 & 4 are taken directly from the "Forex Surfing" manual

Trade Management – (90% Management / 10% Method)

1. Insights

1. You only need do what you are happy to do. 1000s of trades are available. The market has no power over you when you are not in it.
2. MADNESS of GREED. Thinking you have missed an opportunity, or waiting the whole day and not getting anything. Insight 1. a. and Dawson's restart.
3. FRIDGENESS of FEAR. White FRAME OBJECTIVITY – sentiment, levels, opportunity, wave strategy, covering room – are they all there? Then do not be afraid

2. Process

1. 5am EST – Start Prepping / 6am – 12pm EST – Trade
 - i. Don't trade if you have other things to do
2. Wake up, dress, drink tea, read news
3. Decide on:

- i. Levels + Sentiment ☺ (News releases, outlook, order board, news flashes)
 - ii. Prepare the Fundamental Announcement tracker sheet
 - iii. Overall Trend + Micro Trend – (don't fight the trend)
 - Draw Pattern – size, position, Asian range
4. Write down proposed strategies
- i. Refer back to these during trading to remain objective

3. Opportunities

1. Break out of congestion – Triangle, Flag, Range
2. Trading session move – Wave in Trend
3. Fib move in very big wave - Fundamental tops and bottoms
4. Joe Ross Major + Intermediate signals
5. Explosive profits

All of the above opportunities based on decisions made in step 2-b-i. to iii.

4. The Entry

1. Variation 1, wave size 5 – 20 pips, Buy a break of B if C > 0.382 / Stop below A
2. Variation 2, wave size 20 – 40 pips, Buy 50% retract / Stop below A
3. Variation 3, wave size 20 – 40 pip, Buy break or 50% retract / Stop below A or C
4. Variation 4, wave size 30 – 40 pips. Buy a break / Stop below C if > 0.382

How to put the odds back in your favor considering the spread

Trading rules

- ☺ 1. 2 x losses = stop 2. Out before FA, 3. Always use a Stop, 4. Don't Marry

Micro Trends + **REASONS**

PATIENCE at the ENTRY, better entry = *less risk + more profit* ☺ **BALANCE**

1 Lot if FA factors are neutral or against you, 2 Lots if FA factors are positive or big Ross

*** Know why you are getting into the market ***

5. In Trade Management

1. Entry will never be 100%
2. Risk zone is there for your protection ☺ **GOOD FOR YOU**
3. Remain OBJECTIVE ☺ refer to notes from Step 2
 - i. During the heat of the trade is never a good time to be making decisions; make the decisions in Step 2, (sit tight in the trade)

6. Trailing the 2^{nod} lot in a 2 lot trade and adding lots

1. **2 Lots** should only have been traded at the beginning of a **breakout** backed up by **strong fundamental data**
2. 2^{nod} Lot should be trailed using the compounded gains trailing method
3. Additional Lots maybe added based on compounded gains method **if** the pair continues to **trend strongly** - (continued HH and HLs)

7. Exiting a Trade

1. A 1 lot trade should be set to limit at a reasonable number of pips
2. The 2^{nod} lot, (if traded), should be trailed as per compounded gains method and set to limit at a reasonable level after 11am EST
3. Stopped out or limited out of the 2^{nod} lot after 11am EST is the only exit for the second lot
4. Ensure no resting orders are still active after trade closure

8. Making more than one trade in a day

The build up to each trade must be the same as the first trade, CALMNESS, OBSERVATION, WRITING, PLANNING, OBJECTIVITY – **Insight # 2**

1. If a 1 lot trade has been closed – (no fundamental data is present, therefore risk of failure at resistance is high) – allow pair to congest and break out again before taking another trade. **Insight # 2**

2. If 2^{nod} lot of 2 lot trade has been stopped out – Pair is beginning to congest, allow it to congest and break out again before re-entering

