Work $MART Not Hard

How to Become a Consistently Profitable Forex Trader from Scratch

Nilesh J Patel

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Preface

I did not even know what trading was until I received an email a few years ago, inviting me to a free seminar. I went along after work one day, and the seminar explained the basic concepts of trading and FX. Needless to say, I became very excited at the thought of trading for a living one day and obtaining financial freedom.

What followed was the typical hard sell. If I paid the "one time only fee" of £2,000, I would enrol on a course that taught me FX trading. It sounded too good to be true, but I did not want to risk £2, 000 to find out.

The reality was that I did not have that kind of money to spend on a training course, in an industry which I still knew very little about. To me, that was 40 weeks' worth of food shopping if I spent £50 each week! I declined that day, but I was hooked. I wanted to know more about this thing called Forex Trading.

The next step was to go on the Internet and search for every free online resource I could find on Forex Trading. Slowly but surely, I started to learn how the business works. There are many scam artists out there who prey on innocent people, in exchange for an unhelpful Forex education, and a trading system that just doesn't seem to work. Unfortunately, I ended up paying for a few of these courses over the years, and I really did regret it. I didn't learn anything useful, and realised that I was one of many victims who had been scammed.

I did not give up. As part of my learning process, I set up a blog in early 2010 that acted as a journal for my trading experiences. I decided to call the blog Forex Layman, as that described me best at the time. I documented all the trades I placed and explained the rationale behind them. I wanted to prove to myself that I could do this, and show my friends and family that trading is something we can all do. The blog was successful, followed by readers in over 100 countries.

As I gained more trading experience, I started to develop and test my own strategies. This was hard work, and many of them failed miserably. I persevered, and decided to focus on just one currency pair, GBP/USD (British Pound vs. US Dollar). This is very common amongst financial institutions, as there will be a team of traders on a desk with each person specialising in a particular pair. I got to know this market well, and stopped the blog to focus purely on trading GBP/USD and mastering it.

I had always thought about turning the knowledge I gained into a medium that would help others learn Forex trading. Most courses out there focus on bombarding people with too much information and financial jargon. I wanted to do something unique and focus on quality, teaching only what you need to know. I believe that you can make a living by trading just one market, if you master it.

Moreover, I believe FX Trading is something anyone can do. It is not just for members of the financial community. As a layman, I learnt that it's one of the smartest ways to make money. A lot of people in the world are not wealthy and could do with another stream of income to lighten the financial burden. It has become my passion to help people in this particular situation, at a price that is fair and affordable.

Trading is NOT a get rich quick scheme. It is a business, and you have to treat it like one. The gains will be slow and steady at first, but as your capital grows, so do your profits. If you are serious, the income you make from trading can change your life.

The specialist information in this book will help you generate a consistent income trading Forex. I hope you find this useful and most importantly, enjoy it. That's what it's all about.

Nilesh J Patel (a.k.a. Forex Layman)

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Contents

Acknowledgements

This book would not have been possible if it wasn't for the support of my friends and family. I would like to dedicate the book to my wife, for her patience, encouragement and unconditional love.

Introduction

Welcome!

I hope that you are excited to learn about Forex Trading.

Congratulations for getting this far.

After reading this book, you will know exactly what to do to be consistently profitable as a Forex trader, in less than half the time it usually takes.

Let’s get started!

The Layman's Guide to Forex

What is Forex?

The Foreign Exchange market (also known as Forex, Currency Markets, FX) is the largest financial market in the world.

Market participants include Banks, Hedge Funds, Governments, and high net-worth individuals.

It is about three times larger than all of the stock markets in the world combined.

In the stock market, you are trading individual companies. In Forex, you trade whole economies.

There is no central market place – it is currently an unregulated market with no central exchange (unlike the stock and commodity markets).

Individuals that do not trade Forex for banks, hedge funds and other financial institutions (i.e. people like you and me) are known as **retail traders**.

As retail traders, we can greatly benefit by trading the Forex market. This is due to the sheer volumes of currency being exchanged across the globe. We call this a highly **liquid** market. You will hear this word all the time; it just means that there are great numbers of buyers and sellers out there, doing deals round the clock.

To understand the concept of liquidity, imagine a swimming pool full of water. The pool is the Forex market, and the water represents money. During the course of a day, many people come in and out of the pool, and there is plenty of water to go round. In comparison, the stock market resembles a bathtub – much less water to go round, and (usually) much less people.

Forex vs Equities, in terms of size and market participants.

Thanks to the power of the Internet, there are now plenty of FX brokers that allow retail traders to bet on the movement of currencies from the comfort of their own home.

In any market, you have to buy or sell a product. In Forex, you buy or sell a country's money. Let's say you are going on holiday to the USA. You go to the Bureau de Change and sell your national currency, e.g. EUR, in order to buy US Dollars. The cost of doing this is the difference between the two exchange rates. Effectively, you are doing a Forex trade. You have probably traded Forex in your life many times without realising it!

Opening Times

This is a global market, open 24 hours, 5 days a week. It's great for people who have day or night jobs, because they can trade at set times, and still work. The market is closed on the weekend, which is handy.

The diagram below shows the active trading hours for the most popular global financial centres:

All times are in Greenwich Mean Time.

If you look closely, there are times of the day when two regions are trading at the same time. Using the analogy from earlier, these represent the swimming pool's peak hours. You see a lot of activity during these **crossover** periods. I will tell you how to use this to your advantage later on.

Currency Pairs

Currencies are always traded in **pairs**. You have to sell one country's money in order to buy another's, and vice versa.

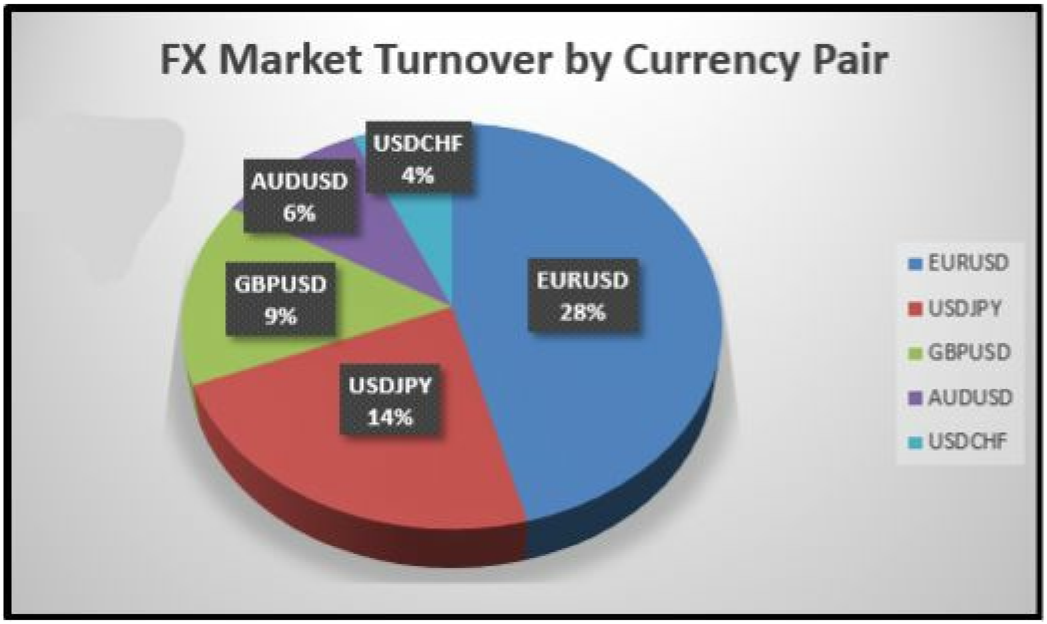
For example, Euro vs US Dollar is written as EUR/USD. When you see a price for EUR/USD at 1.3203, it means that **1 Euro** is equivalent to **1.3203** US Dollars, at that moment in time (otherwise known as the **Spot** price).

It is always the currency that is **in front** that equals 1.

Another example is GBP/USD. If the price is 1.6000, that means that one Pound will get you 1.6000 US Dollars. On the flip side, divide 1 by 1.6000 and you will get 0.625 GBP for 1 US Dollar.

In the Forex market, there are certain currency combinations that are coined the **major pairs**. These are listed below, along with their market share.

Symbol	Name	% Market Share
EURUSD	Euro-Dollar	28
USDJPY	Dollar-Yen	14
GBPUSD	Pound Sterling-Dollar	9
AUDUSD	Australian Dollar-US Dollar	6
USDCHF	US Dollar-Swiss Franc	4
USDCAD	US Dollar-Canadian Dollar	5



Source: BIS Survey 2010.

This is important to know. As a retail trader, you do not want to jump in a shallow pool. The market will be erratic and less predictable. EURUSD takes the lion's share of the market, closely followed by USDJPY and GBPUSD.

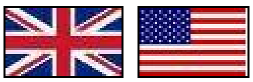
Always trade highly liquid pairs.

Understanding the Price

When you trade, you will see buy and sell prices for different currency pairs flashing on your screen. This looks intimidating at first, but it really isn't. I will explain what these prices actually mean.

For example:

GBPUSD



Buy Price: 1.6014

Sell Price: 1.6016

So, if you buy GBPUSD in this example, your price will be 1.6014. £1 will equal $1.6014.

You should only really care about the last **two digits** here. In the above example, it would be '14'. When you click the buy or sell buttons on your trading platform, these are the numbers you will mainly be looking at. They are called **pips**.

Pip stands for **percentage in point**. A pip is the smallest price movement possible in the Forex market.

For instance, if you were looking to make 10 pips profit on the above buy trade, the price would have to reach 1.60**24**, as that is 10 pips higher than the level you entered at. You would then close the trade and take profit.

Understanding the Spread

Another important aspect is the spread. The spread is the cost of doing the trade. It is the difference between the buy and sell price of a currency pair. Using the previous example, I will explain.

GBPUSD

Buy Price: 1.6014

Sell Price: 1.6016

The spread here would be 2 pips (16-14 =2).

The spread is very important. A trade is the same as any other product you spend money on, in the sense that you do not wish to be ripped off. You want a good deal, so the spreads have to be low (otherwise known as **tight**). Go with a reputable Forex broker/spread betting provider that has tight spreads for the major pairs.

Examples of competitive spreads in the market are:

EURUSD	1 pip spread
GBPUSD	2 pip spread
USDJPY	1 pip spread
USDCHF	1 pip spread
AUDUSD	1 pip spread
USDCAD	2 pip spread
NZDUSD	2 pip spread

Summary

If you are completely new to Forex or just needed a refresher, this chapter should have outlined the basics.

