

Selected excerpts for prospective students.



Trade Tactics Online Coaching Workbook

Table of Contents

WEEK 1: BEFORE THE TRADING BEGINS	5
WEEK 2: ABOUT THE TRADING	17
WEEK 3: MORE ABOUT THE TRADING	31
WEEK 4: GETTING DOWN TO TRADING	39
WEEK 5: MORE GETTING DOWN TO TRADING	51
WEEK 6: SHORT-TERM CURRENCY TRADING	90
WEEK 7: NEWS TRADING.....	139
WEEK 8: PUTTING IT ALL TOGETHER	155

[From WEEK 1: Before the Trading Begins]

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Easy way to figure out the potential profit or loss on a trade when the second currency in the pair is NOT the US dollar

- Determine what one point is approximately worth and then multiply it by the number of points you are targeting for profit or loss.

How to do this

- Simply note the second currency in the pair and divide it by its current exchange rate versus the USD. Then multiply by the lot size:
- **Example 1 -- standard account**
 - If the currency pair is EURCAD and the USDCAD current rate is 1.2200
 - $(.0001/1.2200) \times 100,000 = \8.20 per point
- **Example 2 -- mini account**
 - If the currency pair is GBPCAD and the USDCAD current rate is 1.2200
 - $(.0001/1.2200) \times 10,000 = \0.82 per point

To determine potential profits or losses multiply the US dollars per point times the number of points you wish to make or to lose

- **Example**
 - Standard account
 - Trading 1 lot or 100,000
 - Buy EURCAD and set take-profit at 50 points and stop-loss at 25 points
 - Profit target is \$410.00 (50 X \$8.20 a point)
 - Stop-loss is \$205.00 (25 X \$8.20 a point)

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What margin in Forex means when trading with an online Forex dealer

- The amount of money you need in your account to maintain a certain size position:
 - Example: Many brokers have a default leverage of 100 to 1

- That means when you open your account you will automatically get 100 to 1 leverage
- That also means you need to maintain a US dollar balance in your account equal to 1% of the position you have on to maintain that position
- **Example 1)**
 - Standard account (lot size 100,000)
 - Account balance \$10,000
 - You buy one lot of USDCAD
 - Dealer will set aside \$1,000 (1%) as margin
 - Dealer **WILL NOT CLOSE YOUR POSITION** unless your account balance falls below \$1,000
 - Unless of course you instruct the dealer to do so
 - Meaning you do a trade to close out the position or have an order to close out the trade at a pre-determined rate

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[From WEEK 4: Getting Down to Trading]

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Our proprietary long-term trading systems

- We use the daily chart exclusively for entry and exit points on both long-term trading systems
- Our first long-term trading system (moving-average penetration) takes trades in both directions. The second long-term trading system makes a determination of the direction of the long-term trend and then seeks out trades only in that direction
- Both systems can be traded simultaneously

EURUSD long-term trading system No. 1 – simple moving average (SMA):

- **Begin with a daily EURUSD chart** (this system can be adapted for other currency pairs with minor adjustments to length of moving average and penetration filter)
- **Add a 60-period simple moving average**
- **Use a 100-point penetration filter**
 - Buy when price reaches 100 points above the moving average
 - Sell out and go short when price reaches 100 points below the moving average (SAR – stop and reverse)