9. Explosive Profits

1. Note released figure vs. expected figure
2. Pick an objective stop loss position
3. **Wait** for pair to get within 20 pips and enter
4. If you miss that get in on break with 20 pip S/L

i.N.B. Enter S/L before clicking submit

10. Mistakes

Mental Mistakes

1. Shitting myself, Not allowing risk zone to work
2. Trading when you have other things to do – BAD move, un-professional
3. Getting Bored, Tired, Frustrated and throwing money at shit –
4. Trying to force an issue
5. Over confidence after a string of winners

Technical Mistakes

1. **Ill positioned stop loss, (it's not just a number), measure the wave, use the correct entry variation. Those ill positioned Stop loss mistakes I made on Monday 19/12/05 and Friday 23/12/05 – Remember the price pattern picture. Price was still in the range of the major wave. The major wave is the one to surf if this is the case – remember, remember, remember!!!!**
2. Not following re-entry rules
3. Not surfing # 1 out of congestion –
4. Compounded gains – It is not trending strongly if it is still in the range of the FA's wave. News must be in favor. Lots are added only when previous lots have profit locked in
5. Thinking a small downward move in an ascending triangle is a break out
6. Explosive profits – Dodgy, dodgy – just be objective and careful
7. Not clearing active orders after trade completion

Here is the system after I had concluded the only time there was a high probability of a move was during a major fundamental announcement.

Trade Management – (90% Management / 10% Method)

11. Insights

1. Only take high probability trades; such trades match all of the following conditions.
2. Do the easy thing
3. Be sensible when setting entry and exit orders. If an order is filled, objectively follow the plan. Time is irrelevant; entry and exit levels are everything.

12. Process

1. Check the times of economic releases during the week and plan your trading times around them.
 - i. Don't trade if you have other things to do
2. Prepare the FA tracker sheet, Read news and Check chart 1 hour before FA:
 - i. Establish Levels + Sentiment 🕒 (Plug-in x 4 + Chart + CNBC)
 - ii. Note Inter and Intra day Congestions and Trends
 - iii. Asian range + ROSS levels + DON'T FIGHT THE TREND
3. Write down proposed strategies
 - i. Refer back to these during trading to remain objective

13. Opportunities

1. Trade after a volatile USD data release 08:30 or 10:00 EST
2. Trade through Ross level + any trade listed data
 - i. IntraDay rally and IntraDay congestion methods - 06.01.17.a

14. Technique

1. A few minutes before a listed FA place entry and exit orders either side of micro term congestion, beyond levels ending in 0, with greater entry leniency for bigger announcements.
2. Initial targets should be within the bounds of a daily extreme or recent support or resistance, 10 pips if necessary for smaller announcements or distances or 20 pips for big announcements, 30 pips max. Achieving initial target is important.
3. After the 1st position is filled alternate resting orders should be removed.
4. Stop should not be moved until 1st target has been achieved
5. 2nd lot is set to break even on achievement of 1st target, 2nd lot is then trailed as per compounded gains
6. Reversal option may only be used if data corresponds to reversal direction and a risk acceptable surf 4 is available

15. The 5 possible out comes

1. stopped for full loss
2. 1st target and stopped for 0
3. stopped for full lose and reverse
4. 1st target and stopped for 0 and reversed
5. 1st target and lock in on 2nd lot

Order is filled 1st target is achieved Does news favor a reversal? Stopped for full loss Yes No **Trade complete** 2nd lot stopped for 0 2nd lot locked in **Trade complete** Wait for risk acceptable hook beyond reversal level to enter Hook is available and order is filled Stopped for full loss 1st target is achieved **Trade complete** 2nd lot stopped for 0 2nd lot locked in **Trade complete Trade complete**

16. Caveats

1. You have to Enter via an Order
2. How to put the odds back in your favor considering the spread
3. Trading rules

- 2 x losses = out
- **Out before FA ***
- Always use a Stop
- Don't Marry – keep losses small