By now you should have a basic grasp of the following concepts:

What the Forex market is

Who the market participants are

What the market opening times are, and the best times to trade

What liquidity is

What a currency pair is

What the major currency pairs are, and their respective market shares

What a pip is

What the price is

What the spread is

If it still seems overwhelming to you, don't worry. These concepts will become second nature to you when you actually start trading.

As you know, I am not a fan of financial jargon, but the terms I have used in this chapter are things you **have** to understand from the beginning, to increase the chances of your success.

Getting Set Up

Trading Capital

In order to start trading, the first thing you need is money. Here are my ground rules on where your capital should come from.

Always trade with money that **you can afford to lose.** Do not starve yourself or lose your house in the name of trading. It's not worth it.

Do not raise money from the following sources:

Credit cards

Any type of loan

Borrowed money from any other source

If you do this, you **will** fail. As the saying goes, scared money don't make no money. The best thing to do is to get it from savings, or anywhere else that won't land you in debt.

Remember that you are fully responsible for your own actions in the trading business. It is important that you understand this, remaining honest with yourself right from the start.

So **how much** money do you need as an initial investment? This depends on how much you have to set aside. For Forex trading, most educational courses out there would recommend a starting capital of between $10,000 and $100,000. This is fine if you can afford to lose this much and it won't affect your life. The problem is that a lot of people haven't seen that much money in their entire lives, let alone putting it aside for trading. Remember that in the past, Forex trading was an activity exclusively for banks and high net-worth individuals. They had this kind of money to play with. Fortunately for us, since around 2000 the industry has opened up to the public and online brokers are a lot more flexible. You can open an account with as little as $50. To give yourself a fighting chance, I would recommend starting with a minimum of **$500**. If you do have something more substantial to begin with, I would initially fund the account with 50% of that amount. Once you are making consistent profits for six months or so, invest the remaining 50%.

Choosing a Broker

Now that you have your money, you need to pick a Forex broker. What is a broker, you may ask? In plain English, they are companies that provide retail traders with access to a trading platform, which in turn, allow us to buy and sell currencies.

You can find hundreds of Forex brokers online these days. I won't dictate which one you should sign up with, as that's down to your discretion. However, I will give you some guidelines on how to choose the right broker.

They need to be regulated by a financial services authority

Ideally they should be based in your country

Ideally they have a strong brand name and you should have heard of them in some way.

It should be easy to contact the broker by telephone, email, live chat or post

The spreads need to be competitive

They need to offer both demo and live accounts

The minimum opening balance must be affordable (e.g. $1, $50)

It is worth testing out some brokers' trading platforms before you open a live account. Open some demo accounts and download the trading platforms to your computer. This will give you a chance to play around with the user interface and get comfortable with the system. When you know which one you want to use, sign up for a live account. The registration process may take a couple of days to complete. Once this is done, you can deposit your money and you are almost ready to go.

Demo vs. Live Accounts

When it comes to demo accounts, here are two pieces of advice you may not hear every day.

I recommend you only use a demo account for a maximum of **one week**.

Only use a demo account to play around with the trading platform's **user interface**.

By doing this, you will become more confident in using the system and won't make silly mistakes, like clicking buy instead of sell (which I have done before) in real life. If the platform provides its own charts, play around with these too and get a feel for them.

There are strong reasons behind this advice. I know some people that have been using a demo account to trade for over a **year**. They tell me their profits are up, but it's not real money! People like that are kidding themselves.

Trading with real money is completely different, because it involves something the demo account can never simulate- your emotions. If you compare your trading results between a demo and live account, they will **never** be the same. This is why I do not recommend spending too much time on demo for **actual trading**. Get used to the system and do a few test trades. That's it.

Optional – Choose a Separate Charting Package

So, you have your money, a broker, and a new trading account. Your trading platform may have come with a built-in charting package. To begin with, this should be sufficient. However, you need to know the facts when it comes to the free charts that a broker provides.

The advantage is that it's free. The disadvantage is that they only show **their interpretation of the market**. Let's use the swimming pool analogy from earlier. A broker is just one person in the pool, looking at all the other people. They have a pretty good view, but it is still limited. Remember, the Forex market is unregulated. There isn't a central exchange you can check the definite price of a currency. Different people quote different prices. Therefore, the charts you see on one broker's trading platform will be slightly different than another's. You need to bear this in mind when using free charts.

Websites like DailyFX.com also provide free charting services. The same story applies here though – it is just another person's view from the pool.

Why am I telling you this? Based on my experience, you should be ok to use the free charts when trading on a **daily timeframe or higher**. I recommend starting on this timeframe to begin with anyway. If you start to trade **intraday** (during the day) later on, then I suggest using a paid charting service. This is why.

Advantages of Paid Charting Packages

There are certain companies out there that only specialise in making charting software. They will usually charge a monthly fee for their services. So what is the difference between the charts they provide, and the ones you get for free as part of your broker's trading platform? It depends on the **timeframe** you trade on.

The difference is the **quality of price.** Remember, one broker is just one person in the swimming pool. Someone who uses a paid charting service resembles the lifeguard that sits high up above. They see everything from a birds-eye view. Therefore, they have a much better **overall** picture of the market.

To explain this further, here is another analogy for you. Imagine a loaf of bread (I don't have much imagination). For argument's sake, let's call it Layman Bread.

Use your loaf when choosing charts.

Now, different stores will charge a slightly different price for the same loaf of Layman Bread. If you only shop at one store, you will only know one price. Let's say you have a very good friend, who was prepared to go to all of the big supermarkets for you, and compare the price of Layman Bread. They would then work out an **average price** and tell you.

Paid charting services work like this. Instead of getting just one price, they receive prices from all of the major banks and present you with an average price. Consequently, their charts are a more accurate representation of the market.

For intraday trading, I believe it is the difference between a win and a loss. Bear that in mind if you ever start to use intraday strategies. I will talk more about this later on.

Building a Trade Plan

"If you fail to plan, you plan to fail."

As clichéd as that sounds, it's true. For Forex Trading, you need a plan if you are going to be even remotely successful. A trading plan is similar to a business plan. It evolves over time, but still gives you the discipline to stick to your long-term goals.

Most people will tell you to build a trade plan before you do anything. In reality, how can complete beginners do this if they have no prior trading experience? Instead, we will build the trade plan together, step by step. By the end you will have a complete trade plan, with the confidence to actually execute it.

For now, do the following. Create a document with the following template. As you progress through the later chapters, fill each of these sections in.

Markets

What markets will you trade? Be as specific as possible, e.g. which currency pairs

Timeframe

How long will you hold your positions for? E.g. Weekly, Daily, Hourly

Time Period

What times of the day will you trade?

What is your Edge

What techniques will you use to give you a higher chance of success? Technical indicators, Fundamental analysis, etc.

Risk Management

What is your risk: reward ratio? How much capital will you risk per trade?

Summary

This chapter focused on getting you set-up, in terms of a real trading account, initial capital, understanding your trading software, and starting your trade plan. This initial hard work is mandatory, but I promise it is worth it.

By now, you should have a grasp of the following concepts:

Always trade with money you **can** afford to lose

Raise your initial capital from a **reliable** source, e.g. savings

How to choose a reliable Forex Broker

How to use a demo account wisely

The advantages and disadvantages of free / paid charting software

The importance of a trade plan.

In the next chapter, I will talk about **Money Management**. For most traders, it is the difference between success and failure.

Money Management

Your setup is now complete in terms of finding a broker, becoming familiar with the trading platform of your choice, investing your initial capital, and outlining a trade plan. The burning question remains though-how do I actually place trades? Before we go into learning about cool-looking charts and flashing buttons, I need to teach you about money management.

98% of Forex traders find it initially challenging, because they do not know how to manage their money. Conversely, a successful Forex Trader does **not** take a gamble. Many people have a stereotypical view of trading - that it is the same as gambling and that the house always wins. The reality is that, by applying the strict money management techniques in this section, you will see that trading and gambling are two very different things.

The golden rules below explain how to manage your trading account like a professional. They are surprisingly simple and easy to follow.

1% Risk per Trade

Imagine you are sitting at your computer and analysing the market. When the time comes to place a trade, you have to specify how much of a currency you want to buy or sell. In most trading platforms, this is called the **Amount,** or **Notional**.

You might think this is common sense, but how do you work out the right amount?

I recommend that for every trade you place, only risk **1% of your total account size.**

I know it doesn't sound like much, but this is standard practice for professional bank and hedge fund traders. They do it for a reason and that reason is - **probabilities**.

You don't need to be a mathematician to understand this. Allow me to explain in plain English.

You have a pot of money to trade with. There are X number of losing trades you can make, before your pot becomes empty. Using the 1% risk rule, it means that in theory, you could place **99 consecutive losing trades** before your account reaches zero. You are giving yourself the best possible chance of survival. Combined with a winning strategy, 99 losses in a row are statistically unlikely. If you put this rule in your trade plan from the start, you are giving yourself an **edge** over the majority.

This simple piece of advice will put you in the elite 2% of Forex traders that are consistently profitable.

To work out how much of your account constitutes 1%, here is an example:

Account size: $500.

500 * 0.01 = 5.

1% of $500 is **$5.**

That's it. In this example, the total amount you would be prepared to lose, if one trade went wrong, is **$5**.

Stop Loss

So, you now know how much money you're going to risk per trade. You may be thinking, "That's great, but what happens if the trade goes against me? How can I make sure I only lose 1% of my account? Where in the trading platform can I specify this?"

The answer is to create something called a **Stop Loss** order. It literally means to stop your loss. It is your protection; the price where you are wrong, and where you are taken out of the market if things go against you.

You must ALWAYS put a stop loss alongside every trade you place. If you don't, you are risking all of your money in your account in one trade, and that is a recipe for disaster.

Take Profit

This is the opposite of the Stop Loss. It literally means the place where you decide to take profit, and get out of the market. Take profit orders are very useful if you want to **set and forget** your trades. This means you don't have to sit there and watch the screen for hours, going through the motions and waiting for the price to reach a certain level. I recommend using take profit orders alongside every trade, so you know exactly where you will exit.

Putting it all together

Taking into account the golden rules of 1% risk and mandatory Stop Loss / Profit Orders, let's discuss how we actually calculate trade amounts.

