Recommended Reading

Recommended Forums

Important: In January 2015 there was a huge move by the Swiss National Bank where the Swiss franc was depegged from the Euro catching the financial markets by surprise. This caused an insane, huge, untradeable price spike in Swiss franc related pairs, which basically wiped out trading accounts or made some traders extremely profitable. This spike also sent some very reputable major brokers to the wall financially, causing some to go broke or go into liquidation. Alpari UK was one of the major players affected and is no longer in existence. FXCM also struggled but recovered. So be careful where you put your funds and only deposit what is required.

Many traders also like to keep their hard earned cash in their own country and I can understand this, and again it is just a perceived safety measure. Me personally, I haven't got a problem with dealing with overseas brokers. My past experiences have produced no problems at all transferring funds either way, so I am quite happy to use overseas based brokers. I didn't have a choice really as up to a couple of years ago, there weren’t any Australian based brokers that I felt comfortable with, but that has since changed.

Not all broker trading platforms are the same and this is where it gets interesting. Every platform appears to have its advantages and disadvantages. You have to find something you are comfortable with. One of the most popular forex trading platform is Metatrader, or more commonly referred to as MT4. This platform is then used by a variety of brokers. How this works, is that you would go to your chosen broker's website, sign up with them, and then download the MT4 software from their site. Here you can either select demo or live trading or both. Obviously they will provide further instructions on how to deposit funds into your brokerage account.

You can find out more about MT4 by doing a Google search on 'Metatrader'.

I personally find the MT4 platform one of the best, especially for the charts. It is quite incredible what you can do with this platform. Even though the charts and other features are excellent on the MT4 platform, I am not particularly happy with the way you place orders. It is not as easy as it should be and can be a little frustrating at times. But the charts are excellent, or did I already say that?

Being an Aussie, I use GoTrader or Pepperstone for my MT4 platform and I am quite happy with both of them.

The beauty of the MT4 platform is its popularity and the ability to write your own computer code to design your own custom indicators or expert advisors. There are even dedicated forums and groups that just discuss this platform. Most trading platforms come with a variety of standard charting indicators. Things like Moving Averages, MACD, RSI, Bollinger Bands etc. Now with MT4, you can design your

Bought EUR/USD at 1.3950, and obviously wanting it to increase in price to profit. You decided you did not want to risk more than 30 pips on this trade for whatever reason, so you would place your stop at 1.3920. If price fell to this level, you would be automatically closed out of the trade by your broker's platform for a maximum 30 pip loss. It wouldn't matter if you were online or at the beach as it all happens automatically.

Using stops is a simple part of the whole forex trading experience, and an important one at that. They are easy to place at the start of the trade and easy to adjust once the trade is up and running. I strongly suggest that you use them at all times to avoid the unexpected.

Having said all that, there are certain strategies that don't use stops. However, they normally have some other mechanism built in to assist with trade management when price goes against you. Generally these types of trading systems are not suitable for those who are not comfortable trading this way and who do require some further expertise to be successful. For now, just place a stop on all trades and then you can look into more exotic trading methods sometime in the future.

A Little More on Risk

Just a couple of points that I have not spoken about.

First up is 'risk' and 'correlation'. I have discussed risk per trade where I suggest no more than 2-3% per trade. Again, it is up to the individual trader how much they risk. One thing I must point out though is the problem with correlation. This simply means that two pairs may trade generally in either the same direction at most times, or in the opposite direction most times.

The most obvious and highly correlated pairs are the EUR/USD and the USD/CHF as they basically move pretty well opposite each other, under normal circumstances. So if you had bought the EUR/USD on one trade and sold the USD/CHF on another trade, risking 2% on each trade, in reality you are actually risking 4% because of the high correlation.

The EUR/JPY and GBP/JPY can also move pretty much in the same direction often. When you think about it, if the pairs have a common currency involved and news comes out that affects that currency in a big way, then it doesn't really matter what involvement the other currency has, as the market will move the dominant currency.