4. Know the REASONS for why the trade will developed
5. Be objective with stop, entry and target levels
 - Keep **losses small**
 - Enter beyond resistance or zero numbers
 - Achieve correct 1st target for situation
6. 1 and 2 are the most common results often happening so quick it barely feels as though you have traded
7. 3 and 4 require the news release to favor a reversal and a risk acceptable surf 4 hook must be available
8. Be happy with a quick result 2 most days
9. Result 5 should happen once every 2 weeks or so
10. Be aware of the daily exposure on a result 3
11. Stay in the water, each one is a job interview
12. Use above table and watch the trade develop into the appropriate out come.
13. Trades can happen quickly (feeling you've haven't done enough work), or can take time, (making you edgy and wanting to close at the wrong time). Time frame is irrelevant, levels and strategy are everything, **trail the 2nd lot**
14. Ensure all resting orders are cleared on trade completion.

17. In Trade Management

1. Entry will never be 100%
2. Risk zone is there for your protection ☹️ GOOD FOR YOU
3. Remain OBJECTIVE ☹️ refer to notes from Step 2
 - i. During the heat of the trade is never a good time to be making decisions; make the decisions in Step 2, (sit tight in the trade)
 - ii. **Do not move the stop back** – wrong filled sometimes
4. You need to be around to trail your stop loss
5. Set the 2nd lot to break even as 1st target is achieved
6. Trail the 2nd lot as per compounded gains if possible
 - i. **Do not close the 2nd lot manually**

18. Opportunity FAs

1. ISM Manufacturing 10:00 / 3rd not non-manufacturing
2. Non Farm Payrolls 08:30 / 6th
3. Trade Balance 08:30 / 10th
4. PPI 08:30 / 17th
5. Retail Sales 08:30 / 14th
6. CPI 08:30 / 16th
7. TIC 09:00 / 15th
8. FOMC rate 14:15 / 31st
9. Mortgage Apps 07:00 / 8th
10. Current Acc Q 08:30 / 14th
11. New Homes Sales 10:00 / 23rd
12. Existing Homes Sales 10:00 / 24th
13. Durable Goods 08:30 / 24th

14. GDP 08:30 / 30th
15. Treasury Budget 14:00 / 12th
16. Personnel Income & Spending 08:30 / 31st
17. Consumer Confidence 14:00 / 30th
18. German ZEW Econ Sentiment 05:00 / 10th
19. ECB rates + press conference 07:30 / 2^{nod}
20. German IP * 9/5/06 06:00 / 7th
21. EUR PPI 05:00 / 4th
22. GBP CPI 04:30 / 17th Jan

News to watch

- EUR zone retails PMI – 08:00 / 8th
- Bank of England Quarterly Inflationary Report** 09:30 / 10th
- 17.03.06 USD IP, Cap Util, Michigan 09:45
- 18th April **Minutes of March 28th FOMC Meeting 20:00cet**
- Bank of England minutes** 17th
- Uk retail sales** 18th
- Usd wholesale inventories**

19. Mistakes

1. Kidding myself, and not allowing risk zone to work – **WHITEFRAME OBJECTIVITY**. Not allowing 2^{nod} lot to run – **WHITEFRAME NATURAL INHERITANCE**.
 - i. Scared to open a trade
 - ii. Scared to allow a position go into loss
 - iii. Scared to hold a position open until it's target
 - iv. Scared to allow the 2^{nod} lot to stay open after target is met

FEAR of entering the market. White **FRAME OBJECTIVITY** – sentiment, levels, opportunity, wave strategy, **target** – are they all there? Then do not be afraid. **FEAR of holding the 2^{nod} lot – WHITEFRAME INHERITANCE**

