

# 12 ESSENTIAL

# FOREX TRADING SECRETS



APPLICABLE ADVICE FOR SUCCESSFUL  
FOREIGN EXCHANGE TRADING

GEORGE M. PROTONOTARIOS

# 12 Essential Forex Trading Secrets

« Applicable Advice for Successful Foreign Exchange Trading »

**For Semi-Advanced & Advanced  
Foreign Exchange Traders**



**12 Essential Forex Trading Secret  
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## **PREFACE:**

Forex brokers advertise Foreign Exchange as the place to make easy money. However, successful Forex trading requires several intellectual and emotional skills combined with an effective money management system.



The majority of Forex traders fail in the long-run, and there are many good reasons for that. This is a list of some common mistakes:

1. Over-trading promising positions
2. Ignoring trading costs
3. Using high capital leverage
4. Lacking an effective risk management system
5. Fast-entering trades (not using setups)
6. Lacking a proper trading plan
7. Lacking emotional control
8. Cutting winning trades and widening stops on losing trades

This book presents 12 tips that can help traders understand their place in the Forex market and improve their skills. Additionally, there is advice on how to use trade orders, manual journals, trade setups, and money management.

Before moving forward with the trading tips, this is some interesting advice from the veteran CBOT trader Mark Andrew Ritchie:

- Do your own research
- Keep each position size so small that it almost seems to be a waste of your time {trade small sizes}
- Have the patience to stay with a winning position as long as that position is working {run your profits}
- Recognize and control your greed
- To ride winning positions to their maximum potential, it is necessary to endure periodic losses in open profits greater than the risk level that would be advisable when a position is first implemented

If you are a retail trader, the most important trading principle is to realize that you are a little fish swimming in a large ocean of predators. Even if you pretend to be a predator, you will still be a little fish. If you wish to stay alive in the market and grow, you need to be patient, flexible, and carefully avoid all emotional hazards.

George M. Protonotarios, Athens

Financial Analyst -MSc in "Int. Banking & Finance" Salford, UK

Linkedin: » <https://www.linkedin.com/in/qexpert/>

## **Chapter-1:** The Importance of Understanding Your Place in the Market

“A retail trader is just like a little fish swimming in a pool of hungry sharks”

In every financial market, financial predators are targeting the leveraged positions of retail traders. These predators include the dealing-desks of banks, hedge funds, large investment firms, and even some market-makers. Using stop-hunting techniques, institutional traders can make easy money by targeting the ‘stops’ of small speculators. By using high capital leverage, small speculators are exposing their accounts to an extreme level of market risk. After trading for a few decades, you come to realize that small speculators are constantly feeding the large predators mentioned above.



Important to understand

Forex trading is a zero-sum game where a few people make a lot of money, and that means there are a lot of others constantly losing money. This is why the great majority of small speculators is destined to be wrong, even if it is right.

## Believing to be a shark doesn't make you a shark

Many retail traders think of themselves as sharks because they are as hungry and greedy as sharks, but their size and potential in the market match only a small fish. A retail trader who thinks himself a shark will lose all his funds in a matter of months, and then, he will blame everyone else instead of blaming himself.

To successfully understand your position in any market, start by identifying your competitive advantages and disadvantages.

### **Retail Trading vs Institutional Trading** (Advantages & Disadvantages)

The only real advantage of retail trading is the flexibility to enter and exit the market at any time. The ability to instantly enter and exit positions is a big deal, if you can take advantage of it. Institutional traders lack this flexibility and that is why they have to be extremely selective in their trades and think long-term. The main reason for the institutional inflexibility is the size of their positions. Liquidating large positions is not an easy task, especially when there is limited liquidity on the other side of the trade. Furthermore, the bureaucratic nature of institutional decision-making can create further delays between decision and execution.

Flexibility matters, however, retail traders have to deal with several disadvantages, compared to institutional traders. These are the disadvantages that the average retail trader has to face:

- Lacking sufficient capital to open professional accounts
- Paying higher trading spreads and overnight costs {Most brokers are offering better pricing to large professional accounts}

- Lacking information, as they are unable to subscribe to expensive news services {Thomson Reuters News Agency costs between \$200-2,000+ monthly}
- Being emotional, while institutional traders are being simply professional
- Trading naked (no hedging), while institutional traders implement advanced hedging techniques
- Trading only on spot, while institutional traders can also use futures, options, swaps, and forwards



This is a tip from Bill Lipschutz: (co-founder and Director of Portfolio Management at Hathersage Capital Management)

“Size is a huge advantage in Foreign Exchange. If a big buyer comes in and pushes the market 4 percent, that's an advantage. He still has to get out of that position. Unless he's right about the market, it doesn't seem like large size would be an advantage. He doesn't have to get out of the position all at once. Foreign Exchange is a very psychological market. You're assuming that the market is going to move back to equilibrium very quickly, more quickly than he can cover his position. That's not necessarily the case. If you move the market 4 percent, for example, you're probably going to change the market psychology for the next few days.”

## **Major Institutional Players**

Generally, institutional traders are large financial entities managing their own funds and/or their clients' funds. They include:

- Investment Banks
- Hedge Funds
- Mutual Funds



- Investment Firms
- Pension Funds
- Large Commercial Corporations
- Large Market-Makers

But which are the top institutional players in the Foreign Exchange market?  
The Euromoney Survey can provide a good insight.

Table: Euromoney Fx Ranking (Based on Forex Market Volumes)

Top 10 overall global market share

Overall volume (adjusted swaps\*)

2022	2021	Bank	Market Share %
1	3	Deutsche Bank	10.89%
2	2	UBS	9.69%
3	1	JPMorgan	8.67%
4	9	State Street	7.66%
5	4	XTX Markets	7.14%
6	6	Jump Trading	5.60%
7	5	Citi	4.54%
8	13	Bank of New York Mellon	4.30%
9	8	Bank of America	3.73%
10	7	Goldman Sachs	3.65%

Source: Euromoney FX Survey 2022

Notes:

- The Euromoney FX Survey 2022 is their 44th annual survey of liquidity consumption in the global FX markets
- In the 2022 survey, Euromoney received 1,062 valid responses from consumers of FX liquidity, representing total FX consumption of approximately \$99 trillion (the year 2021)

## Comparing the Behavior of Institutional and Retail Traders

The following table highlights some of the key differences in the trading behavior of institutional and retail traders.

Table: Comparing Institutional and Retail Traders

	Average Institutional Trader	Average Retail Trader
<b>Available Capital:</b>	A few million USD to several billion USD	6,600 USD on average (US average deposit)
<b>Positioning in the Market:</b>	Trading many large positions	Holding a few small positions
<b>Trading Horizon:</b>	❖ Long-Term (Several weeks to several months)	❖ Short-Term (Several hours to several days)
<b>Charting Timeframes:</b>	No Specific Timeframe	M1 to H4
<b>Financial Instruments:</b>	<ul style="list-style-type: none"> <li>- Forex on spot</li> <li>- Futures &amp; Options</li> <li>- Forwards</li> <li>- Interest Rate Products</li> </ul>	<ul style="list-style-type: none"> <li>- Forex on spot</li> <li>- CFDs</li> <li>- CFDs on Futures</li> </ul>
<b>Analysis Framework:</b>	<ul style="list-style-type: none"> <li>❖ Fundamental Analysis</li> <li>❖ Long-Term Macro Analysis</li> <li>❖ Demand/Supply Metrics</li> </ul>	❖ Technical Analysis
<b>Typical Leverage:</b>	1:1 to 10:1	10:1 to 200:1
<b>Risk Management:</b>	<ul style="list-style-type: none"> <li>✓ 1-2% Max Position</li> <li>✓ Multi-asset Diversification</li> <li>✓ Intermarket Correlations</li> </ul>	✓ Stop-Loss
<b>Hedging:</b>	<ul style="list-style-type: none"> <li>○ Always Hedging</li> <li>○ Hedging against all systematic risks</li> <li>○ Unwilling to trade 'naked'</li> </ul>	○ Almost Never

## Surviving in the Long-Term

So, how can a retail trader survive in the long-term? These are two basic steps:

(1) The first step is to realize your small size and understand all the competitive disadvantages explained previously.

(2) The second step is to create and implement a trading plan that minimizes the impact of all these disadvantages. More specifically:

- Trading small account sizes in order to limit the emotional hazards
- Not over-trading promising trades
- Executing low-risk trades by limiting capital leverage
- Entering swing trades by avoiding trading intraday
- Using specific trade setups to enter/exit the market
- Estimating the trading costs of any position, before opening it
- Using a tight money management system built on your limited funding capabilities
- Selecting safe and competitive brokers

## Chapter-2: The Need for Licensed & Competitive Brokers

“Selecting the right Forex broker is like selecting the right car before entering a competitive race”

The right broker must be able to ensure the safety of your funds but also offer competitive trading conditions. You should not choose brokers based on their promotion plans such as welcome bonuses. There are other issues much more important than a welcome bonus. Moreover, avoid new brokerage firms, and Forex companies that are not regulated by a reliable government body.