Use a free position-sizing calculator. I don't like reinventing the wheel. If you type "FX Position Sizing Calculator" into any search engine, you will find lots of them available.

All you need to do is key in the right numbers to automatically work out the amount you should place on each trade. This is usually based on the percentage you wish to risk, your account size, the stop loss size, and the currency pair.

Feel free to read up on the subjects of **leverage**, **standard, mini and micro lots**, should you wish to understand the calculations in more detail. Here is a free calculator that I use:

http://www.babypips.com/tools/forex-calculators/positionsize.php

Risk-Reward Ratio

In other markets such as stocks and commodities, it is widely accepted that if you are looking to place a trade, you should use a risk-reward ratio of 1:2, 1:3 or higher. This means that your profit should equal two or three times the amount of money you are prepared to risk. Otherwise it is not worth it.

The Forex market is different, due to its high liquidity and market efficiency. It is widely accepted that the minimum risk-reward ratio in the Forex market can be as low as **1:1**. Bear this in mind when placing your trades. As part of your money management strategy, if there is more potential loss than profit, there is no point in taking a trade on. The Forex market has ample trading opportunities, so if you miss one, another will come along shortly.

Summary

This chapter focused on teaching the correct approach to money management. I believe it is important to learn this **before** we cover the actual trading strategies.

By now, you should have a grasp of the following concepts:

Strict money management can provide you with a trading edge from the outset.

Only risk 1% of your account per trade.

Always place a stop loss alongside your trade.

The minimum risk:reward ratio in the Forex market is 1:1.

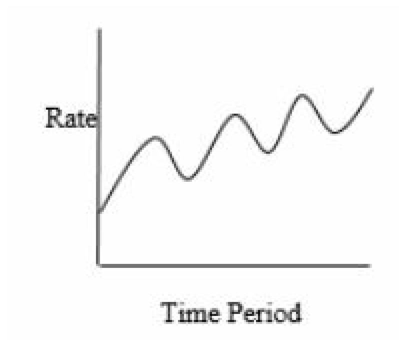
From the next chapter onwards, we will be getting our hands dirty. I will first teach you how to analyse price charts.

Price Action

What is Price Action?

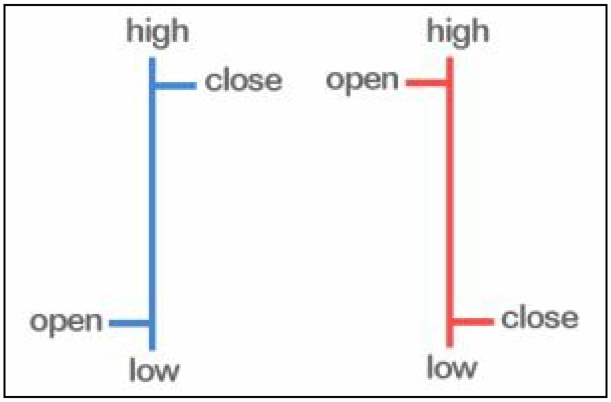
In the financial markets, Price Action is the visual representation of the movement of a currency pair's exchange rate, over a specific time period. There are entire books on charting and price action out there, but I will cover what you need to know in a few pages.

First things first. How is a price chart constructed? It's pretty simple.

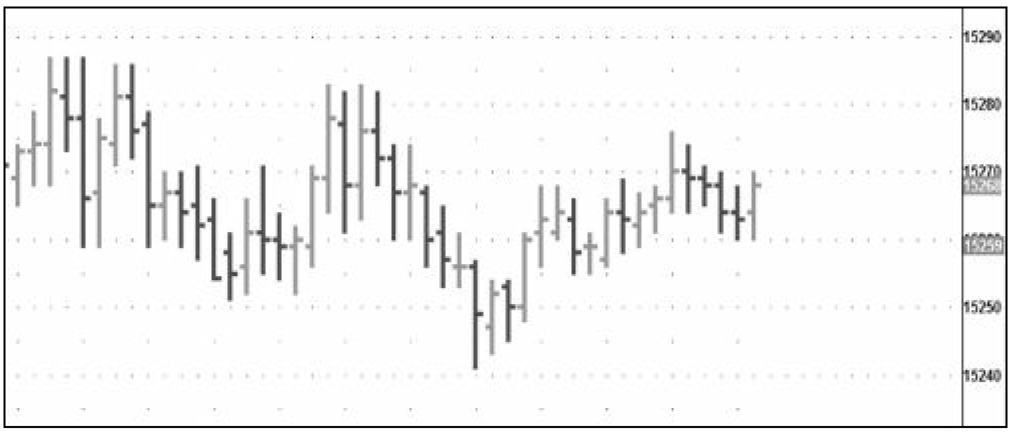


There are different types of charts out there you can use. Some show you more information than others. It's important to appreciate this and understand the differences. I will briefly explain the two most popular types of chart, Bar and Candlestick.

Bar Charts



What constitutes a single Bar.



Example of a Bar Chart.

Bar charts originated in the western world, and are still very popular amongst institutional traders. They are otherwise known as **OHLC** (Open,High,Low,Close) charts. Each bar represents the movement of price during a particular time period. For example, if you are looking at a daily timeframe, each bar represents one day's worth of trading activity. On an hourly chart, each bar would represent an hour, and so on.

If the closing price is higher than the opening, the bar is known as "**bullish"**. There are more buyers than sellers, and the market has moved higher. The opposite applies for when there are more sellers than buyers. We call this a **"bearish"** bar**.**

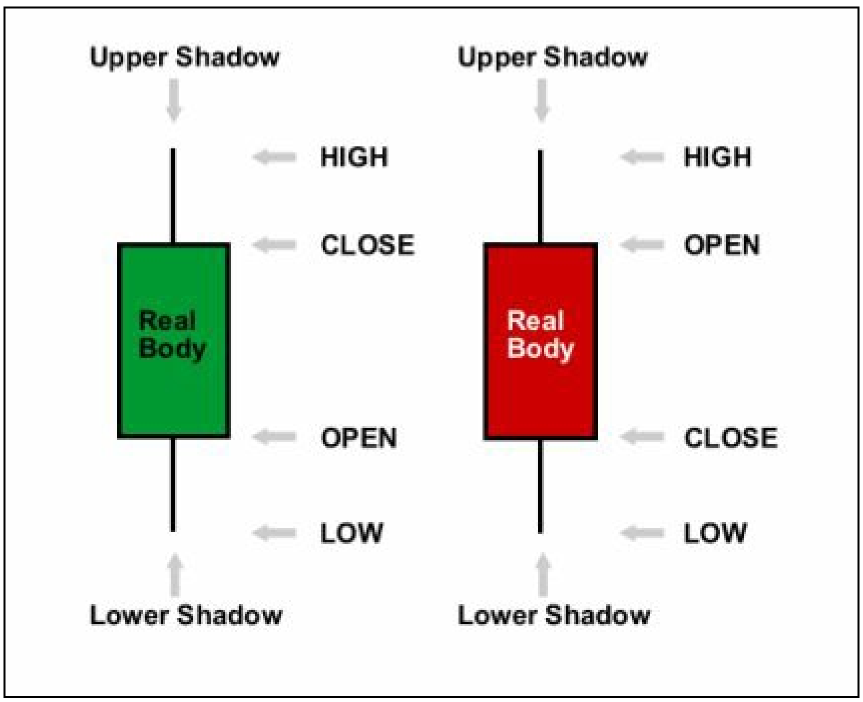
Bullish = Up

Bearish = Down

Candlestick Charts

These charts are the oldest type of price chart available. They originate from Japan and date back as far as the 1700s. Back then, rice was used as currency. A man named Munehisa Homma was known as a legendary rice trader in Osaka, and used candlestick analysis to predict price movements. It is said that he made 100 consecutive winning trades.

Let's fast forward almost 300 years. In the late 1980s, an American named Steve Nison brought Japanese candlesticks to the western world. He helped translate texts from Japanese to English. Nison's work had a huge impact on the way traders like you and I view the financial markets today. The candlestick charts you see in your trading platforms would not be there if it weren't for him.



The constituents of a candlestick.

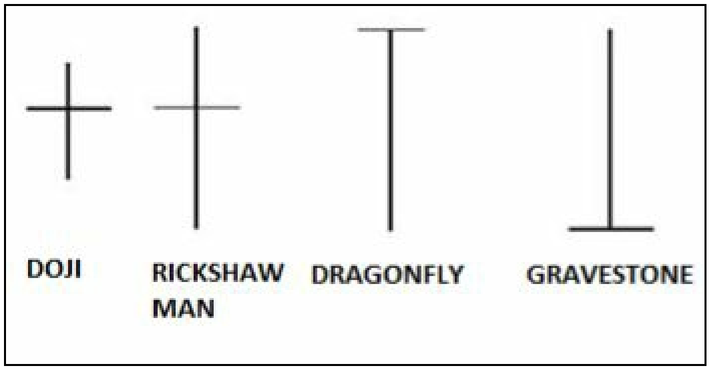
The above diagram explains what makes up an individual candlestick. In case you hadn't noticed, they look like candles (hence the name). You may also have noticed that both candle and bar charts contain the open, high, low and close data. However, the candlesticks also show us something called the **real body**, and **upper/lower shadows.**

The real body is the difference between the opening and closing price. Think of it as the **essence of the price action**. The shadows, or wicks, are used to identify price extremes.

Shadows are less important than the real bodies. They do however help eliminate fake signals. They also serve as key support and resistance levels.

Magic Doji

On occasion, you will see candlesticks that have the same opening and closing price. These are known as **doji**. These candles are very important, as they tell us that trends are becoming exhausted. There are several types of doji that form.



Types of Doji.

A common misconception exists amongst traders. They see a doji as a reversal signal. **Wrong!** The true meaning of a doji is to signify a change in trend from up/down to **neutral**. They also tend to act as support or resistance levels.

I prefer candlesticks to bar charts. They have literally evolved over **centuries**, so you know that they are effective if applied correctly. They are more pleasing to the eye then bar charts, and speak volumes about the underlying market psychology. In the next chapter, I will teach you specific candlestick patterns that you can use to identify trading opportunities.

Support and Resistance

Finally, I'd like to explain the concept of Support and Resistance to you, and how to find them on your charts.