Fear Mistakes

 1. Ill positioned stop loss, (it's not just a number), measure the wave, use the correct entry variation. Those ill positioned Stop loss mistakes I made on Monday 19/12/05 and Friday 23/12/05 – Remember the price pattern picture. Price was still in the range of the major wave. The major wave is the one to surf if this is the case – remember, remember, remember!!!! – You need to use the right strategy for the right wave and not over expose you're self.
 2. Not following the New Exit System rules - **FEAR – WHITEFRAME INHERITANCE**
2. Getting Bored, Tired, Frustrated, and **DESPERATE** to trade; Throwing money at shit or forcing trades on the machine – **WHITE FRAME ABILITY MADNESS of GREED**.
 - Thinking you have missed an opportunity. Dawson's restart
 - Waiting the whole day and not getting anything.
 - **Needing to get in straight away on 50%! - Variation # 3**
 - **Compelled to trade something because it looks good**
 - **WHITE FRAME UNDERSTANDING, ACCEPTANCE, INHERITANCE**

Desperate Mistakes

8. Manually entering a breakout trade, (surf # 1 or 4 entry) – See day 06.01.17.a.jpg. You must place and entry order to surf type 1 or type 4 entry. **GREEDY, DESPERATE – WHITE FRAME ABILITY**
9. Thinking a small move is a big move

- 10. Not following re-entry rules
- 11. Not taking fundamental sentiment into account.

- 3. Trading when you have other things to do. Allowing people to disturb you – BAD move, un-professional
- 4. Over confidence after a string of winners, (this is your Arrogance). This will be a perpetual problem as you will inevitably be +10% up after a number of days. This means:
 - i. Thinking of yourself as the god of trading
 - ii. Being lazy, thinking you do not need to study
 - iii. Sleeping, waking and gambling – thinking it has to work because the “god of trading” is calling the shots

No matter what has gone before, each position you take you expose yourself 4% – 5%. Each day the market waits for you to hand it 10% of your account. If you aren't 100% keen to put 100% effort in rather just watch the charts today, so much better that way

Sloppy Mistakes

- 12. Not clearing active orders after trade completion
- 13. Explosive profits – Dodgy, dodgy – just be objective and careful
- 14. Sloppy mistake after Pio

F OREX TRADING ADVENTURES OF AN IT PROFESSIONAL

THE PATH OF LEAST RESISTANCE

BLACK FRAME INTERDAY DESPERATION

WHITEFRAME ACCEPTANCE

WHITEFRAME INHERITANCE

BLACKFRAME 2 X MENTAL / 2 X FEARFUL / 7 X DESPERATE / 2 X SLOPPY MISTAKES

WHITEFRAME CALM

WHITEFRAME OBJECTIVITY

Open the trade properly, and then close the trade properly.

- Know what you are doing, it is natural for you to be an overall winner

IF THE TRADE DOES NOT WIN IT IS FINE, JUST DON'T MAKE MISTAKES OPENING AND

DON'T MAKE MISTAKES CLOSING WHITEFRAMES & CONSISTENCY

ABUNDANCE IS MY NATURAL INHERITANCE, I WILL NATURALLY BE AN OVERALL BIG

WINNER FOLLOWING THESE ENTRY AND EXIT RULES, AND BEING AWARE OF THE

POSSIBLE MISTAKES

5. , high percentage trades. 1000s of trades are available. **WHITE FRAME UNDERSTANDING, ACCEPTANCE**, the market has no power over you when you are not in it.

If you are wondering what all the “white frame” stuff is about see <http://www.mindframe.co.za/> , I am sure it works for some people better than others.

Please excuse me being a bit lazy and just copying and pasting my old trading rules into this e-book without a giving particularly good explanation of them. Reasons behind this is these rules do not work, please do not use them for your own trading, and secondly I have just pasted them as I wrote them so I hope you will be able to see some of my thought process in my rules. You can probably get a good idea of how much I was beating myself up over the number of “mistakes” I was making.

I will say it again because it is very important **THESE RULES DO NOT WORK.**

Now I know I have complained a lot in this book, in fact I think that is what this book is about, it is here to warn you about all the forex loser, sharks, who are there to scam you out of your money, smash your dreams of being a trader and have absolutely no regard for your or your dependants welfare.

I know there are 1000s of them out there, as I have said in some cases the actual information is not too bad, but their lofty claims of endless wealth in the forex market make them little better than drug dealers.

Here are a few examples of the constant problems I would encounter trying to trade this system with limited knowledge of the fundamental driving force and structure of the forex market. You will notice I not only had problems know when to open trades but also when was a good time to close

the trades. You can also see how on a small time frame you just get wiped out by stop running / high short term volatility.

These were dark days in my trading life.

The next chapter will cover my first real conscious effort to get to grips with the fundamentals of the forex market. The experience was so bad it confirmed my reasons why I never ventured into the realms of the investment banks; as such the next chapter is going to be pretty short.

9 Fundamentals and Walmsly

I was able to read the news feeds from the many on line brokers I had demo accounts with; I was able to read information on the fundamentals of the forex market from websites such as www.forexnews.com , www.fxstreet.com , www.dailyfx.com . When I read some of the articles on these sites I get so much more from them, I really understand the bigger issue that all these articles form a part of. However at this early stage of my forex education it was like reading about how to fly an airplane.

I knew this lack of knowledge was what stood between me and potential success. I looked on the internet for some material on the subject. I read a lot about Government bond markets, how high oil prices pressure the \$ and the use of gold as a financial instrument. I also purchased a highly recommended book, Julian Walmsly's "The Foreign Exchange and Money Markets Guide".

I cannot fault Julian Walmsly he did not promise to make me millions in the forex market, his book was extremely factual. The first half of his book talks about the local banking systems and the ways in which government may supply or with draw money from the market, he then goes on to talk about the forex market day and the reasons behind why money is moved from one country to another. The second half of his book covers the different financial instruments in foreign exchange.

From the first few chapters of the book I was able to get a better idea of both the local and international "money markets" how money supply is regulated and how money is moved to where it needs to be.

When it came to the more technical chapters on calculations and the different instruments I quickly lost the will to live. I think to a professional, perhaps some one who had a degree in economics the book would have been a better read, but I was an IT consultant just trying to learn what was going on in the spot market and much of the book was over my head.

Another reason I would not really recommend this book to people trying to learn forex trading is, although the book is good at being what it is, it is not a beginner's guide, it does not explain things in a simple fashion and it does not give you much of the history behind what money actually is.

So I think Julian wrote a good book but it was just over my head, I would hope to read it in later years with a better understand and perhaps enjoy the whole thing.

The next chapter will deal with a mentor I became involved with; he presented the information to me in layman's terms, and started from the very beginning. It may sound funny but makes total sense, that after I learnt about what mankind has been using for money over the millennia and how the ruling powers at different stages in global history managed their empires money, understanding the money system used in the modern world all of a sudden became as clear as glass.

Before learning this I had often heard people talk of the power men like George Bush, Zhu Rongji, and Tony Blair / Gordon Brown wield, after learning this I realized exactly what that meant.

10 Day Forex

Dirk DuTiot and Day Forex is the mentor and forex education organization I have now become involved with.

At the time I was busy gambling on major economic releases, I could see the system was not working, it was nothing more than a straight gamble and I would never be happy to base my career on something like that, besides the results were extremely dubious.

I then, for the umpteenth time, did what every down trodden aspiring forex trader does when he sees his once brilliant system is not working and that was to purchase another e-book.

This time though what was said on the pitch page of the web site selling the book was different to the pitch pages of the previous systems and buy / sell alert providers I had used in the past.

What is more the book was a fair price unlike the \$100s, sometimes \$1000s many of the crooks charge for their services. It is not my intention here to tell you exactly what was said in his book. Like I say the book is an extremely fair price and is worth every penny, so you should go buy it for yourself.