### **Ensuring the Safety of Your Funds**

A reliable Forex broker should meet the following criteria:

- Operating in the market for more than 3 years
- Domiciled in a reliable country (headquarters base)
- Licensed by a trusted government body (FCA UK, FINMA, etc.)
- Offering bank account segregation (separating client funds from corporate funds)
- Offering client compensation in case of insolvency (take a close look at the following list)

## Compensation Scheme in Case of Broker's Insolvency (very important)

A Compensation Scheme can prove a very important feature if your broker fails. A Compensation Scheme can recover part of your account's value held at the time of the failure. These are some examples:

- FINMA (Swiss)  
All foreign exchange dealers domiciled in Switzerland have been obliged to hold a banking license and that means that up to 100,000 CHF are fully covered
- FCA (UK)  
The compensation scheme (FSCS) in case of default covers up to 50,000 GBP
- ICF (Cyprus)  
The Investor Compensation Fund (ICF) covers up to 20,000 EUR
- BaFIN (Germany)  
The compensation scheme covers up to 20,000 EUR
- HCMC (Greece)  
The investor compensation scheme covers up to 30,000 EUR
- MFSA (Malta)  
The investor compensation scheme covers up to 20,000 EUR
- CBI (Ireland)  
The investor compensation scheme covers up to 20,000 EUR
- ASIC (Australia)  
There is no coverage in case of bankruptcy
- FSC (BVI)  
There is no coverage in case of bankruptcy

By dividing your available capital into many smaller accounts, you can cover large sums of money.

## **Competitive Trading Conditions**

Being competitive means being constantly oriented to your customers' needs and the greatest need for any trader is to pay low trading costs.

This is the full list of fees and commissions charged by Forex brokers:

### Fees & Commissions Types

- Trading spreads & commissions (*important for scalpers and day-traders*)
- Slippage on order execution (*important for scalpers and news-traders*)
- Overnight fees (*important for carry and long-term traders*)
- Funding fees (*mainly on withdrawals, usually not charged*)
- Maintenance fees (*on inactive accounts, usually not charged*)

To further understand trading costs, at this point, it is important to investigate how Forex brokers operate.

### Categorizing Forex Brokers

There are two main categories of brokers:

#### (i) ECN/STP Brokers (No-Dealing-Desk)

ECN/STP Forex brokers transfer their clients' orders directly to the global currency market, without intervention and price manipulation. These types of brokers are categorized as NDD brokers (No-Dealing-Desk).

- An ECN broker is electronically connected to the ECN network of banks (Electronic Communications Network)
- An STP (Straight Through-Processing) broker routes its clients' orders to liquidity providers

## (ii) Market Makers or Dealing-Desk firms




Dealing-Desk (DD) means creating a market within the market. A DD firm acts as an intermediary between the trader and the Forex market. DD firms can interfere anytime with their client's activity, and that creates a serious conflict of interest against the clients. Furthermore, DD firms are notorious for charging high slippage on order execution (traders pay higher trading costs and suffer from delays on order execution).

### Notes:


- If you plan to trade intraday, avoid Dealing-Desks
- ECN/STP brokers transfer their client's orders directly to the market and that means faster and more reliable trading conditions than Dealing-Desks
- ECN/STP brokers also offer better overnight conditions (SWAP rates) than Dealing-Desks
- However, if you plan to open swing positions by using CFDs on Futures the disadvantages of Dealing-Desks become irrelevant

Here is a comparison of large regulated Forex brokers offering competitive trading terms:

Table: Comparing Forex Brokers

ECN FOREX BROKER	KEY FEATURES	ACCOUNTS	MORE INFO
 <p>» <a href="#">RoboForex Accounts</a></p> <p><b>REGULATION:</b> FSC 000138/7 (Belize)</p> <p><b>BANK SEGREGATION:</b> European Banks</p> <p><b>ISLAMIC ACCOUNTS:</b> YES</p> <p>RoboForex was founded in <b>2009</b> and it is domiciled in <b>Belize</b></p> <p><b>Asset Index</b></p> <ul style="list-style-type: none"> <li>• 35+ Forex Pairs</li> <li>• Precious metals and other Commodities</li> <li>• Stocks &amp; indices</li> </ul>	<p><b>KEY POINTS:</b></p> <ul style="list-style-type: none"> <li>■ Fast Execution</li> <li>■ 35+ Forex pairs</li> <li>■ Very tight spreads for low deposit requirements</li> <li>■ Low trade slippage</li> <li>■ Social Trading</li> <li>■ Free VPS Hosting for automated traders</li> <li>■ Compensation scheme in case of insolvency</li> </ul>	<p><b>MINIMUM ACCOUNT: \$10</b></p> <p><b>MAM Account:</b> Only Social Trading</p> <p><b>DEPOSIT FUNDS:</b></p> <ul style="list-style-type: none"> <li>• Cards</li> <li>• Bank Wire</li> <li>• Skrill</li> <li>• Neteller</li> <li>• PerfectMoney</li> </ul> <p><b>TRADING PLATFORMS:</b></p> <ul style="list-style-type: none"> <li>• MetaTrader-4</li> <li>• MetaTrader-5</li> <li>• RStocksTrader</li> </ul>	<p>RoboForex is a good choice for intraday traders offering also a compensation scheme in case of insolvency.</p> <ul style="list-style-type: none"> <li>• Tight spreads and fast execution</li> <li>• MT4/MT5</li> <li>• Free VPS</li> </ul> <p>► <a href="#">Visit RoboForex</a></p> <p>Review Broker:</p> <p>► <a href="#">Review RoboForex</a></p>
 <p>» <a href="#">FXDD Accounts</a></p> <p><b>REGULATION:</b> MFSA (Malta) and FSC (Mauritius)</p> <p><b>BANK SEGREGATION:</b> YES</p> <p><b>ISLAMIC ACCOUNTS:</b> YES</p> <p>FXDD was founded in <b>2002</b> and it is based in <b>Malta</b> and <b>Mauritius</b>.</p> <p><b>Asset Index</b></p> <ul style="list-style-type: none"> <li>• 65+ Forex Pairs</li> <li>• 13 indices 20+ shares</li> <li>• 7 Metals and 4 energies</li> </ul>	<p><b>KEY POINTS:</b></p> <ul style="list-style-type: none"> <li>■ MT4/MT5 and FXDD WebTrader</li> <li>■ ECN Trading &amp; Tight</li> <li>■ Free Research via TradingCentral</li> <li>■ FIX/API Trading</li> <li>■ MAM Accounts</li> </ul>	<p><b>MINIMUM ACCOUNT: \$100</b></p> <p><b>MAM Account: YES</b></p> <p><b>DEPOSIT FUNDS:</b></p> <ul style="list-style-type: none"> <li>• Credit Cards</li> <li>• Bank Wire</li> <li>• UnionPay</li> <li>• Neteller</li> </ul> <p><b>TRADING PLATFORMS:</b></p> <ul style="list-style-type: none"> <li>• MetaTrader-4</li> <li>• MetaTrader</li> </ul>	<p>FXDD is a popular Forex broker offering ECN Trading and tight spreads.</p> <p>► <a href="#">FXDD Accounts</a></p> <p>Review Broker:</p> <p>► <a href="#">Review FXDD</a></p>
 <p>» <a href="#">Titanfx Accounts</a></p>	<p><b>KEY POINTS:</b></p> <ul style="list-style-type: none"> <li>■ MT4/MT5 and WebTrader</li> <li>■ NY4 and LD5 IBX Equinix</li> </ul>	<p><b>MINIMUM ACCOUNT: \$200</b></p> <p><b>DEPOSIT FUNDS:</b></p> <ul style="list-style-type: none"> <li>• Credit Cards</li> </ul>	<p>TitanFx is a multi-featured ECN Forex broker specialized in Asia.</p>