Most recent trade



Note the following for added insight on how to trade the 60 SMA

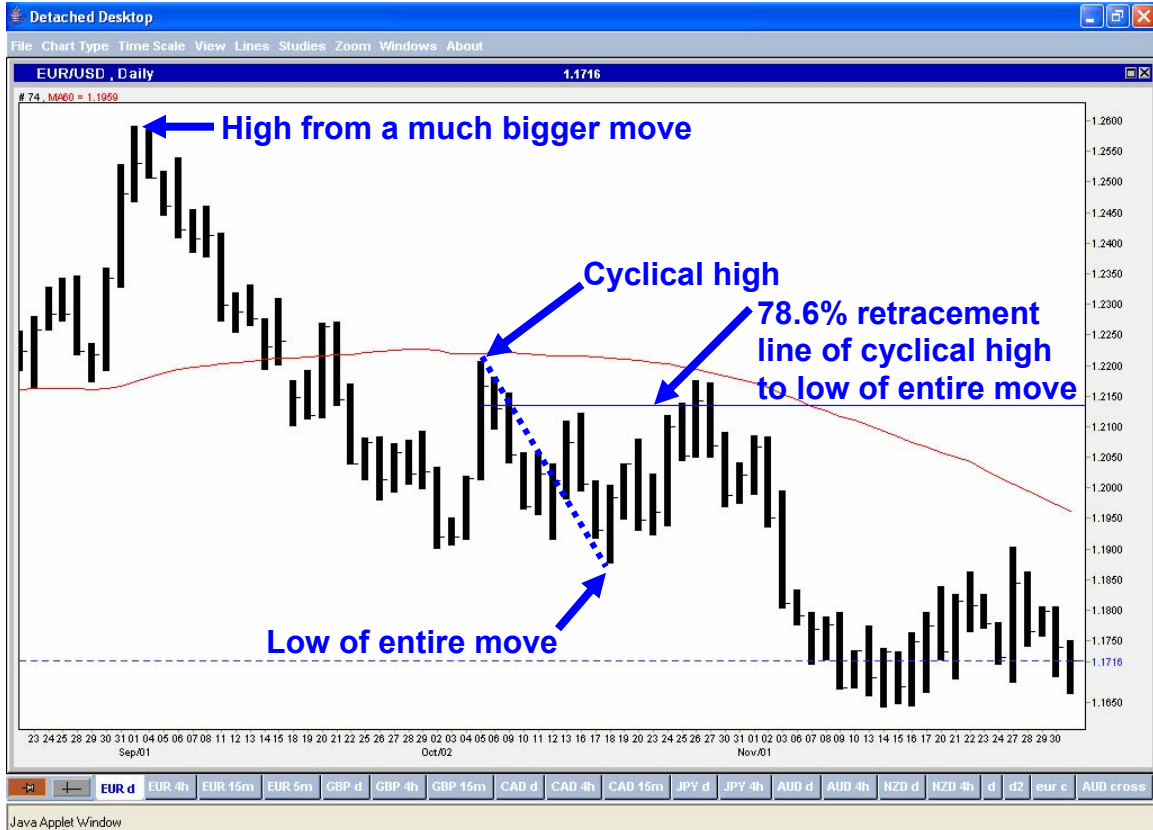
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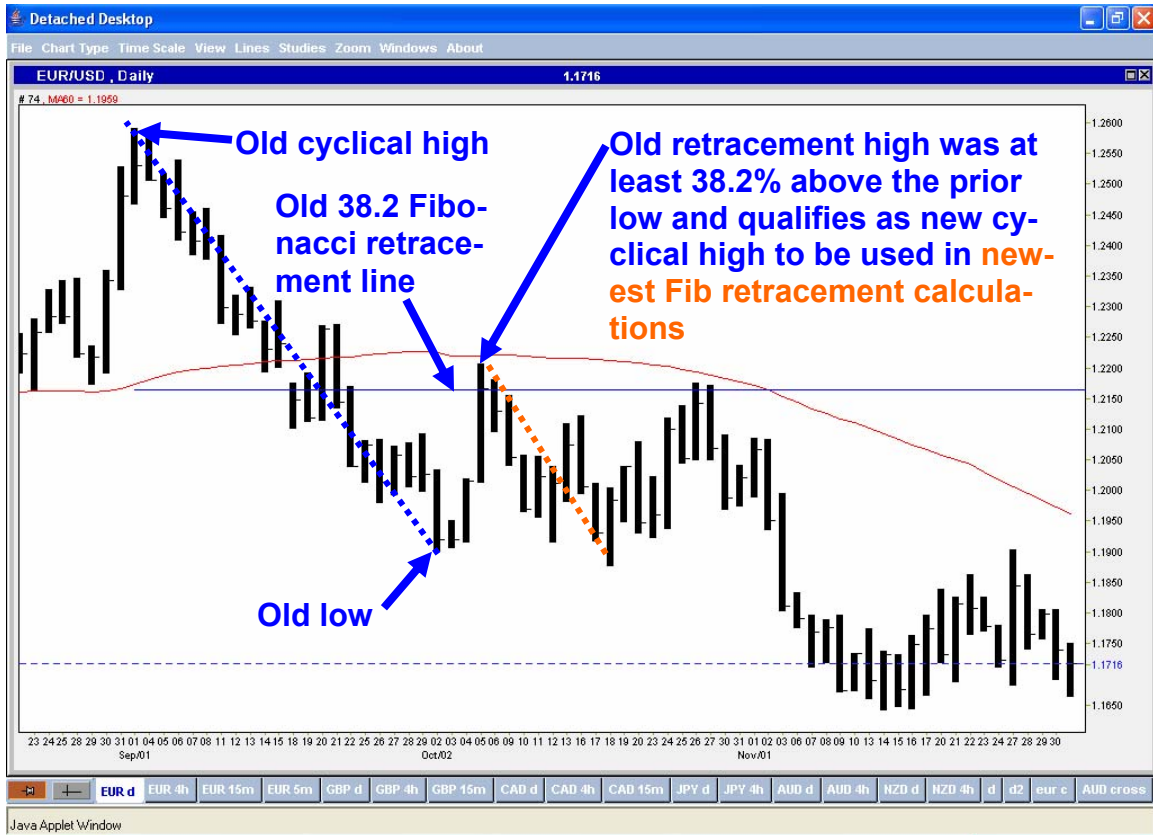
Let's go through system No. 2 in plain English