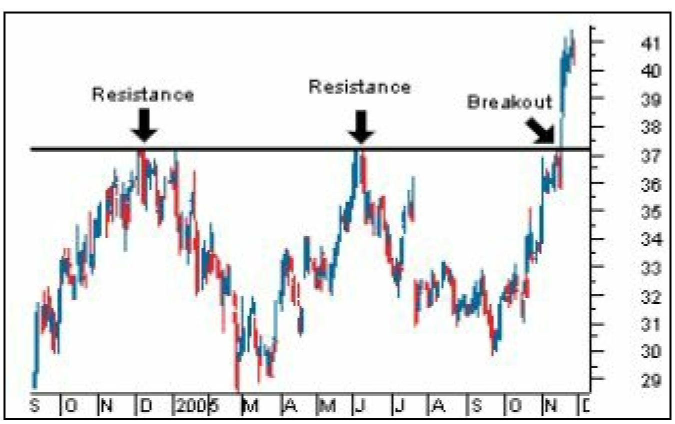
Support

"A support is a price level where the price tends to find support as it is going down. This means the price is more likely to "bounce" off this level rather than break through it. However, once the price has passed this level, by an amount exceeding some noise, it is likely to continue dropping until it finds another support level."

Resistance

"A resistance is the opposite of a support level. It is where the price tends to find resistance as it is going up. This means the price is more likely to "bounce" off this level rather than break through it. However, once the price has passed this level, by an amount exceeding some noise, it is likely that it will continue rising until it finds another resistance level."

These are the definitions from our friends at Wikipedia. To explain this in even plainer English, imagine support as a glass floor, and resistance as a glass ceiling. The markets are engineered to create and subsequently break through these levels. If a floor is broken, it becomes a ceiling. If a ceiling is broken, it becomes a floor. The diagram below shows an example of this.



A ceiling becoming a floor.

A key tip is to think of support and resistance levels as **zones**, instead of clear-cut lines. Forex is an imperfect market. Sometimes the price will move beyond a support or resistance level, only to retreat swiftly afterwards in the opposite direction. This personality trait catches a lot of people out.

Further reading on the topics in this chapter can be found here:

http://www.babypips.com/school/support-and-resistance.html

http://www.investopedia.com/terms/t/trend.asp#axzz2Mi2It2RF

Summary

This chapter focused on teaching the correct approach to understanding price charts.

By now, you should have a grasp of the following concepts:

What a price chart is

What a bar chart is

What a candlestick chart is

The advantages of candlesticks over bars

What support and resistance is

How to combine upper/lower shadows of candlesticks and drawing horizontal lines on your chart, to identify S/R zones.

Based on what we've covered so far, you might wonder why the majority of Forex traders fail to make any money. There are plenty of tutorials on charts and candlesticks available these days, and we are fortunate to have all this information at our fingertips. If it was that easy, why isn't everybody rich? Poor money management, and incorrect application of candlestick techniques in **Forex** are the likely reasons.

Japanese Candlesticks

In the last chapter, we talked about the differences between Western bar charts and Japanese candlesticks. Let's go into more detail on candlesticks now.

I am going to teach you strategies that you can apply immediately to any currency pair in this chapter. Technically, you can make a living based on these strategies alone!

You already know how a candlestick chart is constructed. They can be applied to all types of market. Stocks, bonds, commodities (like gold and silver) indices (e.g. FTSE 100, S&P 500), you name it.

What most people don't realise is that compared to all other markets, candlestick patterns will always look slightly different in Forex. This is because it is a 24 hour market, and the others are not. Therefore, the opening price of a new candle will almost always be the same as the closing price of the preceding one.

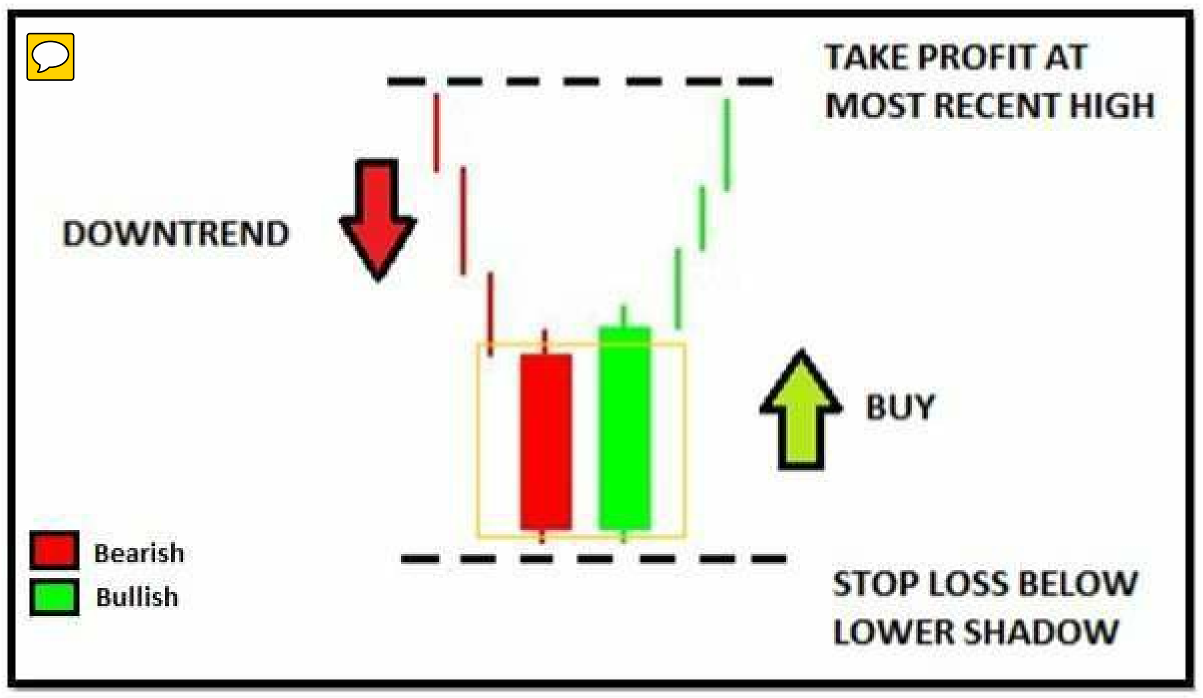
We can use candlestick analysis to help us find **reversal patterns**. The Japanese invented exciting and memorable names for each reversal pattern.

Analysing charts should be quick, painless and fun. I strongly advise that you look at some real charts after this chapter and identify as many of these patterns as you can. It's useful to write down the trades you would have taken, in order to understand the profit potential of trading reversals.

Here are some high-probability trading strategies using candlestick charts.

Strategy 1 - Bullish Engulfing Pattern

The bullish engulfing setup occurs in a **downtrend**, and identifies a **BUY** opportunity. It signifies that a market is bottoming out. A bullish candle's **real body** (blue/green in most charts) completely "engulfs" a preceding bearish candle's **real body** (red in most charts).



Bullish Engulfing - Entry & Exit Levels.

Key points about this strategy:

You can enter the market based on this pattern alone

Don’t worry about the lower/upper shadows. Focus on the real bodies

The Stop loss should be placed **below the lower shadow of the pattern**

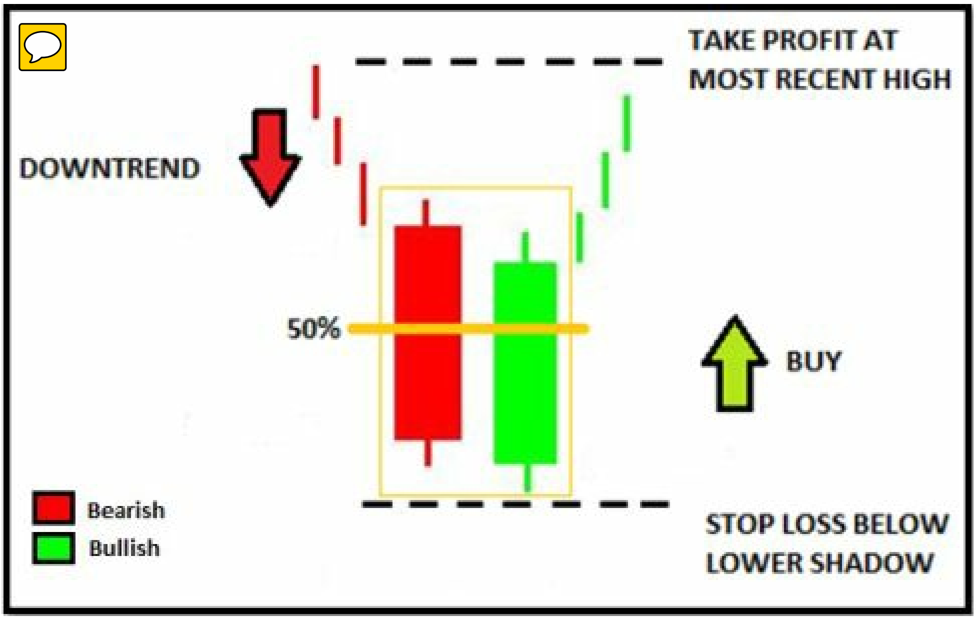
The Take Profit should be placed **near the most recent high**

The lower shadow of the pattern acts as a support

Strategy 2 - Piercing Pattern

The piercing pattern setup occurs in a **downtrend**, and identifies a **BUY** opportunity. It looks similar to a bullish engulfing pattern.

Piercing patterns indicate uneasiness at a low price. The close of the second (bullish) real body must pierce through **at least 50%** of the first (bearish) real body.



Piercing Pattern - Entry & Exit Levels.