<p><b>REGULATION:</b> FSC of the Republic of Vanuatu (Reg. No. 40313)</p> <p><b>BANK SEGREGATION:</b> YES</p> <p><b>ISLAMIC ACCOUNTS:</b> YES</p> <p>TitanFx was founded in <b>2014</b> and it is domiciled in Vanuatu.</p> <p><b>Asset Index</b></p> <ul style="list-style-type: none"> <li>• 60+ Forex Pairs</li> <li>• Stock indices and shares from the US and Japan</li> <li>• Metals, Energies, and Soft Commodities</li> <li>• Crypto</li> </ul>	<ul style="list-style-type: none"> <li>■ Free VPS</li> <li>■ Trading Contests and Free Market Research</li> <li>■ Advanced EA Trading and EQUINIX NY4 ECN BRIDGE</li> <li>■ Demo Trading Account competitions</li> </ul>	<ul style="list-style-type: none"> <li>• Bank Wire</li> <li>• Skrill</li> <li>• UnionPay</li> <li>• Neteller</li> </ul> <p><b>TRADING PLATFORMS:</b></p> <ul style="list-style-type: none"> <li>• MetaTrader-4</li> <li>• MetaTrader-5</li> </ul>	<p>► <a href="#">TitanFx Accounts</a></p> <p>Review Broker:</p> <p>► <a href="#">TitanFx Review</a></p>
 <p>» <a href="#">iC Trading</a></p> <p><b>REGULATION:</b> FSC (Financial Services Commission of Mauritius) -License Number: GB21026834</p> <p><b>BANK SEGREGATION:</b> YES</p> <p><b>ISLAMIC ACCOUNTS:</b> YES</p> <p>iC Trading was founded in <b>2022</b> and it is domiciled in Mauritius.</p> <p><b>Asset Index</b></p> <ul style="list-style-type: none"> <li>• 61 Forex pairs</li> <li>• 25 Indices &amp; 2,100 shares</li> <li>• 4 metals &amp; 2 Energies</li> <li>• 9 Bonds</li> <li>• 21 Crypto Pairs</li> </ul>	<p><b>KEY POINTS:</b></p> <ul style="list-style-type: none"> <li>■ cTrader along with MT4/MT5</li> <li>■ NY4 and LD5 IBX Equinix Data Centres in New York and London</li> <li>■ Free VPS for all traders holding more than \$5,000</li> <li>■ FIX/API Trading</li> <li>■ Fast Order Execution</li> </ul>	<p><b>MINIMUM ACCOUNT:</b></p> <ul style="list-style-type: none"> <li>• <b>\$200</b> minimum for MetaTrader</li> <li>• <b>\$200</b> minimum for cTrader</li> </ul> <p><b>DEPOSIT FUNDS:</b></p> <ul style="list-style-type: none"> <li>• Credit Cards</li> <li>• Bank Wire</li> <li>• Skrill</li> <li>• PayPal</li> <li>• Neteller</li> </ul> <p><b>TRADING PLATFORMS:</b></p> <ul style="list-style-type: none"> <li>• MetaTrader-4</li> <li>• MetaTrader-5</li> <li>• cTrader</li> </ul>	<p>iC Trading is a good choice for automated trading and scalping.</p> <p>► <a href="#">iC Trading</a></p> <p>Review Broker:</p> <p>► <a href="#">Review iC Trading</a></p>

## Forex Brokers Ratings and the Rating Formula v5.0

A few years ago, I introduced a 'Forex Rating Formula' to objectively rate Forex brokers. Today, the formula is in its 5<sup>th</sup> version.

### Three Rating Categories inside the Algorithm:

The Rating Formula consists of three rating categories with a summarized (max) rating score of 100%.

#### 1. Safety of Funds (25% weight)

- Includes: Regulation, Years of Operation, Segregated Bank Accounts, Compensation Scheme, Headquarters Base, etc.

#### 2. Transaction Cost (40% weight)

- Includes: Trading Spreads and Commissions, Maintenance Fees, Withdrawal Fees, SWAP charges, Slippage on Execution, etc.

#### 3. Trading Options & Technology (35% weight)

- Includes: Variety of Trading Platforms, Asset Index, Funding Methods, Automated Trading, Scalping, etc.

BROKER FOREX RATING ANALYSIS			Beginners	Advanced	Pos	Intraday Trading	Swing Trading	Carry Trading						
<b>BROKER TOTAL RATING</b>	100.0%		1.34	1.04	1.36	0.91	1.55	0.96	2.02	1.34	1.50	1.14	1.61	0.8
		<b>77.08%</b>	<b>77.65%</b>		<b>67.40%</b>		<b>61.69%</b>		<b>66.67%</b>		<b>76.99%</b>		<b>54.72%</b>	
<b>A. BROKER SAFETY OF FUNDS</b>	<b>MAX WEIGHT -- 28.0%</b>	<b>29.83%</b>												
A.1 Broker License / Regulation	FCIA 100% = 10.0%	4.50%	6.50%	10.00%	6.50%	10.00%	6.50%	10.00%	6.50%	10.00%	6.50%	10.00%	6.50%	10.00%
A.2 Broker Client Compensation	Covered 50,000 U	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
A.3 Broker Country of Headquarters	EU, USA, Germany	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
A.4 Broker Years in the Market	10+ Years of Coins	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
A.5 Broker Client Account Segregation	Client funds isolated	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
A.6 Broker Web Ratings	Trustpilot/Scamadviser	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%
A.7 (*) Broker ADJUSTING RESULTS														
A.7.1 Broker Composite Size	1 Million Trades A	0.50%	1.00%	0.50%	1.00%	0.50%	1.00%	0.50%	1.00%	0.50%	1.00%	0.50%	1.00%	0.50%
<b>B. BROKER TRANSACTION COSTS</b>	<b>MAX WEIGHT -- 28.0%</b>	<b>17.56%</b>												
B.1 Broker spread on EURUSD	<0.2 pip = 0.2%	2.50%	2.00%	2.50%	3.75%	3.00%	5.00%	2.00%	7.00%	2.00%	2.50%	2.00%	2.50%	2.00%
B.2 Broker spread on GBPUSD	<0.25 pip = 0.3%	1.50%	1.50%	1.50%	2.25%	3.00%	3.00%	1.50%	4.50%	1.50%	1.50%	1.50%	1.50%	1.50%
B.3 Broker spread on USDJPY	<0.25 pip = 0.3%	1.50%	1.50%	1.50%	2.25%	3.00%	3.00%	1.50%	4.50%	1.50%	1.50%	1.50%	1.50%	1.50%
B.4 Broker Trade Commissions	No Commissions =	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
B.5 Overnight (SWAP) rates	Good < 0.1 = 2.00% + Bad 1	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
B.6 Broker Commissions on Funds	No Funding Fees =	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
B.7 Broker Inactive Fees	No Inactive Fees =	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
B.8 (*) Broker ADJUSTING RESULTS														
B.8.1 Broker Order Execution Model	ECN Execution =	1.50%	2.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>C. BROKER TRADING OPTIONS</b>	<b>MAX WEIGHT -- 28.0%</b>	<b>25.25%</b>												
C.1 Broker Forex Asset Index	45+ Pairs = 0.0%	0.00%	4.00%	4.00%	0.00%	0.00%	12.00%	12.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
C.2 Broker CFDs	CFD Trading on MT	2.50%	0.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

**The Forex Rating Formula 5.0**  
in action

The latest version 5.0 of the Rating Formula includes many innovations and several new rating categories.

### What is New in Version 5.0?

- I. There are three (3) rating categories instead of four (4) as in previous versions
- II. The Formula focuses more on trading cost (40% weight) while there are new parameters (such as SWAP charges and min stop-levels)
- III. For the first time, there are separate rating scores for three (3) different trading styles (Intraday, Swing, and Long-Term Traders)
- IV. For the first time, there are separate rating scores for three (3) different levels of trading experience (Beginners, Advanced, and Pro Traders)

The full documentation of the Forex Brokers Rating Formula v.5 is available at TradingCenter.org:

- ▶ <https://tradingcenter.org/index.php/88-ratings/257-forex-brokers-rating-v5>



### Find Forex Broker Ratings Based on the Rating Formula v.5

ForexExperts.net includes several broker ratings using the Rating Formula v.5.

- Compare Overall Ratings at ForexExperts.net:

- ▶ <https://forexexperts.net/index.php/compare-zone/compare-ratings/fx-broker-ratings>

- Compare Ratings Based on Three (3) Forex Trading Styles:

- ▶ <https://forexexperts.net/index.php/compare-zone/compare-ratings/compare-trading-styles>

- Compare Ratings Based on Three (3) Levels of Trading Experience:

- ▶ <https://forexexperts.net/index.php/compare-zone/compare-ratings/trading-experience>

## Chapter-3: The Need for a Manual Trading Journal

"A trading journal can provide a deep insight into your trading history. This can be particularly helpful in determining your historical progress and addressing all mistakes."

### The Limited Usage of Electronic Records

Nowadays, every brokerage account contains real-time records. This is why most traders have abandoned the use of a written ongoing record of their progress. The problem with electronic records is that they cannot include every information that is needed.