- We want to trade in the direction of the long-term trend so the first thing we do is whip out a daily chart and review the last 300 days of trading. The long-term trend should be apparent. If it's not, then there is no clear trend so it's best to stand aside for now. If there is a clear trend, then we focus on a retracement of the long-term trend so that we can enter the market in the direction of the long-term trend at a good price.
- Let's say we determine that the long-term trend in EURUSD is down.
- The next step is to identify the lowest price that occurred in the trend and draw Fibonacci retracements based upon this low.

- Here is where our methods differ from most other trading systems.
- We draw the Fibonacci retracements from the most recent cyclical high to the current low. Most traders use the high for the entire downtrend or a much larger part of the downtrend.
- Here is a picture of what we mean by a cyclical high (versus a high for the entire move or a much bigger move):



To qualify as a cyclical high the high would need to be at least a 38.2% retracement of the low prior to the most recent low. Let's look at this and it will become clearer:



- Key point here is to use the most recent significant price action in determining your Fibonacci retracements.

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[From WEEK 5:]

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What the hammer is telling the trader – For that one time period (one candle) the lower price did not stick, buyers overtook sellers at the lower levels of the candle). After a down move this could be an early warning signal that price direction may be ready to reverse or at least go sideways for awhile.

- **How to trade the hammer** - In the next candle, when price gets above the high of the hammer candle you buy and enter a stop-loss order below the low of the hammer candle.



Advantage of this trade

Stop-loss is very tight so little capital is at risk.

Disadvantage of this trade

Decision is based upon 1 period of price action; chances of this trade working are not that great.

How to improve your chances while maintaining the same entry point and stop-loss

The answer is additional confirmation and finding that confirmation is easy. Ask yourself the following questions:

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In terms of finding a buy area set-up we needed to be patient and wait for a re-tracement. The price had jumped 400 points in less than three days. A significant correction (down move) should have been anticipated; furthermore that down move should be followed by another up leg, which is where we hoped to capture a 100-point medium-term trade.

Here is where the art of currency forecasting comes into play. While it is much too soon to say an uptrend is forming in this example, we could anticipate that it will and actually begin drawing an anticipated retracement and a potential uptrend line.



Here is what actually happened:

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Medium-term trade exit strategies”

- ***The initial stop-loss on the trade is critical.***
- The risk taken must be written in your trading plan and strictly adhered to.
- If you cannot deal mentally with wide stops then choose the short-term entry techniques like 5 min 60 SMA, news trades, single candlestick patterns, and 3-bar stops on the shorter time frame charts, which have tight stops.
- If you are more of a risk taker, then use wider stop strategies on the 4-hour chart, such as:
 - Buy on first touch of Fibonacci 78.6 retracement line

- 3-bar reversal
- 60 SMA with a sensible filter
- Trendline breakout with sensible filter

Must be written in the trading plan

Write down the strategies you intend to enter and exit with. Follow your plan.