Key points about this strategy:

You can enter the market based on this pattern alone

Don’t worry too much about the lower/upper shadows. Focus on the real bodies

The Stop loss should be placed **below the lower shadow of the pattern**

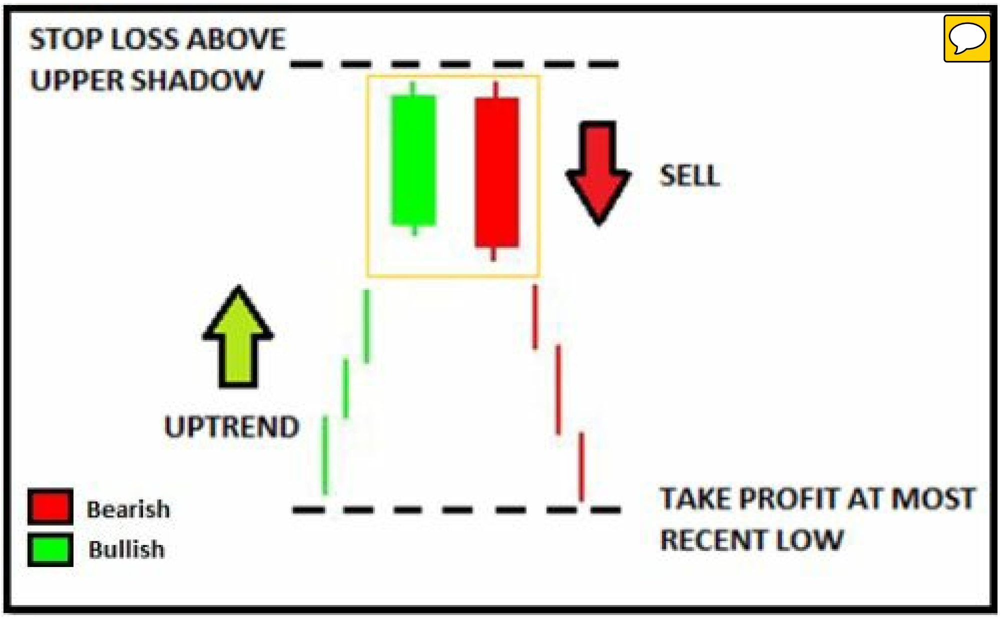
The Take Profit should be placed **near the most recent high**

The lower shadow of the pattern acts as a support

Strategy 3 - Bearish Engulfing Pattern

The bearish engulfing setup occurs in an **uptrend**, and identifies a **SELL** opportunity. It signifies that the bulls have been constrained. It is the opposite of a bullish engulfing pattern and is just as powerful.

A bearish candle's real body completely "engulfs" a preceding bullish candle's real body.



Bearish Engulfing - Entry & Exit Levels.

Key points about this strategy:

You can enter the market based on this pattern alone

Don’t worry too much about the lower/upper shadows. Focus on the real bodies

The Stop loss should be placed **above the upper shadow of the pattern**

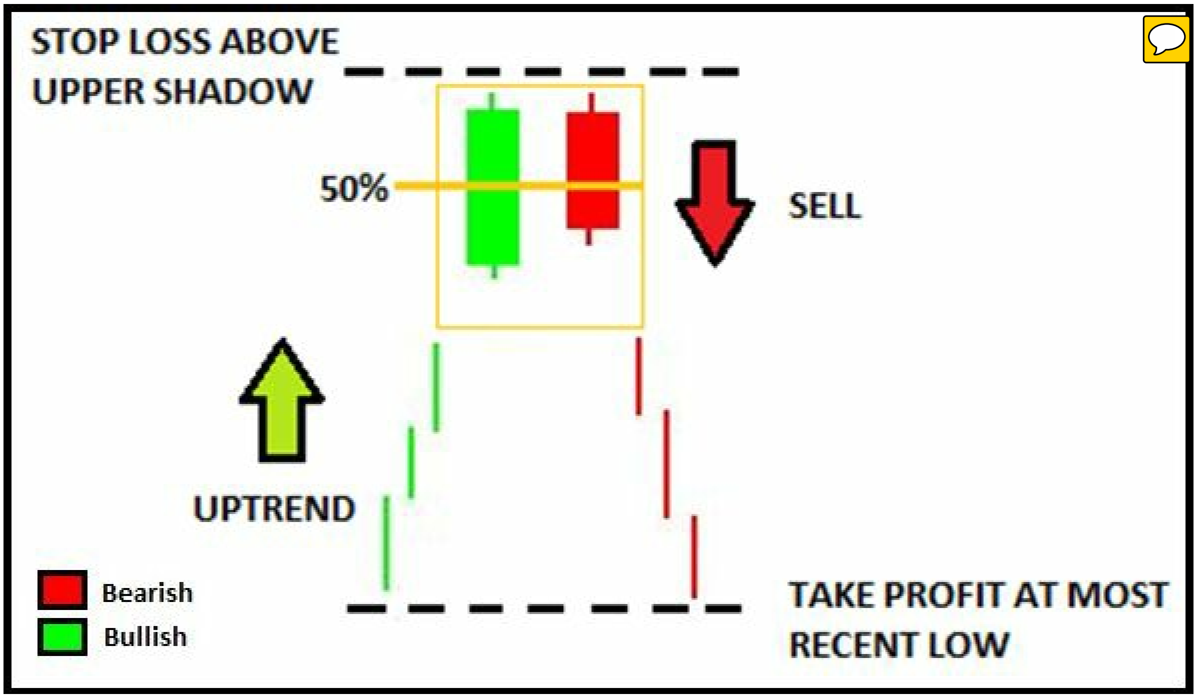
The Take Profit should be placed **near the most recent low**

The upper shadow of the pattern acts as a resistance

Strategy 4 - Dark Cloud Cover

The dark cloud cover setup occurs in an **uptrend**, and identifies a **SELL** opportunity. It looks similar to a bearish engulfing pattern. It indicates uneasiness at a high price.

The close of the second (bearish) real body must pierce downwards through **at least 50%** of the first (bullish) real body.



Dark Cloud Cover - Entry & Exit Levels.

Key points about this strategy:

You can enter the market based on this pattern alone

Don’t worry too much about the lower/upper shadows. Focus on the real bodies

The Stop loss should be placed **above the upper shadow of the pattern**

The Take Profit should be placed **near the most recent low**

The upper shadow of the pattern acts as a resistance

Compare a reversal pattern to a "reduce your speed" sign on a road. When you see the sign, the speed of your car gradually decreases, rather than immediately grinding to a halt. The markets act in a similar fashion. You may not see an immediate change in direction, but a sign has appeared, so we know the brakes will be applied. Candlesticks are best for identifying changes in underlying market psychology.

Summary

There are innumerable resources available on all the candlestick patterns out there. It can take years to study them all, but I have described the most powerful setups for you within this chapter. I have also included where to place Stop Loss and Take Profit orders. You should be able to look at charts now and formulate your own strategies, based on these patterns.

As with anything, candlesticks are not perfect. You may see a great-looking bullish engulfing pattern on a chart, but without a preceding downtrend, it is simply **invalid**. Remember to follow **all** of the steps I have outlined, when looking for trade setups.

In the next chapter, I will teach you how to combine candlesticks with Western technical indicators, to further increase the chances of your success.

Technical Indicators

What are technical indicators? In a nutshell, an indicator is something that is placed either on top of, or alongside a price chart, to help identify buy and sell signals. They are also referred to as “studies”.

Example of Indicators on a Price Chart.

There are entire books dedicated to technical analysis tools. People spend their whole life learning about indicators. Quite frankly, I believe it’s a lost cause.

There are a plethora of technical indicators out there. They **are** useful, to a certain extent. A lot of traders get carried away, stacking tens of studies on top of their charts. All this does is add clutter and excess noise to the underlying information in a chart.

My advice is to **not do this**. Pure price action is king. Simplicity is the key here.

Combining Candlesticks with Technicals

By combining technical indicators with candlesticks, you'll find even higher-probability setups to profit from.

I recommend using a handful of technical indicators, to **reinforce** the trading signals found via your candlestick and support and resistance analysis. I'm not going to explain each indicator in this book, as that is not my focus here. There are plenty of free resources available on this subject. Instead, I will tell you which indicators I use as part of my own analysis, and encourage you to do the same.

Pivot Points (Weekly and Monthly)

Fibonacci Retracements

Bollinger Bands

For example, a doji in an uptrend means the trend has now changed from up to neutral. By itself it doesn't mean much, but combined with a key resistance and Fibonacci retracement, it dramatically increases the probability of the market changing direction. When indicators and candle patterns converge on a chart, it is known as a **confluence**.

Leading vs. Lagging Indicators

In general, technical indicators fall into two categories: leading and lagging. The former refers to indicators that are used to predict **future** price movements. The latter refers to indicators that look at past data to calculate their buy/sell signals. Examples of leading indicators include Pivot Points and Fibonacci Retracements. Lagging ones include MACD, Stochastics and Moving Averages.

I use leading indicators. Do not focus too much on the lagging ones. They are essentially telling you what you already know. A lot of traders are left scratching their heads when using lagging indicators. By the time they see a signal to buy or sell, they've already missed the opportunity!

Don’t Forget Risk Management

As tempting as it is to take every trade setup you see, we must not forget that this is your business. You must consider the risk/reward ratio of each trade setup. If you see something good, figure out where the stop loss would be first, and compare that to the potential take profit level. If there is more risk than reward, walk away from the trade, no matter how technically sound it may look.

Summary

In this chapter we talked about combining candlestick analysis with technical indicators, to increase the probability of success in your trading.

By now, you should have a grasp of the following concepts:

What technical indicators are

Why they are useful

The difference between Leading and Lagging indicators

Only to use a handful of indicators, and not clutter your charts

Price action is still king compared to signals given by indicators

Risk/Reward comes first, no matter how technically sound the setup

Fundamental News

As we embark upon the last few chapters in our journey into Forex trading, let's recap. By now you should be confident in analysing the markets **by yourself** to identify trading opportunities. You should know your way around a trading platform, how to manage your money and how candlesticks and technical indicators work. You have learnt high-probability buy and sell strategies that can be used on any timeframe. For the majority of unsuccessful traders out there, this is as far as it goes. Armed with their technical knowledge, they proceed to attack the markets with vigour. It is only a matter of time until the market bites back, usually resulting in the end of their trading accounts.

It's all well and good learning the technical side of trading, but if you do not learn about fundamental news, you will never be able to truly understand why the market moves. You do not need to be an economist to understand this, as I will prove now. As always, I have only mentioned what you **need** to know in order to be consistently profitable.

How News Impacts the Forex Market

At the beginning of this book, I mentioned that in the Forex market, people trade economies. Each country has their own set of performance indicators that they use to compare themselves against each other. Examples of this include Gross Domestic Product (GDP), central bank interest rates, unemployment figures, inflation, and so on. You may have read about these in the papers, or seen it on the news. What you may not know is these economic indicators directly affect the currency markets, and are partly the reason why the world has an exchange rate mechanism in the first place. Currencies have perceived values, based on the state of their country. Therefore, they fluctuate in order to reach a state of equilibrium.

Imagine a world without any economic news. There would be no expectation of a country's currency appreciating or depreciating in value. There would be nothing to compare it against. All exchange rates would be fixed, making the Forex market stagnant. There would be little opportunity for anyone to profit from it.

Where to Monitor News Releases

Forex Factory (www.forexfactory.com) is a great free resource that you can use to keep an eye on the global economic calendar. **Avoid trading** around the release dates and times of certain high impact news releases (which are mentioned below). The market is extremely volatile around these times and can be unpredictable.