### Why Use a Manual Trading Journal?

To successfully monitor your historical progress and address any mistakes, it is better to use a manual journal. Using a manual trading journal can be very important for many reasons:

- Monitor a historical perspective of your trading activity
- Justify (briefly) the opening/closing of each trade
- Record goals and expectations

- Compare the performance of different strategies
- Compare your performance when using different brokers
- Identify which currency pairs work best for you
- Record and evaluate the frequency of all your activity
- Spot the effect of seasonality on your performance
- Identify correlations between your performance and external factors
- Highlight mistakes of the past
- Evaluate and control your trade plan
- Stay highly disciplined and well-organized
- Improve your overall trading performance

In the long-run, traders who avoid keeping a clean and detailed journal of their trading activity are unlikely to make any money in the Foreign Exchange market.

It may seem boring to keep a manual record of your activity, but just do it, and you will understand later why.



Randy McKay (Veteran trader):

“Every trader is going to have tons of winners and losers. **You need to determine why the winners are winners and the losers are losers.** Once you can figure that out, you can become more selective in your trading and avoid those trades that are more likely to be losers.

## Chapter-4: Using a Hard-Tested Trading Plan

"All successful traders use a trading plan as a book of rules governing their trading decisions."



### The Need for a Trading Plan

A proper trading plan must include all criteria for selecting trades but also detailed conditions for entering and closing positions.

#### Key Parameters of a Trading Plan

- Criteria for selecting trades
- Entry conditions (Risk/Reward Ratio, etc.)
- Lot sizes
- Forex correlation management
- Money management rules and goals
- Stop-loss orders (simple, trailing, etc.)

This trade plan should be optimized through practice and testing. It could take years until your trading plan will be fully tested.

## Testing your Trading Plan

Forex traders can test their plan in multiple ways:

- Paper writing
- Testing on a Demo Account
- Using Simulation Tools
- Using MT4/MT5 back-testing tools
- Testing on a Micro-lot Account

By back-testing a trading plan Forex traders can modify their strategies and rules to fit real market (historical) data. If the results are good, you can implement the same trading plan in real-money scenarios.

The market conditions are dynamic and change all the time so any trading plan must be able to adapt to these changing market conditions.

## Chapter-5: Using Setups and Waiting until the Market Comes to Them

"There are trading patterns that tend to occur again and again. To take advantage of those opportunities you need the right setups."

### The Need for Using Trade Setups

A trading setup is a particular configuration consisting of some general entry/exit market conditions, plus a few confirming variables:

- (1) General Market conditions (fundamental or technical conditions)
- (2) Confirming Conditions (volume peak, volatility, chart patterns, readings of an indicator, etc.)

Note that depending on your trading style, you can use a single or multiple different setups.



Given a high number of trades, the use of hard-tested setups can deliver a positive average performance. This is why Forex professionals prefer to make entries by using specific setups.

Based on technical analysis, these are some examples of popular setups.



## Examples of Trade Setups based on TA

- (1) Breakout Setup (confirmation by volume)
- (2) Continuation setup (until reversed)
- (3) Reversal setup (confirmation using MACD and RSI divergences)
- (4) Range-Boundary setup (multiple confirmations)

## The Advantages When Using Trade Setups

The use of a trade setup can lead to the automation of the decision-making process and that means saving precious time while being more responsive to a fast-moving market. More specifically these are some great advantages when using setups:

- Being prepared to take advantage of any opportunity
- Avoiding mistakes
- Automating the whole trading process
- Saving a lot of time
- Allowing to enter the early-stages of promising trades
- Reducing the emotional effect

## Wait Until the Market Comes to Your Setup

Once you have designed and tested your trade setups, you must wait until the market comes to them, not the other way around. It is a critical mistake to modify your setups to meet the current market conditions. Remember, there is no risk when a trader is out of the market.

Weak trade setups form every single day, but most probably, those setups will lead you to lose money. Professional and experienced traders wait until the market moves favorably, and only then, do they trade.

You can incorporate a great number of different TA tools in your setups, this is an example of EURUSD.

The following EURUSD daily chart includes:

- Support & Resistance
- Trendlines
- RSI & RSI Divergences
- TCI & Divergences ([more about TCI](#))

Image: EUR/USD (D1)



Martin Taylor (Emerging Markets Trader):

“If you don’t understand why you are in a trade, you won’t understand when it is the right time to sell, which means you will only sell when the price action

scares you. Most of the time when price action scares you, it is a buying opportunity, not a sell indicator.”



### **Using RSI to Spot Market Tops/Bottoms**

RSI is a popular momentum oscillator known for its ability to identify overbought/oversold market conditions. Moreover, it can be used for spotting divergences between the price chart slope and the RSI slope. When spotted on higher timeframes, these divergences can confirm trend reversals at an early stage.

Using RSI on higher timeframes (daily, weekly, monthly):

- Identifying overbought/oversold market levels:
  - RSI readings 70-80 indicate an overbought market
  - RSI readings 20-30 indicate an oversold market
- Trading signals based on RSI crossovers:
  - A cross over 30 is a buying signal
  - A cross under 70 is a selling signal
- Trend reversals based on RSI divergences:
  - Divergences between the price chart and the RSI slope can indicate a trend reversal.

## Introducing the Enhanced RSI Precision

RSI has several limitations when used in highly volatile markets, especially on higher timeframes. RSI readings on higher timeframes are quite 'choppy' and inaccurate. This is why I have built an enhanced version of RSI, which I called RSI Precision. The new oscillator combines RSI with price momentum and periodic volatility, which makes it ideal for analyzing volatile assets. The RSI Precision formula incorporates three (3) components:

- (i) RSI Component
- (ii) Price Momentum Component (added on RSI readings)
- (iii) Market Volatility Component (optionally added on RSI readings)

### RSI Precision's basic features

- Making the classic RSI more accurate on higher timeframes, where RSI readings are hardly readable
- Identifying overbought/oversold market levels in a simple and user-friendly manner
- Making precise calculations near market tops/bottoms where volatility peaks

### RSI Precision on Bitcoin

The following chart is a weekly BTC/USD chart and includes both RSI Precision and the classic RSI. We can observe the increased accuracy of RSI Precision on higher timeframes.

Note that the red arrows automatically appear when RSI Precision crosses under level 100.

Chart: Comparing RSI to RSI Precision (BTC weekly)



Observations on RSI Precision readings:

- When RSI Precision reached level 100 on the weekly chart, it was a sign of an extremely overbought BTC market (macro top).
- It is quite interesting that all BTC bear markets ended when RSI Precision reached exactly level 20 (macro bottom).

RSI Precision divergences

RSI Precision can also identify potential trend reversals based on divergences between the price and the RSI slope. Historically, these signals have proved quite powerful for spotting trend reversals.

- An RSI divergence means that the price moves in the opposite direction of the RSI slope
- RSI divergences on high timeframes are considered early signs of trend-reversals
- MACD divergences on high timeframes are equally important

This is an example of an RSI divergence during the 2021 Bitcoin bull run.

Chart: RSI Precision divergence on the daily chart



In the above chart, RSI Precision creates a huge divergence in the daily timeframe. The price slope is ascending, but the RSI Precision slope is descending. Later, the market creates a macro top, and the trend emphatically reverses.

### **Add RSI Precision for Free**

You can add RSI Precision on TradingView and use it completely for free.

RSI Precision is a free TA tool -You can add it for free here:

- Add RSI Precision for free here on TradingView:

<https://www.tradingview.com/script/cTEWnHdU-RSI-PRECISION-v-3>

- More About RSI Precision on TradingCenter:

