

IMPORTANT DOCUMENT ON FOREX TRADE AND WEALTH BUILDING PRINCIPLES, PHILOSOPHY & DISCIPLINE

INTRODUCTION

While there are many traders in FOREX, with each trader trading the market in a way that is quite different from that of another trader, some traders may tell you that their trading style is 'supreme'. You should not believe this because there is no single 'supreme' trading style or system whether technical analysis or otherwise. If your trading system is profitable, then trust it, believe it, follow it, obey it, and adore it. But in doing these, don't go about preaching it.

The FACTS below should to be considered with great attention and devotion because they are the success tips to building wealth through FOREX trading.

SOME ADVICES AND RECOMMENDATIONS ON TECHNICAL ANALYSIS

- A trader should be able to differentiate between Analysis/Observation and Signal/Trigger as the two are not the same. Analysis/Observation gives the information about the condition of the market while Signal/Trigger gives the alert to trade. A trading system may **analyze** a sideways market but may still give a **signal** to buy or sell.
- One important criterion in choosing TFs (Timeframes) for

multi-TF trading (for those who do multi-TF trading) is to make sure that the TFs considered are not close in Periods. For example; M15, H1, H4, D1. Anything less than M15 is considered Scalping TF, that is, M1 and M5.

The question of which TF will be the main trade TF depends on the trendiness of the chart as well as the nature of the security (currency as in FOREX, or commodities as in FUTURES). H1 trading on USDJPY may not be as comfortable as H1 trading on Crude Oil. It is very much likely that crosspairs (pairs in which Dollar is excluded, like GBPJPY), especially Yen crosspairs do not have this problem of trendless charts.

- Knowing the difference between "Trend Forecasters", "Trend Controls" and "Trend Detectors" will go a long way in making a trader successful because it makes the difference between a profitable and a losing strategy.

Trend Forecasters are mostly Line Studies of price e.g. Pivot Points, Murray Math, Trendlines, Fibonacci lines, etc. They try to predict the movement of the market; they basically say: "There is going to be a trend beginning from here". They can sometimes place traders at the beginning of a trend.

Trend Detectors are mostly lagging indicators e.g. MACD, Moving Average, Parabolic SAR, Heiken Ashi, etc. They tell the presence or existence of a trend, they basically say: "There is [already] a trend going on". They cannot precisely tell the beginning or end of a trend, though, Heiken Ashi being a candlestick derivative indicator is known to be able to sometimes signal the probable beginning and end of a trend to a fair probability.

Trend Controls are mostly Oscillators e.g. Stoch, RSI, RVI, etc. They try to gauge the market movement or trend strength, they basically say: "Hey! The trend has gone very far, I think it should [be ready to] reverse".

One important truth is that no technical indicator is supreme.

Each has its own strengths and weaknesses. Your job (is it a job?) is to combine the strengths of, at most, 4 indicators to do a good analysis of the market and place a profitable trade.

- In my opinion and from my experience, one of the easiest ways to trade is to avoid multi-TF trading at all costs. Follow the FFTT rule: Focus on a single timeframe, Follow the trade rule, Trade on the timeframe, Track your trades (watch your trades at intervals).
- 80% of all good trend following technical indicators can predict where the market will go (up or down) with over 80% accuracy, but one thing they can't do is to tell you how far the market will go, so the best way to trade with such trend following indicators is to track them, that is, watch and monitor your trades at intervals. This is where your timing skill comes in.
- "Remember, Support and Resistance levels either hold or they don't." >>> Quoted from Jeff Sorells (Bobokus.com) Fibonacci Analysis master and owner of TradeKings Club.

SOME MAXIMS AND PRINCIPLES OF FOREX TRADE DOCTRINE AND PSYCHOLOGY

- The important attributes of a successful or aspiring FOREX trader are as follows:
The Desire to be successful, not necessarily to make [quick] money.
The Confidence that you could be profitable in the long run.
The Discipline to follow a given method or trade plan.
Taking trades Seriously, make time sacrifices for your trades.
Risk Control and eventually moderate profit target.

Patience to wait for opportunities of trades.

Acting Independent of crowd and other opinions.

Accepting Losses as part of the business.

Loving what you are doing, yes!

Having a Trade log to monitor your progress.

Having Faith and hope in your business. Saint Clement of Alexandria said: "If you do not hope, you will not find what is beyond your Hope."

- The A to Z of Murphy's Laws in trading (John J. Murphy) are important to EVERY trader. If anything CAN go wrong in trading, it WILL likely, certainly or probably go wrong:
 - (A) Don't over trade your trading account. Don't risk more than 5% of your account on any trade.
 - (B) There is no such thing as a Lotto Trade. Don't sell the house or bet the farm to enter a trade.
 - (C) Don't add to a losing position. Don't widen your stoploss when you are losing.
 - (D) If you have lost more than 40% of your margin on one trade, Get out of the market!
 - (E) Don't trade emotionally, trade logically.
 - (F) Understand slippage. Buy stops and sell stops will incur slippage. In a fast moving market, you will be slipped a lot.
 - (G) Be aware that the market CAN move in the opposite direction of your trade. When you sell, the market is able to go up. When you buy, the market is able to go down.
 - (H) Be strict at following the rules!
 - (I) Don't let your ego (pride, hyper-confidence) trade!
 - (J) When in doubt, get out and stay out.
 - (K) Don't trade without a stoploss!
 - (L) Get to a break-even position in your trades as quickly as possible.
 - (M) Don't tell the chart what you are going to do, let the chart tell you what you should do.
 - (N) Move your stops and lock in profit.