High-Impact News Releases

There are set times and days of the month where high-impact news releases come out, for each country. Depending on the outcome of these releases, the market is known to fluctuate wildly. It is recommended to stay out of the market during these times, as spreads widen and stop losses are hit. To save you some time, I have listed the high-impact news releases that you should be aware of at all times.

Gross Domestic Product (GDP) - the overall health of an economy, simmered down to a single number.

Interest Rate - the base rate that the country's central bank sets. Otherwise known as "Cash Rate", "Repo Rate".

Consumer Price Index (CPI) – The percentage change of the cost of goods and services. Otherwise known as the "**inflation number**".

Producer Price Index (PPI) – The percentage change of the cost to produce the goods and services.

Retail Sales – The percentage change in the amount of consumer spending in shops.

Purchasing Manufacturers Index (PMI) – A barometer of the level of manufacturing activity in the economy. Above 50 indicates industry expansion, below 50 indicates contraction.

Employment Change - the change in number of employed people during the previous month, excluding the farming industry.

The USD version of this is called the **Non-Farm Employment Change**, and is widely regarded as the most highly anticipated news release of the month. US employment is vital for the global economy, and since most currency pairs contain USD in them, you have to be aware of this piece of news. Usually it comes out on the first Friday of the month. My advice is to stay out of the market on this day, unless you are an expert.

Buy on Rumour, Sell on News (and vice versa)

Prior to a high-impact news release coming out, there will be an expected result in the economic calendar. This forecast is the average result taken from a survey by financial analysts in the industry. As this data is available to us a week or so before the actual release, you will find that the institutional traders tend buy or sell the currency for a few days, in the run-up to it. This is referred to as "**pricing-in to the market"**. A good thing to do is to take a look at the calendar on a Sunday, to see which releases are coming up for the week. During the week, if you see trade setups appear, think of the news releases that could affect your trade. If you include this as part of the thought process, it will reduce the risk of a losing trade greatly.

The Layman's Guide to Understanding Economies

Here is a quick and easy way to understand the effects that news releases have on trades. This should save you hours of reading boring books on the subject, **and** help you predict the long-term movements of a currency pair, in addition to your technical analysis.

High Retail Sales -> High GDP -> High Inflation -> Currency appreciates.

Low Retail Sales -> Low GDP -> Low Inflation -> Currency depreciates.

High Interest Rate -> Higher Inflation -> Currency appreciates.

Low Interest Rate -> Lower Inflation -> Currency depreciates.

High PPI-> High CPI -> High Inflation -> High Interest Rate.

Low PPI-> Low CPI -> Low Inflation -> Low Interest Rate.

Low Retail Sales -> Low GDP -> Low Inflation -> Currency depreciates.

High Retail Sales -> High GDP -> High Inflation -> Currency appreciates.

High PMI -> High GDP -> Currency appreciates.

Low PMI -> Low GDP -> Currency depreciates.

High Employment Change -> High GDP -> Currency appreciates.

Low Employment Change -> Low GDP -> Currency depreciates.

Summary

In this chapter we talked about the importance of fundamental news. As well as mastering the technical side of trading, it is important to appreciate the underlying reasons for why the market moves. The fact is that all long-term trends are governed by fundamental news.

By now, you should have a grasp of the following concepts:

How news impacts the Forex market

Where to monitor news releases and the economic calendar

The key high-impact news that you should watch out for while trading

How to connect news releases together to predict future long-term moves

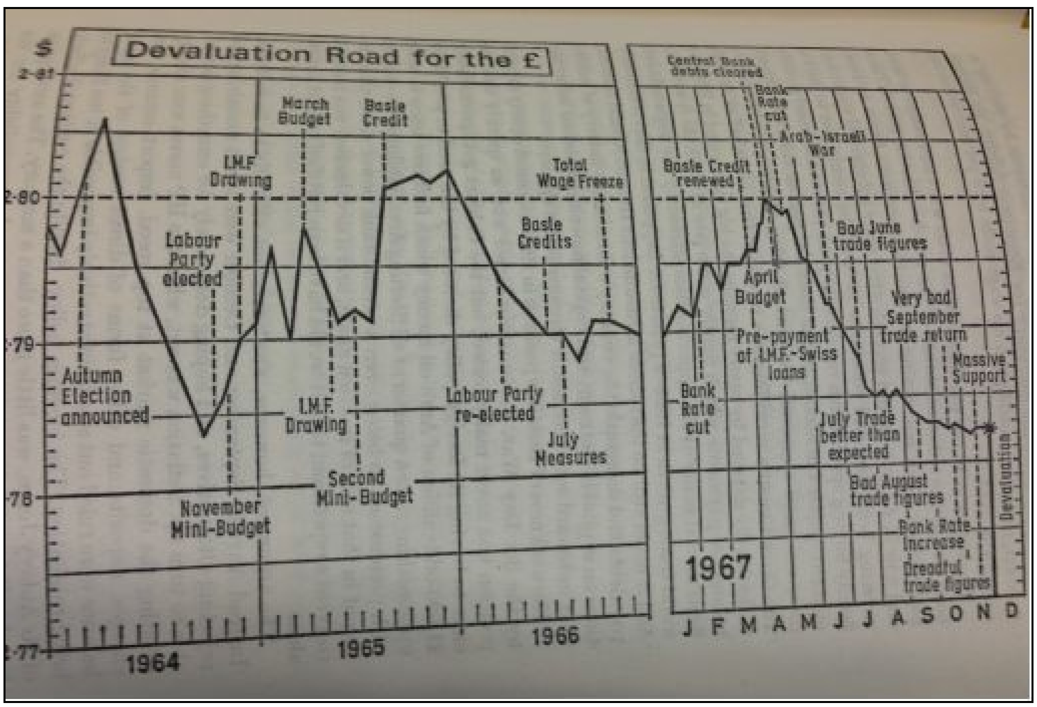
The concept of pricing-in to the market, and buy on rumour / sell on news

In the final chapter, we will be putting together **everything** you have learnt so far. It’s time to learn my personal trading strategies and welcome to the world of GBPUSD trading. Time to Conquer the Cable!

Conquering the Cable

The History of GBPUSD

GBPUSD, otherwise known as “Cable”, has always been one of the most popular currency pairs to trade in the Forex market. Many years ago, the rise of the British Empire resulted in the Pound being widely regarded as the strongest currency in the world. The reason behind the name Cable originated from the transatlantic cables that ran along the ocean floor, connecting London and New York. These date back as early as 1867, before the days of radio. The Pound/Dollar exchange rate was transmitted between traders on both continents, via the underwater cables.



GBPUSD has been around for decades.

Fundamental news is responsible for the long-term movement of this pair. We can see from the chart above that economic data and changes in government have driven the value of the Pound against US Dollar for the past fifty years. The story is very much the same today.

Why Trade Cable?

There are several reasons why I like to trade this currency pair. It is fast-moving and predictable. It is a volatile market. A lot of the movement is driven by speculation.

Cable is a very liquid market. It is consistently ranked within the top three currency pairs in terms of market turnover. It is one of the only pairs in the Forex market that is not anchored to a commodity. For instance, the Australian Dollar is affected by the price of Gold, and Canadian Dollar by Crude Oil). This makes the price action on Cable purer and representative of a free market.

In addition, it is likely that this currency pair will be around for many years to come. Both the US Dollar and British Pound are very well established. The two countries have strong relations with another. When you compare the robustness of GBP and USD to the recent fragility of the Euro, in terms of future prospects the Cable remains a safe bet.

This being said, the fast-paced nature of this pair can act as a double-edged sword. Traders are severely punished if they don't know what they're doing. Conversely, speed equals volatility, and volatility equals trading opportunities. If you can tame the beast, you will be making more profit than trading slower-moving currencies.

Finally, Cable is actively traded during two of the three global trading sessions. (London and New York). This means that for most of the trading day there is a large liquidity pool for GBP and USD. This equates to consistently tight spreads, and instant trade execution.

Personality Traits of GBPUSD

There are a few things you should know about this currency pair. Firstly, it moves around a lot. Expect lots of whipsawing action. Secondly, please learn about Fibonacci Retracements because it will help you a lot when trading Cable. The market tends to go back on itself, commonly retracing up to **78%** of its moves. To find out more about this, read the article on my Forex Peace Army forum (http://www.forexpeacearmy.com/forex-forum/cable-corner-forex-layman/23110-cable-78-fibonacci-retracement.html). Thirdly, Cable tends to respect Pivot Points quite well. As advised in previous chapters I recommend you read up on Pivots.

I have been actively trading this pair for around half a decade, using just a handful of strategies. They bring consistent returns and have a success probability of between 85-90%. You may be surprised at how simple they are. Here is the process that I have created for myself, and still follow daily, to conquer the Cable. Please take this information and fine-tune it to your own liking.

Plan for the Week

A good time to plan for the week ahead is on Sunday. I tend to spend an hour or so doing the following.

Visit ForexFactory.com to check the economic calendar for next week. I am only interested in the high-impact news.

GBP	USD
Preliminary GDP	Preliminary GDP
Retail Sales	Retail Sales (not Core Retail Sales)
CPI	Core CPI
PPI	New Home Sales
Official Bank Rate / Asset Purchase Facility	Interest Rate
Claimant Count	Non-Farm Employment Change
Manufacturing PMI	ISM Manufacturing PMI

High-Impact News Releases for Cable.

If the week contains any of the above news releases, take note of the previous and forecasted results. The market will most likely price this sentiment in before the event actually occurs.

Calculate the monthly and weekly pivot points. Your charting software may have a pivot point indicator that you can use. Alternatively, use a free calculator such as the one on BabyPips: http://www.babypips.com/tools/forex-calculators/pivotpoint.php

On the weekly chart, draw the monthly pivot point levels. On the daily chart, draw the weekly pivot point levels.

Determine the Weekly Bias

See what price the market is at right now. If it is **above/below** the monthly pivot point, the monthly bias is to buy / sell GBPUSD. If it is close to the monthly R1 or S1 pivot levels, be aware that the market may gravitate towards them.

If the current price is **above** the weekly pivot point, the bias is to **BUY** for the week. If below, the bias is to **SELL** for the week.

The probability of the price reaching the weekly pivot is **70-80%.** Never go against it on the daily timeframe.

I do **not** use daily pivot point levels to trade. Weekly and monthly are more powerful.

I usually wait until the price has travelled towards the Weekly Pivot level before taking a longer-term trade on (2 days+).

By having a weekly plan, you already know whether you will be buying or selling Cable for the days ahead. You also know what news releases are coming up and the impact they may have on the market.

DAILY REVERSAL

Earlier, I went through some high-probability candlestick reversal strategies. These are trading strategies in their own right. They are universal, and can be traded on any currency pair. For GBPUSD though, there are several ways you can trade reversals. The simplest and most effective application is on the daily chart, in tandem with other indicators such as Fibonacci Retracements and Pivot Points. The frequency of these patterns are higher on GBPUSD than other pairs, due to the market's greater speed and volatility. If the direction of the reversal pattern is the same as the weekly bias, the probability of success increases greatly. This strategy tends to generate large profits, averaging from 100-300 pips per trade.

If a reversal pattern is spotted during the week on the **DAILY** chart, this is the checklist I run through before deciding if the trade is on.

Pre-Market Routine

Chart required: Daily

Check charts for setups at around **2100 GMT**

Entry Criteria

Is there a preceding trend (the last 3-4 preceding candles as a minimum)?

Is the price near a weekly pivot point level (Either PP, S1 or R1)? If so, may be better to wait until it gets there

Is the reversal pattern in the same direction as the weekly bias?

Has the price touched a previous support / resistance level?

Is the price at a key Fibonacci retracement level (50%, 38%, or 78%)?

Has the price touched the Bollinger Band?

Is the risk/reward ratio 1:1 or greater? If the stop loss is greater than take profit, don't bother.

If the answer to all of these questions is yes, then the trade is **on.**

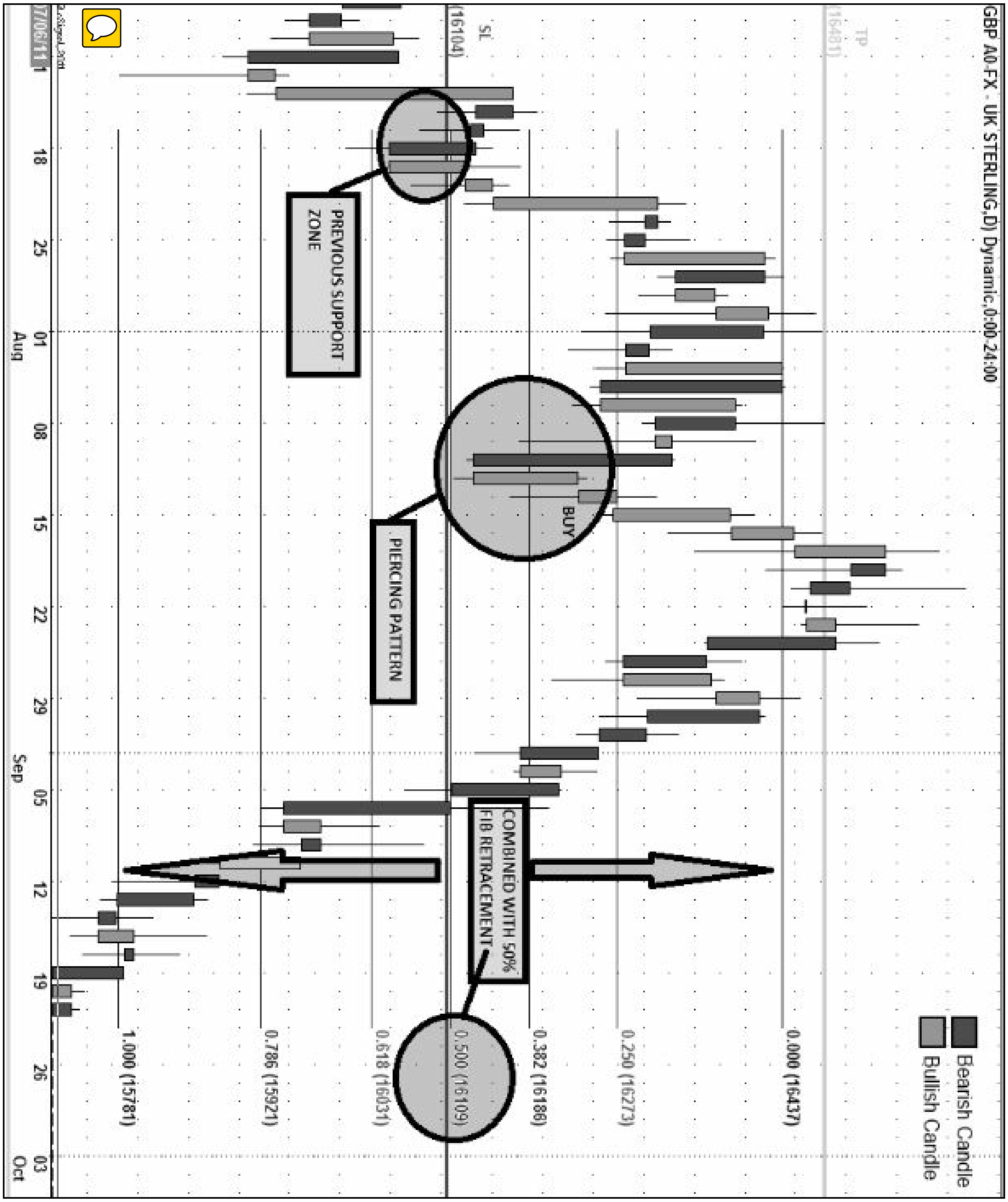
Stop and Take Profit

For the daily reversals, I use the same rules described in the diagrams in the section on Japanese candlesticks. The exact entry, stop loss and take profit levels are all defined there.

Real-Life Examples

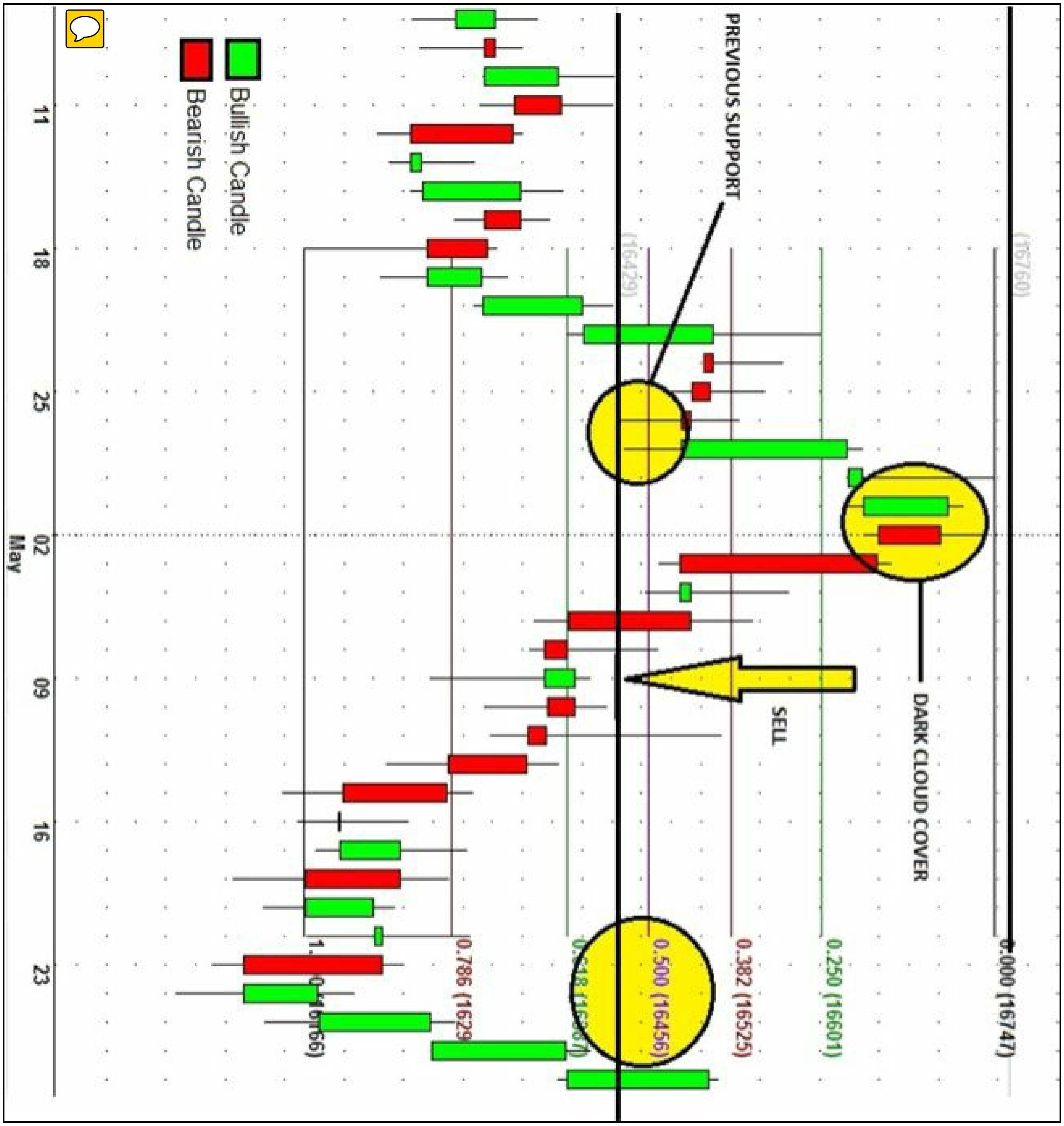
Let’s go through some worked examples to see the daily reversal strategies in action on GBP/USD.

Example 1 – Piercing Pattern in Downtrend



Notice that the chances of the trade working out are boosted by combining candlesticks with Western indicators. The support level established on the 18th July was re-tested with the piercing pattern on the 10th August. In addition, the Fibonacci retracement of 50% is in the exact same position as the support line. We would have bought, and taken profit at the previous high (1.6481). This would have made us at least **300 pips** profit.

Example 2 – Dark Cloud Cover in Uptrend



In this example, we see a previous support of 1.6429 being retested on the 25 April. Notice that the Fibonacci retracement line of 50% is around the same area. We then see the bearish dark cloud cover signal in an uptrend, and a new resistance level is established. If a sell trade is taken on 3rd May, and is closed at 1.6429, the profit would be approximately **230 pips**.