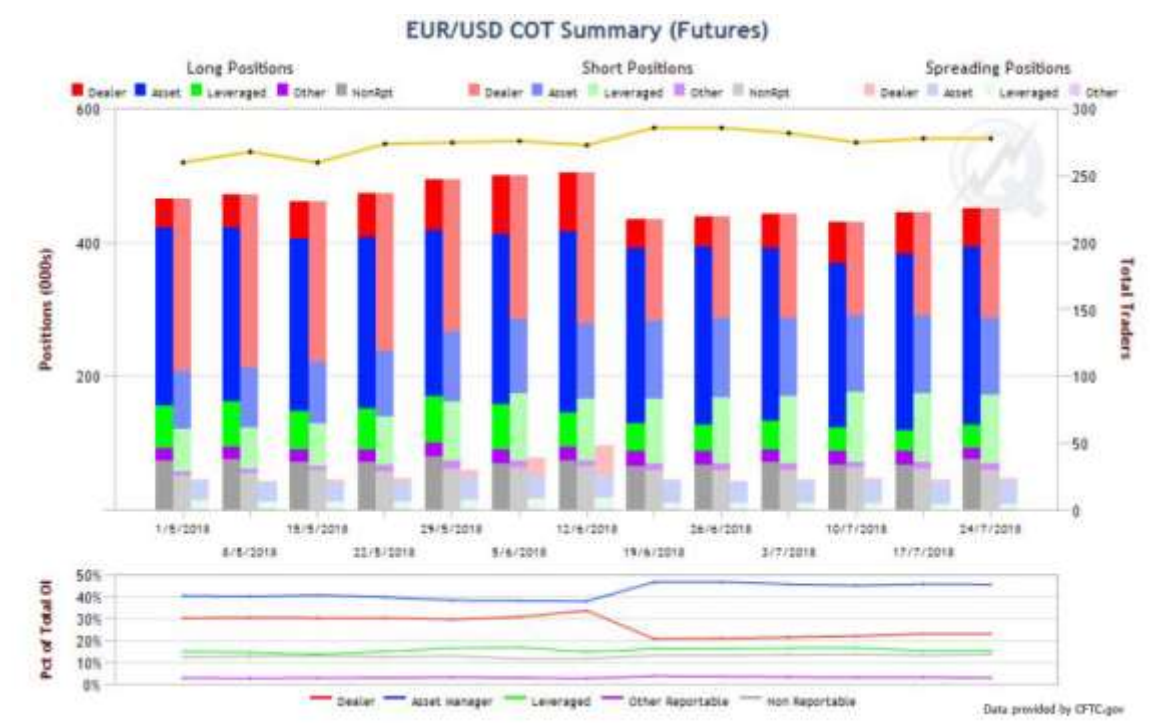
<https://tradingcenter.org/index.php/train/rsi/365-rsi-precision-3>

## Chapter-6: Constantly Monitoring the Positions of Large Players (COT Report)

"The Commitment of Traders (COT) report is a valuable insight into the expectations of large institutional traders."

### The Commitments of Traders Report

The COT report is published on a weekly basis (3:30 EST, Fridays) by CFTC and presents information about interest rates, stock indices, and Forex rates. It is important to note that this report can prove useful only within a historical context. This is an example of EURUSD.



The COT report summarizes and presents the total positions of three different market participants in the US Futures Market.

- (i) Commercial Traders
- (ii) Non-Commercial Traders
- (iii) Small Speculators

## Commitments of Traders Report Analysis

The COT Report includes the following information:

- (1) Open Interest Positions (Futures & Options)
- (2) Short Report
- (3) Long Report
- (4) Number of Traders
- (5) Reportable Positions
- (6) Non-reportable Positions
- (7) Spreading

## Using the COT Report

Traders can use the COT report to spot changes in the positions of 'smart money'. This information can prove helpful in identifying the early-changes of strong market trends.

As mentioned at the beginning of this book, 'small speculators' are destined to be wrong regarding their expectations. On the other hand, commercial traders understand better the dynamics of the market and copying their positions has a better chance of profit. As a general rule:

- Go in the opposite direction than Small Speculators
- Imitate the positions of key players in the market, such as Commercial Traders and Large Speculators

## Observations for Forex Traders

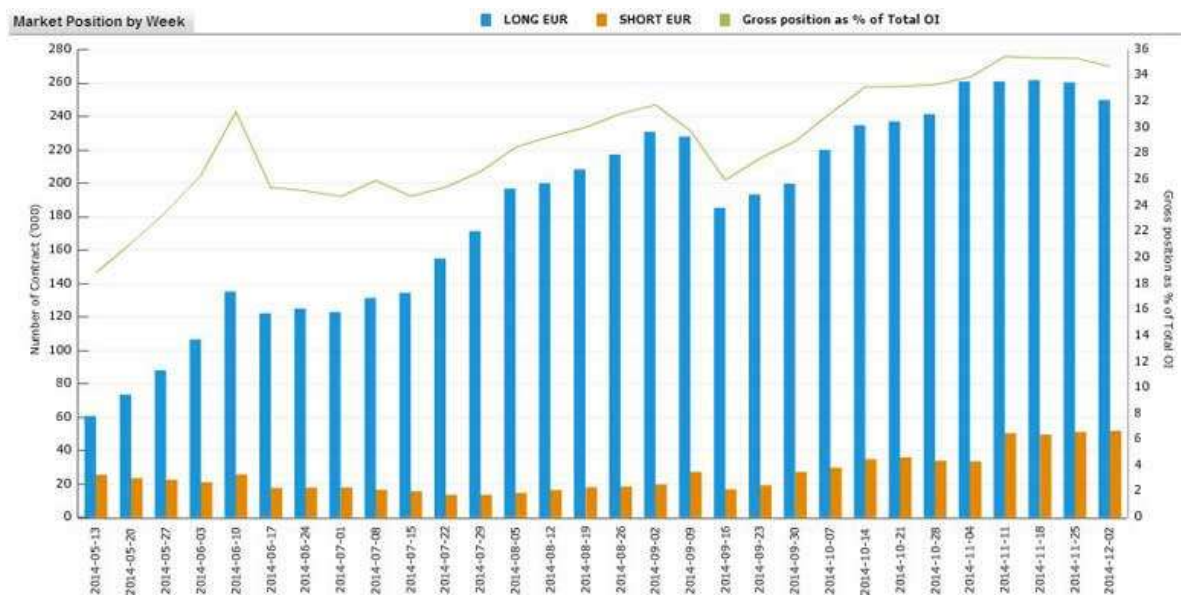
As concerns the Foreign Exchange market, the COT report includes EURUSD, USDJPY, GBPUSD, USDCAD, USDCHF, and AUDUSD, plus a few more Dollar-based pairs such as the USD against the Russian Ruble and the USD against the Mexican Peso



- The COT report can prove useful to Forex Investors only if they use it within a historical context. Forecasting the Forex market by using individual COT reports can lead to false forecasts
- Significant changes in the positions of non-commercial traders may indicate upcoming trend reversals in the Spot Market

### Online Commitments of Traders Tool

The COT report can be used as a tool for analyzing prices in a historical context and understanding whether institutional traders are bullish or bearish. For once more remember the COT report is a useful tool only if you use it within a historical context.



### Free COT online tools:

- ▶ [CFTC -Commitments of Traders](#)
- ▶ [CME Forex Futures COT](#)

## Chapter-7: Following a Risk-Event Calendar

"A Risk Calendar is an online tool that can prepare Forex traders towards key upcoming events in the Foreign Exchange markets."

### Using a Risk Event Calendar

No matter if you are an intraday trader or a swing trader you should always consult a weekly Risk Event Calendar.



This is how Forex Traders can use a Risk Event Calendar:

- Spot key upcoming news releases
- Identify critical upcoming events
- Assess the effect of upcoming news in particular Forex pairs
- Analyze the correlation effect (in related assets)
- Trade on the right side of the news
- Change your strategy to adapt to upcoming market volatility
- Modify your risk exposure
- Widen or shorten your stop-loss orders
- Implement hedging techniques against uncertainty
- Avoid or postpone the opening of new positions

## Creating a Free Basic Risk Calendar

The use of advanced Forex risk calendars may require a monthly subscription, however, you can create and use one for free.

Here is what you have to do:

Step-1: Visit [myfxbook.com/forex-economic-calendar](https://myfxbook.com/forex-economic-calendar)

Step-2: Select the currencies of your interest (along with EUR, USD)

Step-3: Select High-Impact Events (you can add Medium-Impact)

Step-4: Print (save) the results of the upcoming week

Image: EUR and USD Economic Calendar

Date	Time left		Event	Impact	Previous	Consensus	Actual	All None
Thursday, Jul 25, 2024								
Jul 25, 14:30	3h 58min	🇺🇸	USD Jobless Claims 4-week Average (Jul/20)	HIGH	224.75K	236K		
Jul 25, 14:30	3h 58min	🇺🇸	USD Durable Goods Orders MoM (Jun)	HIGH	0.1%	0.3%		
Jul 25, 14:30	3h 58min	🇺🇸	USD Initial Jobless Claims (Jul/20)	HIGH	343K	238K		
Jul 25, 14:30	3h 58min	🇺🇸	USD Continuing Jobless Claims (Jul/13)	HIGH	1867K	1860K		
Jul 25, 14:30	3h 58min	🇺🇸	USD Durable Goods Orders ex Defense MoM (Jun)	HIGH	-0.2%	0.1%		
Jul 25, 14:30	3h 58min	🇺🇸	USD Durable Goods Orders Ex Transp MoM (Jun)	HIGH	-0.1%	0.2%		
Jul 25, 14:30	3h 58min	🇺🇸	USD GDP Growth Rate QoQ (Q2)	HIGH	1.4%	2%		
Friday, Jul 26, 2024								
Jul 26, 09:00	22h 28min	🇪🇺	EUR Retail Sales MoM (Jun)	HIGH	-0.6%	0.3%		
Jul 26, 09:00	22h 28min	🇪🇺	EUR Unemployment Rate (Q2)	HIGH	12.29%	11.4%		
Jul 26, 09:00	22h 28min	🇪🇺	EUR Retail Sales YoY (Jun)	HIGH	0.2%	1.5%		
Jul 26, 14:30	1 day	🇺🇸	USD Personal Income MoM (Jun)	HIGH	0.5%	0.4%		

## Chapter-8: Running Your Profits and Cutting Your Losses



Michael Platt: "In this game, you want to be there when the great trade comes along. It's the 80/20 rule of life. In trading, 80 percent of your profits come from 20 percent of your ideas."