(O) Don't let your greed exceed your need! (Look at your profits on a larger outlook; monthly instead of daily.)

(P) Create a plan and trade your plan.

(Q) If you need to ask for advice in all your trades, then you should not be trading at all.

(R) When you least expect it the market will turn volatile.

(S) If the market looks like it is going up, it will go down.

(T) If the market looks like it is going down, it will go up.

(U) Don't trade in a thin market! Make sure there is plenty of volume (make sure the security is liquid).

(V) Trade in control, not out of control!

(W) Cover your losses and profits will take care of themselves.

(X) Your emotions will be tightly held to your margin account.

(Y) One of the universal fantasies of losers is that they would be winners if they could get their market data faster and focus on a shorter timeframe. (Whereas shorter timeframes are mostly seen as by-products of market movements. From Hourly to Monthly periods makes good and reasonable timeframe for profitable trading.)

(Z) You will never know too much! (The day you claim to be a FOREX master is the day your downfall begins.)

- You are hereby advised to focus on one to four pairs and continuously track it/them. I recommend any major liquid Yen pairs like GBPJPY, CHFJPY, EURJPY, CADJPY and AUDJPY; because Yen pairs are the most trend-obedient pairs and they are not 'disturbingly' volatile like the USD pairs.

Do not counter-trend. Don't attempt to buy the bottom and sell the top. If you cannot afford to lose, you cannot afford to win. Trade with only the money that you can bear to lose! Do not change your trading style or habit every day. There is nothing like 'sure trade' or 100% potential gain trade. You will be your greatest enemy in trading if you lack

DISCIPLINE, PATIENCE, KNOWLEDGE and CONTENTMENT. Benjamin Franklin said: "Contentment makes Poor men to become Rich; Discontentment makes Rich men to become Poor". A trader may use 'the best system in the world' and still lose when he does not follow the rules of the system.

- Don't be in a haste to make money, trading is not for those who cannot pay their house rent, or those who are heavily in debts. It is not for those who are hurrying to buy a car or build a house, you cannot really "win big" in trading (like gambler), if you are planning to "win big" in FOREX, you will simply 'lose your shirt'. Now don't lose your shirt. According to BabyPips.com School of Pipsology: "All FOREX traders and we mean all traders LOSE money on trades." Again: "Short term trading is not for amateurs, and it is rarely the path to 'get rich quick'. You can't make gigantic profits without taking gigantic risks". Once more: "There are no shortcuts to FOREX trading. It takes lots and lots of time to master. There is no substitute for hard work and diligence".
- Overcoming the 'most difficult part in trading' is very essential and this differentiates 'winners' from 'losers'. The 'most difficult part in trading' is keenly following the rules of the trading system you chose to use. FOREX Trading is the most is the most risky business on earth, but when you have the right mindset to trade; FOREX business will be like the perfect job you dreamt of. Is FOREX a job? Yes, it is the most difficult job. When it becomes easier is when you trade after putting away ALL emotions including Joy and Happiness. Listen to BabyPips.com School of Pipsology: "The problem is that traders lack the discipline to follow the rules that go along with the system...what is difficult is following the rules..."

Now, what is the goal of your trading system? Listen to BabyPips.com: "I know you are saying, 'DUH, the goal of my trading system is to make a billion Dollars!' While this is a wonderful goal, it is not exactly the kind of goal that will make you a successful trader."

Listen again: "when [choosing] a trading system, you want to achieve 2 very important goals; (1) Your system should be able to identify trends as early as possible, (2) Your system should be able to avoid you from whipsaws or fake trends. If you can accomplish those 2 things with your system, we guarantee that you will be successful.

The hard part about those 2 goals is that they contradict each other. If you are able to catch trends early, then you may be faked out many times. And if you are able to avoid whipsaws, then you may be late on trades and will miss out on good trades. So your task is to reconcile the two" And where can you find a system that can nearly reconcile these two? I said NEARLY because there is NO system that can completely reconcile the two!

- Do not revenge on the market if you lose a trade. Do not beat yourself after losing your trades. Listen to BabyPips.com: "To make a lot of money is not a good goal." Try to set good and reasonable goals. Make sure you are not forced in any way to trade. Do not trade because of necessity.

I personally advice setting ridiculously low profit targets monthly (which you find very easy to achieve), like 200 pips per month (that is 10 pips per day and is about \$200 per month on 1 mini-Lot contract). This example of target is very easy to achieve as a matter of fact if the trader is well equipped. By this you can have confidence in your business that if the worst should happen (we don't pray so!), you will be able to bank \$200 out of the market within that 'poor' month. Stick to your trade rules, no matter what happens.

The greatest injustice you'll be doing to yourself is when you are shifting from one trade system to another, or spending time tweaking a system with the aim of making it give 'more accurate' signals.

- BabyPips.com said: "If you really thought there was a way for a lazy FOREX trader to get rich, shame on you! No such thing exists. The word lazy and trader is an Oxymoron (figure of speech meaning two exact opposite words placed side-by-side). You have to be willing to pay the price to become a trader". Someone was surprised when I told him that I sometimes wake up at predetermined hours in the night to check my trades and check the market on my laptop.
- Listen again to BabyPips.com: "...but if you are not willing to shift your priorities to make time for trading, then forget about becoming a trader. Sorry to put it so bluntly, but contrary to popular belief, trading is not a hobby...trading is not a hobby unless you want to lose money...trading is a business. You have to devote yourself to trading just like you would with any other business in order to be successful." There is no set-and-forget-autopilot system in manual FOREX trading. Be ready to sacrifice your time and money.

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