The book was everything that I was lacking and could have been written for me. The book started by talking about needing to listen to the market to understand what is going on now and anticipate the future, I hoped it would tell me more about what fundamentally moves the forex market, but was doubtful it could stand me any where near the same levels as the people speaking on cnbc. It pointed out that you need to stand back and look at the market from a time frame consistent with the timings and price levels relating to fundamental economic releases and rumors; you can then anticipate price movement based on current price ranges and future events. At the time of reading I felt I had no chance at this, if I was to try this I would be in the realm of the rooms of analysts employed by investment banks.

The book soon made it quiet clear that the investment banks' analysts were not performing black magic, constantly saying things I never understood, like "at this stage in the cycle". After reading the book I was amazed at just how simple the whole "economic cycle" is and I was really happy to have read all about the history of money and the banking system. It really hit home just how much power a government / central bank has, to understand each of the participants and their power in the market and most importantly to understand what the large scale participants are moved by. I could hardly believe it was as simple as interest rates, economic cycles, (soap operas was a good analogy); and to understand how the market is so amazingly efficient, (in theory).

The book said it is important to have a good mental picture of the market and the way it explained the whole decentralization of the market, the over the counter instruments and how there is never a globally exact price for a particular pair at a particular moment, did make me feel slightly unnerved about who I will be dealing with, but also helped me make deeper connections between what I see on the internet and what is physically going on.

After it had spoken about the correct time frames to use and the reasons behind this, (external and personnel), it went on to speak about low gearing, probability and volatility over time. All of this made a lot of sense, but I knew from my days of programming buy and sell signals into forex trading platforms that unless you have an idea of where the fundamentals are sending the currency no system based solely on math ever works in the long run. The fact all the technical references in the book centered on fundamental market conditions meant I felt good about it. The book was excellent in explaining the fundamental workings of the market and how to think like the big players. I now have such a better understanding of how and why the foreign exchange rates move; knowing the motivations of the big players and understanding how fear drives prices; this combined with simple support and resistance over a suitable period of time. If people aren't fearful enough that the rate will move in a particular direction then it will stay where it is.

4x1, median trading are great in themselves but what I like most about the proposed methods is they all rest on your discretion based on fundamental conditions and price ranges; discretion being the key.

My main question during the reading of this book was.....well what's the worst that can happen? Things go against you and you have to get out. This was answered quiet well by both bird watching, the old docs and an email response to some questions I received from the author. Either fundamental conditions change such that the reasons for entering are no longer valid or you were unhappy with your current draw down. Again discretion based on fundamental and simple technical factors and personnel circumstance, to me being more appealing than indicator 1 crosses indicator 2. I also understand the need to quantify down side both through fundamental economics and trading account draw down.

Before reading this book I did not have the knowledge required to be able to read, understand or anticipate forex market sentiment. Reading this material has given me a much better understanding of what money and foreign exchange is all about.

The author of this book Dirk DuTiot also offers a mentoring service, again for a reasonable price, I guess that in itself is a sign of honesty. As said early if some one wants \$1000 a month to mentor do not take them up on it, they are probably crooks, they will mentor you for a couple of months, you'll be unhappy with their service, you'll part company with them and several \$1000 of your own money.

I have been a student of Dirk's for several months now and have recently seen consistent profits, but more than the actual profits has been the understanding of the forex market I have gained as a result of meeting him. It is like I know exactly what the world is thinking moment by moment. Do not get me wrong it is Dirk here who is making the calls and doing the analysis, I am still just learning from him, but it is nothing short of amazing to see what he says actually happening, (saying that I will probably get used to it after a couple of years of seeing it happen).

Before I knew Dirk trading was numbers and text on a screen, now it is 100s of big investment banks, hedge funds, and multinational corporations, high net worth investors reacting to changing economic conditions as signaled by the news and reserve bank speakers. I can see the whole world at work, and I understand the back ground behind what they are doing.

"Knowledge is Power" is somewhat of a cliché, but I can tell you knowledge is certainly an eye opener.