This is something you will have to be aware of when it comes to total risk on your trades. The best way to check out how different pairs move in relation to each other, is to throw up the 1hr charts of all the pairs you are interested in trading on the one screen and see how they move over a few days, especially when news is released.

I also spoke about planned 'news releases' that may or may not move the markets.

This is where Oanda is good as you can set defaults for entry size, stop and profit. Once these are set, and then it is quite simple and quick to place the trade, then you can just go back and adjust anything you wish, and this can be done directly off the chart also. Position size on Oanda can either be set as 'unit size', 'US dollar amount' or a 'percentage'. There is also an option of setting a trailing stop, which can also be set as a default. You would use this just to trail your stop at a certain level behind the current price to lock in profit as a trade develops. It is not something I use, so I can't really comment on the benefits of using a trailing stop but some may find it handy.

Keep in mind that a lot of these different brokers or different platforms have their rules for how close you can place stops, profit targets etc. This can vary on what time of day you are trading also, and if there is major news coming out. You will find that broker A is good for something that broker B is not, however broker B may offer another item on their platform that is far superior to broker A. There is always a trade off when it comes to brokers. The trick is to find a nice balance of honesty (very important), reliability, spreads, execution, charts, support etc. Do your homework here.

How Many Pips is Enough?

This is something that may get your attention, as you may be surprised on what little profit is actually required to make a success of Forex trading.

Previously I have spoken about the average daily move of the major pairs like the EUR/USD and the GBP/USD, which is normally around the 80 - 120 pips mark. Remember this is not necessarily from the low to the high or vice versa, as the market may start and finish on the same price in that period. So as you can see, there is normally a fair amount of movement in the day, and therefore plenty of opportunity to grab some of that action.

I don't know what your lifestyle is like or what you would consider to be a decent income from trading to maintain your present lifestyle, so let’s just talk in general terms.

You are an average Monday to Friday worker, and maybe work the odd Saturday. That's typical here in Australia. Your wage may be in the vicinity of AU $800 - $1000 per week. So we are looking at roughly a 40hr week plus travel time and expenses etc.

In your spare time after work, you dabble in the world of Forex and you aren't too bad at it. You trade for a few hours on your $10,000 account, keeping your risk per trade at the 2% mark, keeping your stops nice and tight and lock in profits quickly. After a few hours each night, you can consistently take 20 pips out of the market and then call it quits.

pips a day scenario. Say I started trading at 2pm local, and had achieved my 20 pips by 2.30pm local. This does happen quite a bit. So it has taken me 30 minutes to hit my daily target. Now what? The smart and the disciplined thing to do would be to shut down your trading platform and walk away. What do you think most traders will actually do? They think, well that only took me 30 minutes to hit my target, so imagine what I can achieve in a few hours. I have to justify my profits with some effort! Guaranteed the next trade will be a loser. Then you have the problem of chasing your tail for the next few hours just trying to get back to the 20 pip target. At least you will get your 8 hours trading, and still end up with the same result. I did this a few times in the past, as I was a bit of a slow learner but now, as soon as I hit my target, stops are brought in real tight to lock it in, and if the market continues in a favourable direction, then good luck to me, but once I'm stopped out, I won't enter another trade. Walk away.

Another example I experienced, was trading with a group off the 60 minute charts where we were in the market at all times. Basically your position had to be checked at the top of every hour. We were trading 3 pairs and our overall target was +200 pips for the week. Once we achieved the 200 pips, we called it quits and then waited for the following Monday. As you can imagine, monitoring 3 pairs every hour can lead to sleep deprivation, marriage breakdowns, lack of social life etc, but the good news was, that most weeks we were finished by Tuesday evening. So we started Monday morning and done by Tuesday evening, with our 200 pips safely in the bank. It was very tempting to continue trading for the rest of the week to go for the big kill, and initially we used to do this, and like the 20 pip a day example, we would end up losing a few trades dragging us back to where we started on the Monday. There was the odd the week, where had to work right through just to get us to the target (or close as possible) and they weren't pleasant at all. On a good week, we would only enter a couple of trades and be done within a few hours. You don't realize just how hard it is to sit on your hands for the rest of the week.