As the hedge fund manager Michael Platt argues, 80% of your profits comes only from 20% of your trades, therefore, you need to run these profitable trades, not to cut them early.

### Avoid Changing Your Initial Pending Orders

- Don't change your take-profit point unless there is new fundamental data that can change the perspective of the trade, or unless the market is moving incredibly fast.
- If the market moves immediately unfavorably, avoid moving further your stop-loss. It is better to accept your loss and maintain your pre-defined stops.
- Statistically speaking, widening your stops means suffering a greater loss. That is why professional traders advise: "Cut your losses".

## Use a Trail-Stop Order (if your trade is well into profit)

If you feel the market is about to reverse unfavorably to your desired direction, you can always use a trail-stop. A trail-stop can help you 'lock' a great part of your profits. The important thing here is to use a trail-stop only if your trade is well into profit.

## Aiming Targets within a Price Channel

Forex pairs usually trend within strong price channels:

- Search for a price channel (H4 or D1 chart)
- Draw the two boundaries (trendlines)
- If your position is Long (↑) your target price must be always below the upper boundary
- If your position is Short (↓) your target price must be always above the lower boundary

Image: Forming Price Channels (D1)



## **Chapter-9: Only Trading Small Accounts and Constantly Protecting your Portfolio**

As my father used to say: "The greater achievement in life is to be able to sleep at night."

### **The Need for Constantly Managing Risk**

If you risk too much and accept position sizes above your funding capabilities, you will end up living your life with uncertainty and fear. This negative emotional status will affect your decision-making process and lead you to lose money.



Colm O'Shea (Global Macro Trader):

"You need to implement a trade in a way that limits your losses when you are wrong, and you also need to be able to recognize when a trade is wrong."

Don't let your trading action interfere with your life and your sleep at night. There is only one way to do that. Don't overtrade and don't be greedy. Protect your portfolio and protect your state of mind. Over-trading does not increase the likelihood of making money, on the contrary, it increases your risk exposure and trading costs.

## Trading Small Account Sizes

It is better to trade many small accounts instead of a single large account. This will provide you with an enormous advantage, especially if you maintain your positions during weekends. In many cases, a stop-loss order will not be filled after the weekend. That means that theoretically, you can lose more money than your stop-loss dictates. If you trade small accounts, you can avoid 100% of the risk of unfilled stops.

- “Don’t Put all your Eggs in the Same Basket” or else “Don’t put all your Money in the Same Trading Account”



## The Right Approach

Enjoy growing a small account, and if this account makes good money, then withdraw 2/3 of your profits into your bank account and leave your initial capital plus 1/3 of the profits.

Another advantage of growing small accounts is that you can eliminate fear. Fear that your positions may generate huge losses, fear that your initial stops can remain unfilled, fear that your broker may face bankruptcy, etc.

## Protect Always Your Portfolio

A stop-loss is a very important trading order, especially if you trade a single large account. Your trading system should indicate where to place your stops. Every trade position must include a stop-loss order. As explained before, you should not widen your stops if the market moves unfavorably. Professional trades cut their losses short.



### Trading -The 1% and 2% Rules

If you trade one single large account, you need to follow some basic rules. Many professional traders follow the 2% rule and that means no trading position should be worth more than 2% of a portfolio. Other larger asset managers follow the 1% rule and that means no trading position should be worth more than 1% of a portfolio.



## **Chapter-10:** The Sweet Spot of Forex Trading Occurs When Long-Term Trends Complete a Correcting Phase

### **Becoming a Swing Trader**

To trade the sweet spot of a strong Forex trend, you can implement a swing trading strategy. Swing trading is a risk-averse trading style that involves holding trades for several days, even for a few weeks.



Swing and long-term traders avoid a great variety of market risks, especially the annoying short-term market noise.

#### Benefits of Swing Trading:

Swing trading is one of the most profitable Forex trading styles. These are some key advantages:

- Avoiding the annoying short-term market 'noise'
- Minimizing the negative effect of frequent trading (paying less cost)
- Avoiding the stop-hunting techniques of institutional traders
- Minimizing the effect of uncertainty (unfavorable news and events)
- Taking advantage of strong-trends
- Occasionally taking advantage of positive overnight rates (swaps)

- Minimizing the emotional risk of trading intraday

### Central Banks Dislike Directional Movements

Forex currencies cannot behave like corporate stocks. A corporate stock can move from \$50 to \$90 and then to \$60 in a few weeks, or even in a few days. Major central banks will not allow such movements to happen in the exchange rates of their domestic currencies. Extreme market volatility can jeopardize the stability of the domestic financial system and can permanently hurt the economy. Central banks will always take action to stabilize their domestic currencies in extremely choppy market conditions. Consequently, Forex pairs trend in waves with correctional channels that offer ideal opportunities for opening swing positions.

### Trading Strong Trends

Forex currencies trend in big bullish/bearish waves. These trends last usually from several weeks to several months and can provide the opportunity to execute profitable trades. There are always good opportunities in both bull and bear markets. Let's investigate an example of the USD/CAD pair.

Image: USDCAD (H4)



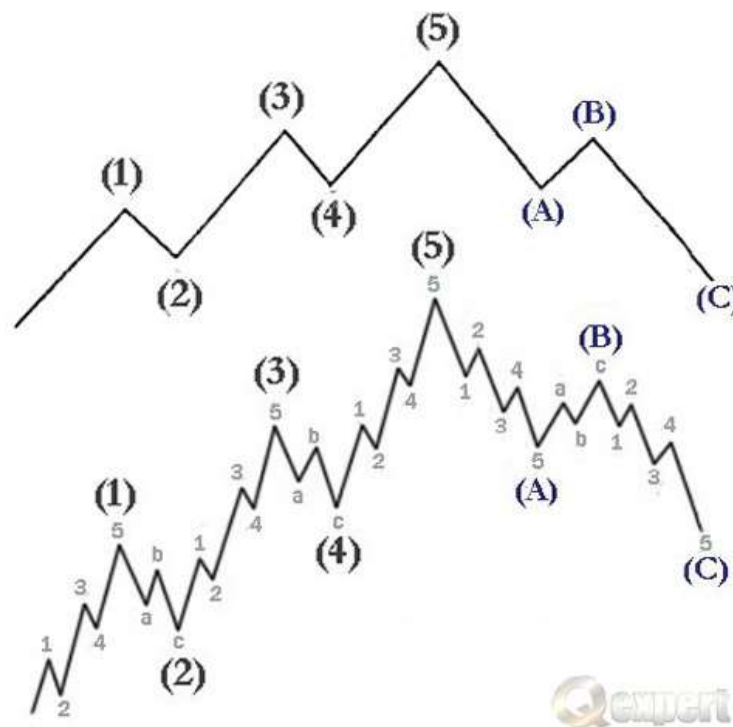
In the above example, there is a strong ongoing bullish trend for USDCAD. To find the sweet spot for riding the trend we use MACD (12,26,9). The indicator produces several entry points.

### The Elliott Wave Theory

Another way to analyze and trade Forex trends is by using the Elliott wave theory. As Elliott said, what appears random and unrelated will trace out a recognizable pattern once you learn what to look for. The Elliott Principle tries to explain the Investor's psychology, which is constantly moving from extreme pessimism to extreme optimism in a natural order that creates a specific pattern. According to Elliott, every action is followed by a reaction:

- Five (5) waves move in the direction of the master trend, and then
- Three (3) waves follow the corrective phase
- All waves together (5+3) form a complete market cycle

Graph: The basic Elliott Wave Theory and its extension in 34 waves



## Overall Conditions for Profitable Swing Trading:

- Spot strong-trends in the H4 (4-Hour), D1 (daily) and W1 (weekly) charts
- Use your setups (as explained before) to confirm any trade and calculate your entry points with precision
- Don't try to enter the market before the sweet spot occurs (wait for the market to meet your setup)
- Use pending orders to open positions at the correct levels (don't use market orders unless you are sure)
- Place your stop-loss at the correct levels (at least 70 pips away from the key support/resistance levels)
- Stay close to your trading plan
- Stay close to your money management rules
- Do not overtrade
- Run your profits without fear
- If your position turns highly profitable use a trail-stop order
- New fundamental data can reverse strong trends, thus you need to monitor a weekly risk economic calendar (as explained in Chapter-7)

Do not forget to run your profits. Furthermore, the use of a trail-stop order can minimize the ongoing market risk and can 'lock' a great portion of your profits.