11 Brokers

As I have said before online forex brokers have made the, once exclusive, forex market available to the general public. At the end of the day if it was not for the internet based services they provided I would not be able to trade at all so I am thankful to them.

However like the other vendors of forex trading related products online forex brokers far too often mix good information with bad information and too much information. Much like casinos forex brokers run legitimate businesses, similar to the information casinos provide you with on how to play their games and who to speak to when you get hooked on gambling, forex brokers provide excellent training courses, news related articles and numerous disclaimers.

The one major piece of information forex brokers do not provide you with regards the structure of the forex market and how it is the price you see on the screen is brought to you. They recommend you use a highly leveraged account, in many cases their demo accounts will only allow you a minimum leverage of 4:1. These "recommended" money management techniques completely blind you to the extent to which you may have to absorb pressure in the forex market.

They want to keep you on a short time frame, playing a game of chance and probabilities as your trading account is depleted one small loss after another.

I now want to include a page taken from [Joe Ross' Web site](#) citing several warnings regarding the forex market.

http://tradingeducators.com/forex_warning.htm

Just in case he removes this page at some stage I have also pasted it in this e-book. Thank you Joe for your wise words, excuse me not doing proper quotes and a bibliography but like I said I have had not formal education other than high school:

Brokers can deceive you about there being no commissions. \$30 minimum/round turn (called the spread) is in reality a commission that eats up your capital at an astonishing rate. Even winning traders lose money and end up with negative results because of this outlandish overhead. Trading futures, you should never have to pay a broker more than \$10/round turn, and usually quite a bit less than that.

Guaranteed fills, true but... The only way a broker can guarantee fills is for the broker to become the buyer or seller of last resort. That means the broker is running a bucket shop. All forex brokers are the buyer and seller of last resort.

Brokers do not all tell the truth about volume. They show the volume for all forex trading, which doesn't even come close to the volume they truly have at their own brokerage, which is where you are trading. Volume in currency futures is considerably higher than the volume traded at any single forex broker, often greater by a factor of ten.

Leaning Brokers say they are charging you a 3 pip spread to trade the popular currency pairs. But in reality a broker may be making as much or more than 10 pips on your trades. He does this by skewing prices. Since you are not trading at an exchange, the broker can feed you any price he wants to feed you. He can buy at the bank for perhaps 7 pips less than he sells to you. He then charges you 3 pips for the privilege of being ripped off for a total of 10 pips.

Unregulated, Forex may sound like an exchange but it isn't. It exists entirely in cyberspace with every broker and every bank having different prices for any particular currency. There is little or no regulation, even for brokers who register with the CFTC and the NFA. Forex brokers do not have to mark to market each day as do futures brokers. If your forex broker files for bankruptcy or absconds with your money you have zero recourse.

No guarantee. If a forex broker does go out of business, you could lose all your money. There are no guarantees and no one standing behind it. Futures brokers are required to mark to market at the end of every session every day. They have to put up cash to cover every open trade on their books. Futures brokers have gone broke, but no futures customer has ever lost one cent of the money in his trading account because of a failed broker. Nor have they had to wait for their money. It is immediately available.

You can get exactly the same action in the euro fx futures as you get in the "Euro" forex. Commissions are as low as one tenth per round turn depending on volume, through a regulated broker, trading electronically at an exchange where you know the true price of the currency.

What is the true price? A forex broker can only give you the price of a currency as quoted to him by the bank through which he trades. Banks have

differing prices for a currency. You never know what the real price is because there is no central exchange through which all prices flow. Besides not knowing the true price from the bank, you can also be deceived by "leaning" or "skewing" of the real price at the bank. Forex brokers commonly lean the prices.