What I am getting at here, is just because it only took you a few minutes or hours to earn what you would normally earn in a day or a week, don't think you have to justify chasing more trades to account for your time. One of the main reasons we all get into this, are for financial rewards and time to enjoy those financial rewards. Try to avoid the greed factor and just concentrate on taking small consistent profits over time without wearing yourself out. Once you can achieve this, then it is just a matter of letting the power of compounding do its thing. It may be slow going at first and you may think it will take forever to achieve any real significant returns, but once it cranks up like the snowball example, you will be rolling in it.

Looking for 20 pips on a $1,000 account is exactly the same as chasing 20 pips on a $500,000 account as long as your risk percentage remains constant. It is only the

With day trading, you have to really go all-out effort wise, with total concentration. You have to be prepared to take small losses and keep chipping away at the market. Just about every day, there are one or two decent moves on the 5 min chart that will make it all worthwhile. Don't be greedy, going for the big kill every trade. Perhaps start your day with a small trade looking for 5 pips just to give you that winning feeling. There is a lot of discretion involved in day trading also, as it is very difficult just to rely on indicators to get you in and out of trades. They certainly help but there are plenty of times where you would just look at the chart and see something doesn't look quite right, and in that case, you may give it a miss. You may regret that decision, but that's trading. There will be plenty of trades coming along soon enough.

Now I want to talk about long term trading, where you can be in the same trade for hours, days or even weeks. When I say long term, I am normally referring to trading off the 1hr, 4hr or daily charts. Some traders may look to the weekly chart or even the monthly chart, but that's not for me. Some may even refer using the 1hr and 4hr charts as Swing Trading. I find the problem trading off the 1hr charts is that you tend to end up also doing a fair bit of screen monitoring, hence I lean towards the 4hr and daily charts.

With the daily charts, I normally check my trades at least once a day, possibly twice. My daily charts tick over to a new day at 8am local, so I check them when I get up first thing in the morning, and even though the new candle has not yet opened, I will have a fair idea of what is happening as it is after the close of the US, and Asia hasn't really kicked in. A bit of a dead zone really, which suits me just fine. Then maybe in the evening sometime, just to make sure there have been no dramatic changes. That will do me. The 4hr charts obviously require a little more monitoring but can still fit nicely in with a normal day job.

Trading off the daily charts allows you plenty more free time to do the other things in life, like go to the beach, walk the dogs, play chess or whatever blows your hair back. Because you have much more time and your trading decisions aren't rushed, you can afford to follow several pairs at the same time. No need to limit yourself to the one pair here. Also spreads are not such an issue, because of the big moves involved where even a biggish spread will be well and truly absorbed in the action.

But please be warned, you cannot take the same position size in your trades. There are a couple of reasons for this. One is that it will be highly unlikely you will use the same tight stops as you would use on a day trading (5 min) method. You may, but I doubt it. Keep in mind your risk per trade. I have discussed risking 2% on each trade, and if you were to use this figure, then that 2% must be maintained on these types of trades also. So it only makes sense that if you used a 15 pip stop on a 5 min

A journal or a diary can be as simple as an exercise book where you handwrite everything. When I put pen to paper, it actually makes me think about what I am doing and helps me confirm my thoughts at the time. You may decide to keep your information online via an ongoing word document or something similar - just make sure you keep copies and back it up as you go.

I also use excel spreadsheets at times, to provide an overview of results when I am trialling different systems. One glance at these can give me a quick and accurate overview of how a particular method is performing, especially if you add colour to it.

A Journal or Diary is not simply a place where you keep your trading results recorded, it is much more than that. If you are trading a particular method, you may wish to describe how it works in detail for future reference, and also to record any modifications to the method as you go. You could also record the details of your money management plan along with adjustments to the plan as you go.

Once you have traded a particular method for a while, you could make some comments on how it is performing, and how it may be improved. Any mistakes you have made should also be highlighted to ensure you don't make those same mistakes over and over.

Maybe you would like to comment on how you are feeling at the time, or if you had any technical problems, or any other outside interference that disrupted your trading.

There is so much you can put into a Trading Journal/Diary, and it is up to you how simple or complex you wish take it.

Here is an example of my Journal entries. These are all hand written in a large book in handwriting that I think is a little hard to read and seems to be getting worse with age! But I digress.

Before I start trading at all, I will go to my Trading Journal, write in the day and the date, followed by my starting account balance. I am mainly a Day Trader, so every day is a new start for me so I don't have any open positions to worry about. I already know my money management rules as they are loaded into my trading platform, but I would have written this down previously in the Journal. Directly under the day and date, I would put another subheading called 'News', and after checking the Forex Factory Economic Calendar, I would note the time of any major news and the currency it will affect. I don't care what the news is, just when it is coming out so I can be prepared for it.

So my news info maybe something simple like this: 10.30pm – USD

This tells me that at 10.30pm local, there is major news coming out that may affect

You should have by now provided your email address to automatically receive the modified MACD template and a number of custom indicators. You will need to upload all of these indicators onto your MT4 platform for the template to display correctly.

Template and Custom Indicators

Instructions on how to upload a template or a custom indicator onto your MT4 platform and how to display them are available here:

http://bit.ly/MT4-load-indicators-and-template

- There is no mention of the ATR Stop indicator on the video and this will be explained later.

- Indicators required are QMP Filter, MACD Platinum, QQE Adv and MACD Complete.

- With regards to the MACD Platinum and QQE Adv indicators, there is no requirement for them to be displayed on the chart, but they do have to be uploaded onto your MT4 platform as they are the two indicators required to make the QMP Filter work. It may sound a little confusing now, but it will all be clear shortly.

- When you load your template you should see a grey background chart with a 25 SMA and 240 LMA over price, and also the QMP Filter with the red and green dots. Below that you will have a modified MACD with the settings of 6,12,1. This is represented by the dark blue line and also the zero level.
On top of that MACD, there is an orange dotted line which is actually the standard 12,26,9 MACD (explained later). Below these 2x MACDs, you will have a 3rd standard MACD with the histogram highlighted also.

- If you have used my template, your chart should look something like the following on your MT4 trading platform:

In the above screenshot, you can see the red QMP Filter dot appeared first which was then followed by the cross of the bottom MACD lines also indicating a sell. It wasn't until the fast 6,12,1 MACD in the center crossed the zero level that the sell entry was then confirmed.

Remember, there is no trade until that MACD crosses the zero level, and that cross is confirmed by a close of that candle. The trade is entered on the open of the small white candle just to the right of the red dashed line. The price also closed below the 25 SMA which just helped confirm it all and as you can see, it was quite a good trade.

Recommended Reading

High probability trading : take the steps to become a successful trader1st Edition
Marcel Link
The Little Book of Market Wizards: Lessons from the Greatest Traders
Jack D. Schwager
Adventures of a Currency Trader: A Fable about Trading, Courage, and Doing the Right Thing (Wiley Trading)
Rob Booker
Inventory Trading: How I Run My Trading Account Like a Retail Inventory Manager
Shonn Campbell

Trading in the Zone: Master the Market with Confidence, Discipline and a Winning
Mark Douglas

Recommended Forums

Forex Factory
http://www.forexfactory.com/forum.php
Forex TSD
http://www.forex-tsd.com/
Steve Hopwood
http://www.stevehopwoodforex.com/phpBB3/index.php
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http://www.donnaforex.com/index.php?PHPSESSID=cf9bbe02f96eeb902218dd15dc4534c1;wwwRedirect