Exiting at a profit

The trade-off is simple;

- If you trail your stop too close, you will protect unrealized profits but you will give up potential profits because you will get stopped out on the first meaningful retracement
- If you keep your stop far away, you will give back a significant amount of unrealized profits but you will not get stopped out due to normal market volatility
 - Either way can work well; provided you have a good trading plan and your trading strategy is consistently applied

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35) *When constructing an uptrend line, isolated price action can be drawn through, provided none of the price action was below the prior low points used in the trendline* _____

36) *The 78.6% Fibonacci retracement line can be reached as a result of traders stopping out of trades related to a break of the 61.8% Fib retracement* _____

37) *At or near the very beginning of a new trend, the 78.6% retracement is very likely to be reached* _____

38) *The simple moving average is the only one used in currency trading* _____

39) *Moving averages are a leading indicator of price direction* _____

40) *Moving averages work best in trending markets* _____

41) *Oscillators are technical indicators that signal overbought and oversold conditions* _____

42) *The 3-bar reversal is only valid on daily charts* _____

- 43) *The 3-bar reversal is only used as an exit-trade technique* _____
- 44) *The 4-hour chart is where we start to look for medium-term trades* _____
- 45) *The medium-term strategy identifies set-ups first, and then tackles the task of finding entry trades separately* _____
- 46) *Entry points for medium-term trades are always based upon 3-bar reversals_*
- 47) *Medium-term entry strategies such as the 5-minute 60 SMA and one candlestick patterns require less capital at risk than most other medium-term entry strategies* _____
- 48) *Buying the first touch of a 78.6 Fibonacci retracement line is probably more risky than waiting for further confirmation, such as a candlestick pattern or a 3-bar reversal* _____
- 49) *The only way to exit a medium-term trade is with a 3-bar trailing stop* _____
- 50) *Exit strategies should always include a worse-case protective stop and this stop should never be increased, once initially placed* _____

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From WEEK 6: Short-Term Currency Trading

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Let's talk about finding high-probability trades

- Trends well

Trading at the right time (2am to 10:30am for entries)

- Key times to keep in mind:
 - European open - 2:00am ET
 - London opens - 3:00am ET
 - US open - 7:30am ET

Profit and loss - money targets

- Initial risk of 20-40 points at time of entry:
 - Reduce risk and take profit when appropriate as trade develops
 - Standard lot \$200-\$400
- Initial profit target of 20-30 points at time of entry

- Reduce risk and take profit when appropriate as trade develops
- Standard lot \$200-\$300

Finding and executing trades

Three-step process:

- 1) Identify a trade opportunity (set-up)**
 - Call to action (more on this shortly)
- 2) Determine if the trade is worth doing**
 - Locate the right stop-loss price (where it appears you're wrong)
 - Quantify the clear profit potential (price target)
- 3.) Decide if the trade is worth doing**
 - Is the stop less than 40 points
 - Is the profit potential at least 20 points
 - Is there news out soon (more on this shortly)

Trading toolbox – what we use:

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Add 10-point trading band



Why a 10-point trading band? Visually identifies potential trade entry signals

Possible Trade Entry Signals Occurs When...

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From WEEK 8

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points – from the pre-release price (which is the opening price on the 4:30am information box):

- 1.7418
- Subtract 50 (.0050) for sell-trade minimum price projection --1.7368
- Add 50 for buy-trade minimum price projection -- 1.7468

Here is how it looks on the chart



Entering news trades

Here is the information above as stated in the FXTE NewsTrader

Economic Indicator	Date	ET	Forecast	T/V	Pair	Buy	Sell	Record
UK industrial production	12/6	4:30am	0.2	50@0.3	GBPUSD	0.5	(0.1)	78%

Everything you would need to enter the trade is right there: