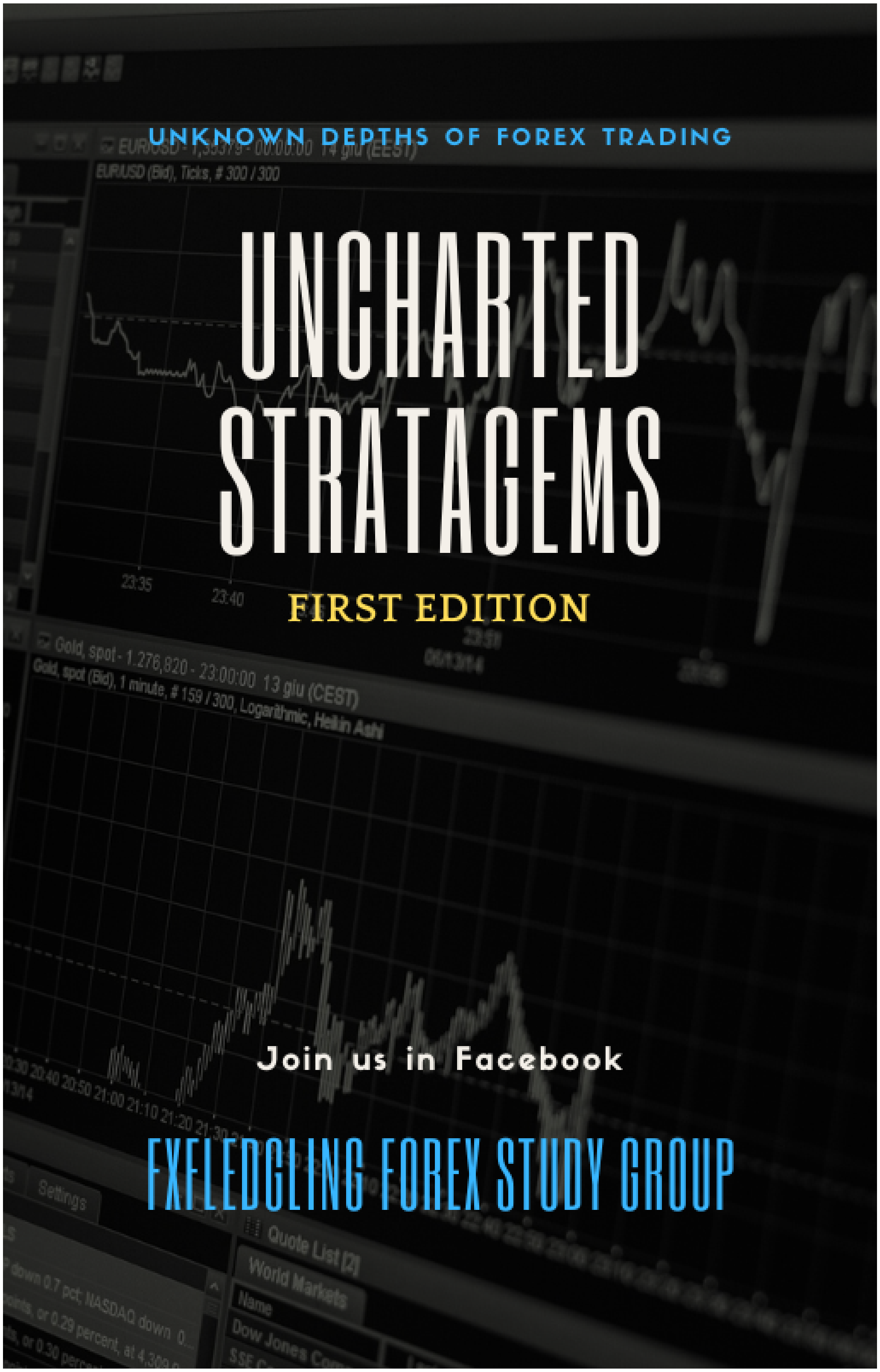

UNKNOWN DEPTHS OF FOREX TRADING

UNCHARTED STRATAGEMS

FIRST EDITION

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Uncharted Stratagems

Unknown Depths of Forex Trading

Joel Tagle Protusada

FXFledgling Forex Study Group

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Preface

Surprising Schemes You Can Actually Do To Profit Will Be Revealed In This Book

“Uncharted Stratagems” is a book about unknown Forex Trading hacks for consistent profit. This book may be short to you but it’s straight to the point discussion of what’s really important. That is to achieve the bottom-line, consistent profit. It may sound like a boastful claim but the book is simply a product of 17 years of pains and struggles of an ordinary not-so-smart Forex trader with an unshakable belief that there must be simple ways or at least straightforward ways to achieve a stable income from Forex trading. In trading, persistence is better than being so smart. That’s one of the ideas that I’m about to share in this book, persistence, to be on your way to become profitable, aside from the strategies, tools, techniques, and tricks that you will get in the subsequent chapters. It is equally important to have the right attitude to achieve success.