MORNING BREAKOUT

This is an intraday strategy. It is traded in the mornings, London time (GMT). It takes advantage of the market during the small window where Asian markets are closing and European markets are opening. The European and London **stock** markets also open around this time. As a result, Cable is known to be especially volatile. As always, volatility equals opportunity. This is a reliable strategy that generates 25-30 pips per trade. On average, these setups occur three to four times a week.

Pre-Market Routine

Charts required: 5 min for execution, 60 min and Daily for confirmation

Check charts for setups at around **0630-0830 GMT (please adjust to your local time zone if necessary)**

Entry Criteria

On the 60 min, find the highest and lowest point between **00:00 GMT and 06:30 GMT**. Draw two horizontal lines on the chart where the high and low are located.

Has this high/low been tested 2 to 3 times?

What is the weekly bias – buy or sell?

Is the price near a weekly pivot point level (Either PP, S1 or R1)? If so, may be better to wait until it gets there before acting.

Do the trends on the 60 min and Daily chart agree with the weekly bias?

On the 5 min chart, wait for the market to approach the line that agrees with the 60min, Daily and weekly bias (it's either the high or low)

Wait for the price to break and **CLOSE** beyond the line by a minimum of 4-5 pips

Wait for price to retrace back to the initial breakout level before entering.

If all these conditions have been met, then the trade is **on**. The entry point would be where the price retraces back to test the broken floor (or ceiling, as the case may be). Do **NOT** enter immediately after the breakout, as there is a high probability the market will retest the recently-cleared level. This should make you a few extra pips.

Stop and Take Profit

Stop Loss is 25 pips, Take Profit 25 pips.

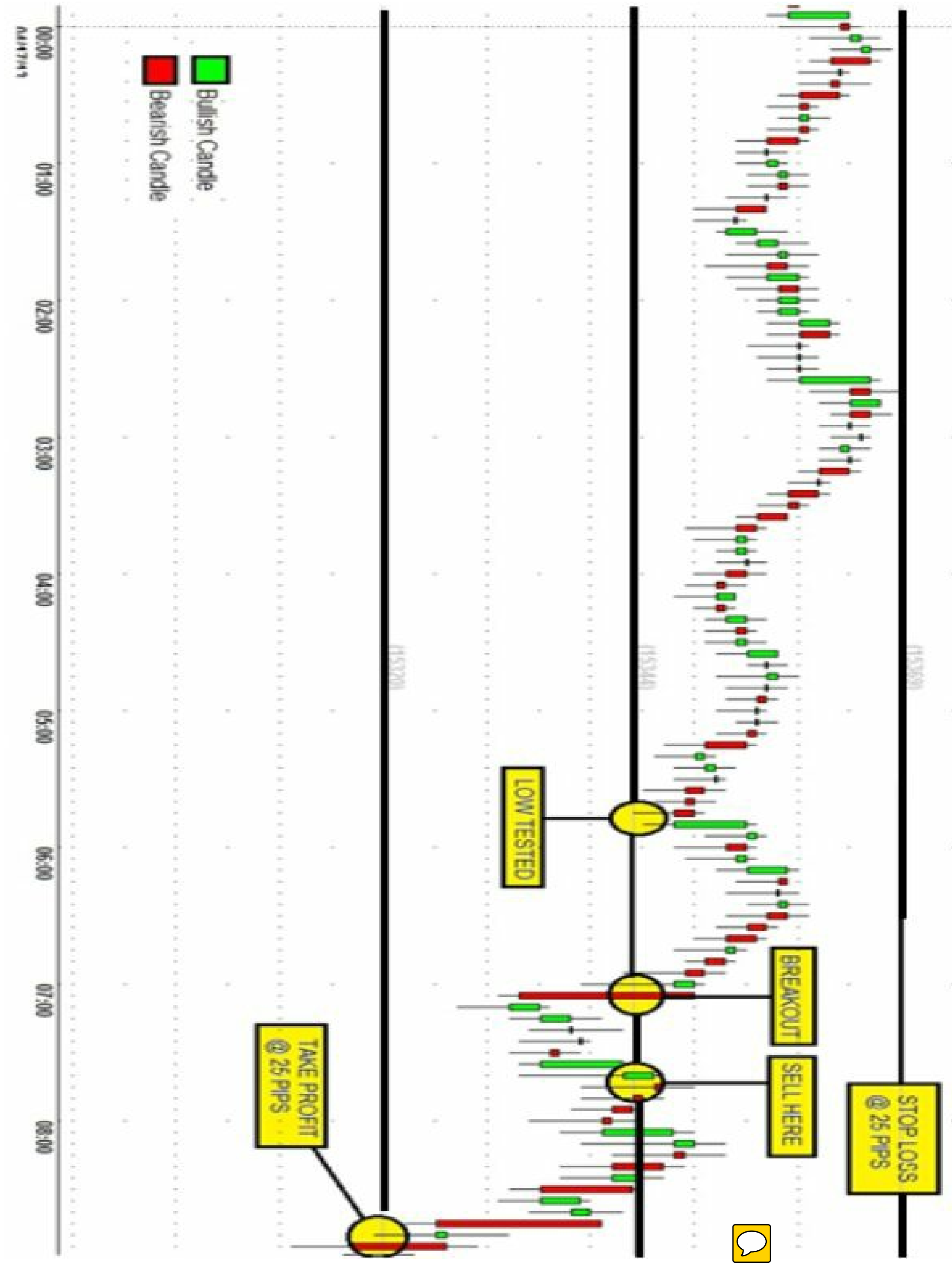
Real Life Examples

Example 1 – Bullish Breakout

(GBP A0-FX - UK STERLING,5) Dynamic,0:00-24:00
Bearish Candle
Bullish Candle
TP @ 25 PIPS
HIGH HAS BEEN TESTED 2-3 TIMES
BUY WHEN PRICE RETESTS LEVEL
SL @ 25 PIPS
MONITOR
00:00 - 06:30 GMT
15360
15350
15340
15330
15324
15320
15310
15300
15290
15280
15270
15260
15250
00:00
04/19/13
01:00
02:00
03:00
04:00
05:00
06:00
07:00
08:00

In this example, the ceiling of 1.5298 was tested three times between 00:00-06:30 GMT. The market finally broke through **and closed above** this level at 07.30. Providing that all of the entry criteria for this trade was met, we would have made 25 pips on the buy.

Example 2- Bearish Breakout



Here, we see the low being tested a few times, and then the breakout just before 07:00 GMT. The trick is not to get scared when you see a breakout move as forceful as this. Most of the time, the market **will** come back and test the recently-broken level, after breaking through. The trick is to wait. Providing that all of the entry criteria for this trade was met, the correct level to sell at would have been 1.5344 (07:30 on the chart).

Summary

The strategies that I use to trade Cable are successful for several reasons. The first and foremost reason has to be correct money management. It's quite simple; trading is a probabilities game and there will be times where you are wrong. You cannot escape this fact, so it is wise to prepare for it. These strategies have a very high probability of success, but you must still apply the golden rules of 1% risk and risk/reward ratio to every trade. The majority of traders take advantage of the high leverage facilities that brokers provide, and fall victim to it by losing all of their money.

Secondly, the strategies are based on fundamental principles. They are simple and easy to remember. Trading should be fun, not difficult. Pure price action and candlestick analysis have been used for centuries to correctly predict the movement of financial instruments. This provides the confidence to take positions. They accurately detect shifts in underlying market psychology. The volatile nature of GBP/USD compliments this perfectly, resulting in ample opportunities for retail traders like us.

The third reason is longevity. I have been trading these strategies for many years, and they have seldom changed. Human psychology does not change, and the financial markets are testament to this. Many new traders fall victim to the latest and greatest technical indicators that grace our trading platforms. They over-complicate their strategies and as a result become frustrated. For professional traders, it's like shooting fish in a barrel. My advice is to employ simple techniques with an advanced level of understanding.

Intraday strategies can be dangerous, as the market tends to generate a lot of fake signals and white noise. That being said, the morning breakouts have a relatively high success rate. This is because a lot of the institutional trading activity on Cable is carried out in the mornings (GMT). When we see a breakout, it means that the underlying psychology of the market has changed. Levels that were once rejected are now being broken. Given the particular time of day, there are enough active market participants to provide extra force behind the move. In addition, there are rarely any high-impact news releases GBP or USD-related before 09:30 GMT. Considering the morning breakout is an intraday strategy, it is traded during a relatively smooth and predictable period of the trading day.

Epilogue

I wanted to write this book to help people become successful traders. We are nearing the end of our journey, and I hope that you have learnt some valuable lessons from a real-life experienced trader, who puts his money where his mouth is. You should know how to apply the techniques I've taught you to any currency pair in the Forex market. You also know my personal trading strategies using GBP/USD. It is ultimately your call to decide which ones are best suited to your trading personality. Each trader is unique in their style and approach. With that in mind, I will leave you with a few final words.

The key to success in trading is to remove emotion, maintain discipline and apply strict money management rules. A winning strategy relies on these foundations. I have said it before, and will reiterate that the vast majority of traders lose their money because they don't know how to manage it properly. Remember, it doesn't matter how good the technical setup may be. If the risk/reward is no good, just walk away. I believe that a trader who can avoid temptation like that is a true professional.

I've learnt that to be successful in this game, you can't afford to be hot-headed. Remain honest with yourself and learn fast from mistakes that will inevitably be made. Every trader needs to take a beating from the markets, before they can appreciate winning.

Just make sure that during this phase of your trading career, your losses are manageable, and are outweighed by your gains.

I wanted to keep this book short and sweet, and have done my best to cut out all the rubbish you see in other trading publications. This is because we simply do not need to know everything to be profitable! Some of the strategies took me years to perfect, and I am confident that you will avoid the same mistakes I made, by taking the advice in this book.

Remember to work smart, not hard. Enjoy yourself trading FX.

Thank you, and to your success!

Nilesh J Patel

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Further Information

Contact me via the Conquering the Cable official blog (www.conqueringthecable.com). Stay updated with my regular market commentary, charity projects, free analysis and trading hints and tips. I always respond directly to people's questions and concerns, about the book and Forex trading in general.

FOLLOW MY REAL TRADES LIVE, AND FREE! Search for Forex Layman on Facebook and follow on Twitter to receive real-time updates!

I am a featured writer on ForexPeaceArmy.com. My forum, titled "Cable Corner", contains the latest market analysis and commentary:

http://www.forexpeacearmy.com/forex-forum/cable-corner-forex-layman/index2.html

For personal coaching sessions on Forex trading in the London area, and to view/write client testimonials, visit www.conqueringthecable.com.