Michael Platt (Hedge Fund Manager):

"There are three things you need to make money in a market. You need a decent fundamental story, a good trend that looks like it will carry on, and the market handling news the way you think it should. Bull markets ignore any bad news, and any good news is a reason for a further rally."

## **Chapter-11: Never Trading Against a Major Central Bank**

“Central banks are the most important players of the Foreign Exchange market, along with some large investment banks.”

### **Trading on the Same Side with Major Central banks**

For a central bank, the control of the domestic currency is essential for implementing a proper monetary policy. In this context, central banks can use a wide variety of tools in order to control favorably their currencies against other major currencies, especially against the US Dollar.

At a glance, these are the central banks playing a vital role in our modern trading universe.



### The Major Central Banks in the Foreign Exchange Market:



#### US DOLLAR – US Federal Reserve System (FED)

As the US Dollar is involved in 88% of all currency transactions, the Fed's policies affect (directly or indirectly) all Forex pairs. Note that the FOMC

(Federal Open Market Committee) is responsible for the US interest rate policies.

- Goals: Sustainable GDP Growth and Price Stability (long-term inflation)
- Meetings: Eight times a year



#### EURO - European Central Bank (ECB)

- Euro is involved in 31% of all currency transactions and ECB is certainly a very strong Forex market player.

As a central bank, the European Central Bank does not like surprises and prepares the currency market before deciding on a change to interest rates. The European Union is also a great exporter of goods and services and it will take action against an excess appreciation of the Euro currency. The decision-making of the ECB is highly dependent on German macroeconomic data.

- Goals: The main goal is Price Stability (long-term inflation) and then Sustainable Growth
- Meetings: Bi-weekly



#### JAPANESE YEN - Bank of Japan (BoJ)

- The Japanese Yen is involved in 22% of all currency transactions.

You certainly do not want to trade against the Bank of Japan as it holds a massive amount of Foreign Exchange reserves (\$1.3 trillion) and it can manipulate easily the exchange rate of the Yen according to its goals. As Japan is an export-dependent economy, the BoJ often takes action in order to weaken its currency by selling it against the USD and Euro.

- Goals: Growth and general stability of the financial system
- Meetings: Once or twice a month



### BRITISH POUND STERLING - Bank of England (BoE)

- The British Pound Sterling (GBP) is involved in 13% of all currency transactions.

The BoE's policy focuses on keeping the financial system stable and maintaining long-term confidence in the British currency. The Bank of England had to cope with many hazards, after Brexit.

- Goals: Monetary and Financial Stability
- Meetings: Monthly



### SWISS FRANC - Swiss National Bank (SNB)

- The Swiss Franc is involved in 5% of all currency transactions.

The Swiss National Bank is a very strong central bank holding massive Foreign Exchange reserves. The Swiss economy is also an export-dependent economy and SNB will take action if its currency is becoming too strong against the US Dollar and the Euro.

- Goals: Monetary and Financial Stability
- Meetings: Quarterly

## Chapter-12: Do Your Research and Create Your Own Trading Signals

"The Best Predictive System is your Own System."



Building your own technical analysis predictive system is a demanding task requiring a good understanding of technical analysis and how real price action works in Forex trading. The best way to do build your system is by combining two or (maximum) three indicators.

### Recommended Indicators:

- MACD on H1, H4, D1 charts
- MACD Price Divergences on H1, H4, D1 charts
- Ichimoku Kinko Hyo (*complicated indicator but performs great in Forex trading*)
- RSI & Price Divergences on the D1 chart
- RSI Precision & Price Divergences on the D1 chart
- Bollinger Bands (*only for calculating market volatility*)

### Other Key Technical Analysis Methods:

- Long-term support and resistance
- Price Channels



- Key Trendlines
- Price Patterns and Candlestick Formations
- Harmonic Patterns

Image: Combining Harmonic Patterns, Support & Resistance, and Trendlines



Here are some general tips:

- ✓ Keep your readings simple and clear
- ✓ Prefer to use the H4, D1, and W1 charts where market noise has no effect
- ✓ Confirm your entry/exit points in a shorter timeframe
- ✓ Back-test your system using historical data
- ✓ Use your system on a Demo Account and then to a Micro-Lot account before using it on a Standard-Lot account
- ✓ Don't overtrade your positions

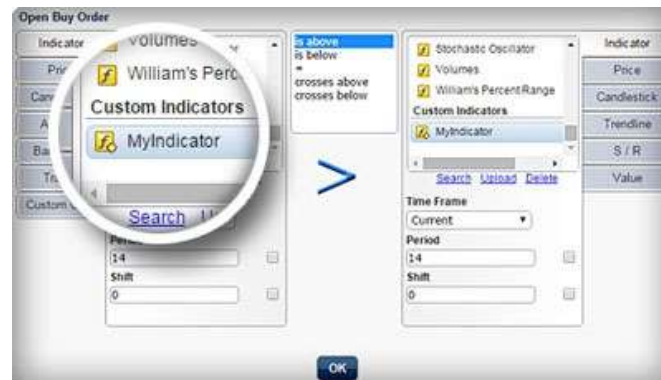
Important:

Technical Analysis alone cannot create a fully independent trading system. Indicators are useful only as part of a complete trading system which also includes an entry/exit strategy and a money management system.

## **The EA Builder Application** (Free for Creating Indicators)

EA Builder is an excellent free online application that can help traders create custom indicators without requiring any programming skills. The application is free but you have to create an account. There are no time limits for creating free indicators.

- Creating MT4/MT5 indicators is completely free
- To create a fully automated trading robot (Expert Advisor) you need to pay a one-time fee (\$97)
- Stand-alone indicators and Expert Advisors for trading any Financial Market including Forex currencies, equities, bonds, crypto, etc.



### Basic Features:

- Free for creating indicators for MT4, MT5, and TradeStation
- No need for programming skills
- Analyze any financial asset listed on MT4 (Forex, Equities, Crypto, etc.)
- Alert service via eMail, SMS, Audio, and On-Screen
- Full money-management control & time parameters
- Create a fully automated trading robot (for EAs a one-time fee is required)

### Download Free Indicators for MetaTrader 4 and TradeStation

» [Download Free Indicators for MT4 or Tradestation](#)

## SUMMARY: KEY POINTS

These are some of the key things you need to remember:



### (A) Understanding Your Position in the Market & Choosing the Right Partners:

- Forex trading requires several intellectual and emotional skills.
- The most important trading principle is to realize that you are a little fish swimming in a large ocean of predators. If you wish to stay alive in the market and grow, you need to be patient, flexible, and carefully avoid any hazards.
- To understand your position in the market you need to identify your competitive disadvantages. Afterward, you need to create a strategy in a way that minimizes the effect of these competitive disadvantages.
- Selecting the right Forex broker is like selecting the right car before entering a competitive race.
- The right Forex broker must provide real security of client funds plus to offer competitive trading conditions.
- If you plan to trade intraday, avoid Dealing-Desk firms and prefer to trade with ECN/STP brokers.

## (B) Building Your Own Trade System:

- The best predictive system to trade any market is your own system.
- Technical Analysis alone cannot create a fully independent trading system. Indicators are useful only as part of a complete trading system which also includes an entry/exit strategy and a money management system.
- Implementing a trade plan and maintaining a journal of your trading activity is very important.
- All successful traders use a trading plan as a book of rules governing their trading decisions. A proper trading plan must include all criteria for selecting trades but also detailed conditions for entering and closing positions.
- Trading journals provide a deep insight into your trading history. This can be particularly helpful in determining your overall progress and addressing any mistakes.
- Use a Risk Calendar. A Risk Calendar is a tool that can prepare Forex traders for key upcoming events in the Foreign Exchange markets. No matter if you are an intraday trader or a swing trader you should always consult a weekly Risk Event Calendar.

## (C) Forex Trends, Setups, and Swing Trading:

- Forex currencies trend in big bullish/bearish waves. These trends last usually from several weeks to several months and can provide the opportunity to execute profitable trades.
- To take advantage of a strong trend you need the right setups. A trading setup is a particular trading configuration consisting of some general conditions and a couple of confirming variables.
- It is a critical mistake to modify your setups in order to meet the current market conditions.

- Forex pairs usually move within strong price channels. Search for the master price channel in the H4 or D1 charts.
- To trade the sweet spot of a strong Forex trend you need to implement a swing trading strategy.
- Swing trading is a risk-averse trading style that involves holding trades for several days, even for a few weeks. Swing and long-term traders avoid a great variety of market risks, especially the annoying short-term market noise.

(D) Money Management & Trading Orders:

- If you risk too much and accept position sizes above your funding capabilities, you will end up living your life with uncertainty and fear. The greatest achievement in life is to be able to sleep at night.
- One of the best strategies you can apply is to trade many small accounts instead of a single large account. This will provide you with an enormous advantage, especially if you maintain your positions during weekends.
- Enjoy growing a small account, and if this account makes good money then withdraw 2/3 of your profits into your bank account and leave your initial capital plus 1/3 of the profits.
- Run your profits and cut your losses. 80% of your profits come from only 20% of your trades, therefore, you need to run these profitable trades, not to cut them early.
- Don't change your take-profit point unless there is new fundamental data or unless the market is moving incredibly fast.
- If you feel the market is about to reverse unfavorably to your desired direction, you can always use a trail-stop.
- A stop-loss is a very important trading order, especially if you trade a single large account. Your trading system should indicate where to place your stops.

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- (3) THE WAVE PRINCIPLE {RALPH NELSON ELLIOTT}
- (4) THE ELLIOTT WAVE PRINCIPLE: KEY TO MARKET BEHAVIOR {ROBERT PRECHTER}
- (5) TRADING THE DECENTRALIZATION OF THE FINANCIAL SYSTEM {GEORGE M. PROTONOTARIOS}

## Forex Educational Resources

The following links lead to several educational websites where you can research further the Foreign Exchange market:



### Trading Guides

- Forex Currency Pairs

Link: <https://TradingCenter.org/index.php/learn/pairs>

- Lessons from Top Investors

Link: <https://Forex-Investors.com/>

- Basic Forex Trading Guide

Link: <https://FxPros.net/index.php/tips/forex-trading-guide>

- Trading Strategies

Link: <https://TradingCenter.org/index.php/train/trade-strategy>

- Carry Trading Resources

Link: <https://CarryTrader.com/>



### Technical Analysis Resources

- Introduction to Fibonacci Mathematics

Link: <https://TradingFibonacci.com/>

- RSI Precision v3 (MACD and RSI Combined)

Link: <https://TradingCenter.org/index.php/train/rsi>

- Trading Signals & Other Resources

Link: <https://ExpertSignal.com/>



## Automated Trading Resources

- The Expert Advisors Trading Guide

Link: <https://ForexAutomatic.com/index.php/automated-trading/trading-systems/expert-advisors-trading-guide>

- Building Custom Expert Advisors

Link: <https://ForexAutomatic.com/index.php/automated-trading/expert-advisors/expert-advisors-builder>

- Forex Robots

Link: <https://ForexRobots.net/>



## Advanced Macroeconomic & Other Trading Resources

- Getting Started with Macroeconomics

Link: <https://CurrenciesFx.com/index.php/macroeconomics>

- Intermarket Analysis

Link: <https://CurrenciesFx.com/index.php/trading-research/intermarket-analysis>

- News Affecting Forex Trading

Link: <https://ForexRobots.net/index.php/automated-forex/news-traders>

- Following the Smart Money

Link: <https://CurrenciesFx.com/index.php/trading-research/smart-money>

- Investigating Money

Link: <https://carrytrader.com/markets/portfolio-management/55-cash-t-bills-gold-bitcoin>



# **12 ESSENTIAL FOREX TRADING SECRETS**

«Applicable Advice for Successful Foreign Exchange Trading»

2<sup>nd</sup> Edition

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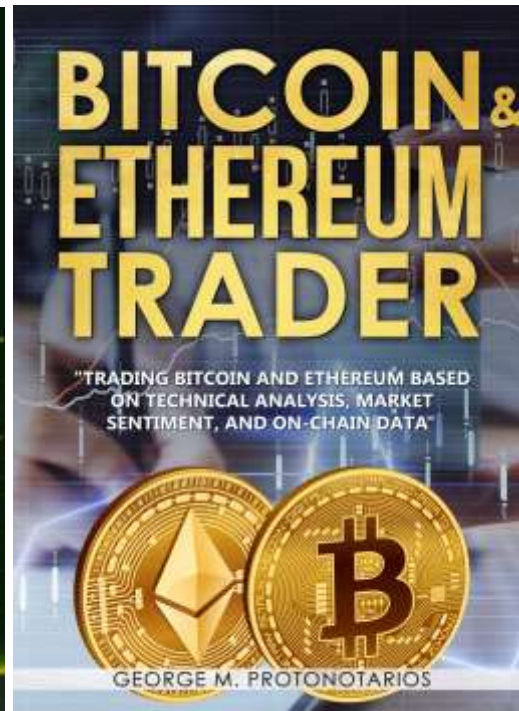
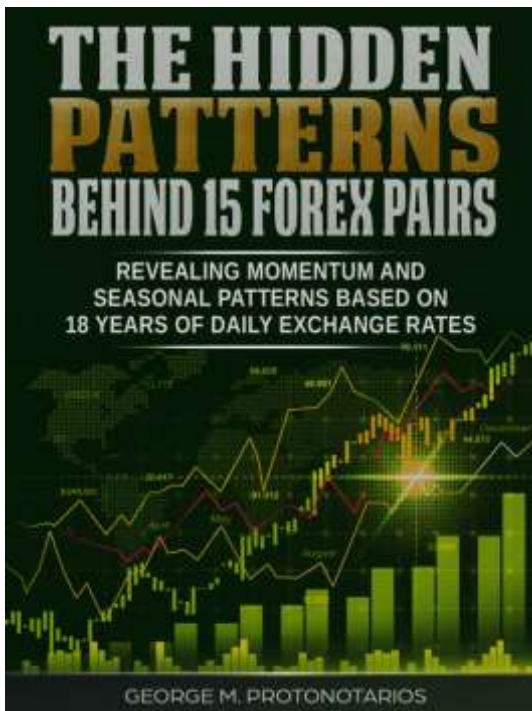
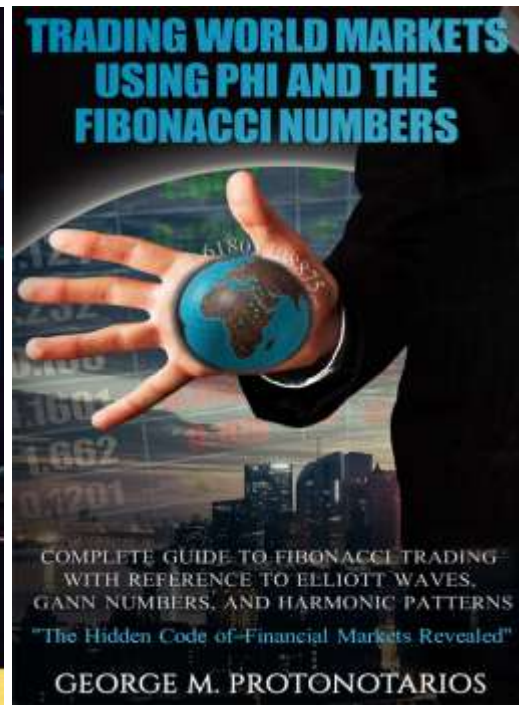
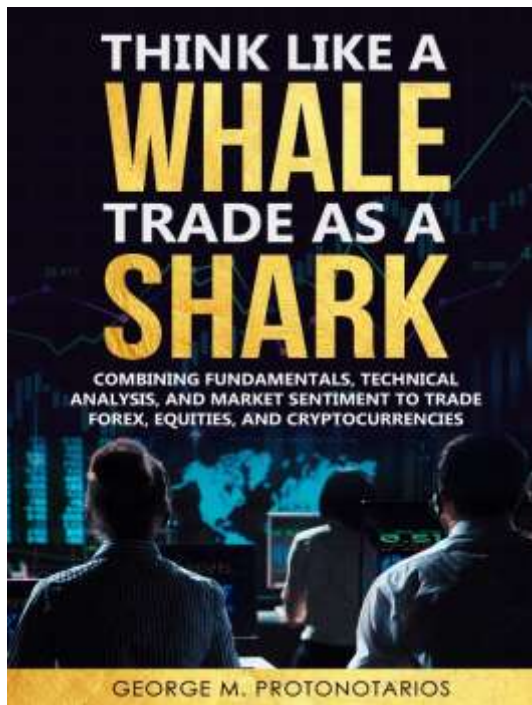
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GEORGE M. PROTONOTARIOS