Forex brokers are not necessarily truthful. They lure people in with hype and false advertising: "No commissions!," "Guaranteed fills." "24 hour trading:" Who in their right mind is going to trade in the middle of the night unless they have a special need. While it is true that total forex volume is greater than in the futures, futures, volume at the exchange is greater than the volume at your broker for the most popularly traded currencies. The only place where the liquidity differential matters is in currencies like the Mexican peso, the Brazilian real, and somebody's drachma. Those thinly traded currencies may be more liquid in forex. But if you trade anything but the few most liquid and popular currencies, you are going to be paying at least 5 pips, and often more. Unless you have a particular commercial need to deal in Polish zlotys, Indian rupees, or some other thinly traded currency, you don't need forex.

You are told by forex brokers that there is little or no stop running. This is one of their biggest and boldest fabrications. The truth is there is far more stop running in forex than in futures, and possibly as much stop running as in the stock market. I have friends who work in forex as well as many traders who of necessity have to trade forex. One of my students is a market maker in forex. These are people who should know, but in case you don't want to believe me or them, simple observation of forex trading will reveal the vast amount of stop running that takes place there. Who is it that runs the stops? Why it is your friendly forex broker. The broker has a vested interest in seeing to it that your orders are filled. Stop running is nothing more than order filling. The broker sees to it that everybody's order gets filled.

Probably you have heard that if you are winning regularly in forex, you may be barred from trading. Is this true? Yes it is. The fact that it is true is just another proof that when you trade forex you are trading at a bucket shop. In the book, "Reminiscences of a Stock Operator," we are told that Jesse Livermore was banned from trading at certain stock brokers because they couldn't stand him beating the house. The same thing is true with many forex brokers. Since they are the ones guaranteeing you a fill, they are in effect the buyer and seller of last resort. The truth is that most forex brokers have precious little liquidity at their firms. In order to give you the impression that there is liquidity, it is the broker who gives you your fill. It is the broker who does the stop running that supposedly doesn't exist in forex. But if you are regularly beating the socks off the broker, he will ban you from trading at his firm.

12 Conclusion

Well I have complained a lot, which is something I do not like to do as if I cannot change something there is often no point complaining. If reading this has made you at least question all the online forex marketing then it has achieved something.

All the experiences I have had regarding forex trading over the past 6 years has taught me something even if in many cases it has been what not to do. My current experience of the online forex market would not be the same if I had not experienced everything I have been through, which is not to say I am happy that I had to go through this whole ordeal.

I think I have put a lot more work into forex than I ever really imagined, I guess something that has the potential to change your life as much as being able to make money from the online forex market probably takes a portion of your life similar to that which it finally gives back.

These days I am taking a much more fundamental approach, (by guide by www.dayforex.com). Day forex has taught me not only all about the fundamentals of the online forex market but also how to combine this information with Joe Ross' theories of price movement, (a testament to the validity of Joe's theories).

As promised, this book has not given you a simple system for trading the forex market combined with a 400 pip per month guaranteed back test. I hope it has warned you away from products and promises of online forex trading marketers.

I have said the only way to be successful in the forex market is to understand everything about it. You need to understand the modern money system, how money is produced and managed, economic cycles, how the market efficiently moves money to the parts of the world that need it most. You need to know the players, and what motivates them, central banks, the big speculative players and how the world goes about its daily business. You need to understand the actual structure of the forex market and exactly how the price is brought to you screen.

At the same time this book has not given you everything you need to know to be a successful forex trader, I have as yet only experienced a limited amount of success and do not have long term exposure to the methods and motivations of the big players I do not feel it is my place to produce such a book. If I was to do this I would merely be rewriting the Day Forex material.

As stated in the introduction, this book has been a subjective, personal account of my experiences trying to make money in the world of online forex trading. If you can see similarities between your own experiences and the ones in this book, or if you are lucky and this book is the first thing you have read about on line forex trading then I hope this knowledge has empowered you. The less money the crooks make off us the better!

I really hope you feel this book has been worth reading and I am sure what you have read has the potential to save you a lot of money.

All the way through I have tried to make this book different to the other material I have read regarding online forex trading, that said I am not going to end it off with some cliché wise words. Other than to say good luck, I hope you enjoyed the book.