What you will learn from this book is not available elsewhere, even on the internet. Maybe after this book, you will see traders will post about it on the internet, and other Forex mentors discussing it in their seminars, webinars or masterclass. I don’t mind if they do. You can also do your own seminars after perfecting the knowledge you will get from this book. The purpose of this book is to share, so go ahead and share it. Multiply and be profitable. I just hope you will mention FXFledgling every time you teach the methods you got here. Don’t be like other people that learned methods from different resources. They tweak it a little bit and call it a different name. Then they call it their original ideas.

A bit more than 8 years ago, I used to teach a Forex trading strategy that I developed and called it the “Price Trap Strategy” (not the same with another trading method you can see online having the same name). As the strategy name implies, it is a trading stratagem for catching price movement anywhere it goes with a plan and hopes to close it with a profit. I know the “Price Trap Strategy” is a good trading method. I could profit from it. But the profit is mediocre. The problem was I had some difficulties in using it, and almost all my students were not successful in using it. Deep down inside me was telling me that something was missing. Something needed to be improved. Something should be done or something should be discovered further to make it more stable, consistent, and less subjective. As I'd always been doing, I had searched and never stopped to find the answers. I'd always found a few bits of information along the way by experimenting with the charts, but after knowing new ideas, more questions had popped out from my head. It's a never-ending quest. It's like I was running around in a circle. Sometimes I was more confused than being close to the solutions. Even if I had traded for a long time it's like trading was still a big mystery, a complicated jigsaw puzzle. It's like an unsolvable riddle, like a maze with a lot of dead-ends. That's where I always found myself, dead-ends. I was always frustrated with my results. Profitable but mediocre. I was hungry for more and I want something that can be easily shared with other traders, that can be replicated. That desire became my fuel. I'd never stopped. I'd never slowed down. I rested a bit from time to time but once I get started to do it again, I run at full speed. Truly success is not a straight line. Every failure I encountered led me to a path to discover the right stuff. This book is the brainchild of those accumulated "right pieces of stuff" of my journey. It led the "Price Trap Strategy" to evolve into a set of rules that encapsulated the execution of the original trading plan. I called the evolved strategy with the new set of rules as the "Simple Architecture (SA) Playbook". I called it that because it has a simple structure of parameters, or an organized arrangement of implementation steps of those rules, that protects the fund from disaster. This simple structure made the original strategy less subjective on trading decisions and therefore can be replicated by other traders easily. Then it evolved even more into a more advanced strategy. I called it now the "Defensive Trading (DT) Playbook", as more rules of protecting the fund are discovered and integrated into the original set of rules. Of course, we can not eliminate subjectivity by a hundred percent. This led me to experiment more and led me to develop another set of rules, and conducted a project study by offering free training to a limited number of new traders. It is called the "FXFledgling Forex Apprenticeship Training Program". Then renamed to "FXFledgling Forex Study Group". The training was free. Free so they could not refuse to follow rules and instructions. Before it was not free but it made it difficult for me to convince participants to follow schedules and some rules which are extremely important to the success of everyone. With the free training, I can dismiss participants that could not do the exercises on schedule. The free training program made me analyze the behavior of the new traders. The behavior of those who quit and those who kept on going, persistent, and what made them not give up. This allowed me to test overall people's attitudes on learning Forex trading. So I developed some pointers on how to possibly handle some negative situations and how to have the right attitude when trading. The program also gave me a lot of valuable inputs and information from the traders' experiences in using our system. Something that I would not be able to accomplish in a short period of time if I did it alone. Right after I conducted the first batch of the free apprentice program, my trading strategies have improved even more to a great extent again. More heads are better than one. Inputs that the members thought were just a chat about trading became the source of too much information on how to improve all the trading methods and systems we have. This book includes most of the pearls of wisdom gathered from the program. My students who never quit are my teachers.

With the DT Playbook, I have learned a dimension or an angle of trading that is unknown to most traders. It is a surprise that once you understand deeply one dimension of trading, more will eventually come. This led me to understand deeper Forex trading like how to hedge my trades properly, how to make "*Martingale*" less risky, how to trade properly with a Stop-loss, how to trade with no Stop-loss, how to trade with big lot-sizes, etc.

There are many ways to profit from the market. There are successful naked traders. There are avid successful users of each indicator that you can find. There are complicated ways. There are simple ways. For me, I prefer to keep it very simple. So all the strategies that you will learn from this book are all simplified, and I have done my best to explain it in a simple and straightforward way. So this book is for those who prefer simplicity. Simple but profitable.

Limitation

Though this book is designed for both beginners and experienced traders, you can not find here basic discussions about Forex trading. Anything that you can find online will not be covered here. You can search and learn all of the basics from the internet then come back here when you are ready to learn a few tricks to be consistently profitable. For example, if you don't have the slightest idea of what "*hedging*" is, you need to understand first the basics of hedging by reading trading books, searching the internet, or attending basic trading seminars. This book will not teach you what hedging is. The book will teach you step-by-step rules on how to profit from hedging. Learning to hedge and learning how to profit from hedging are entirely two different things. You should know the difference.

You will learn fresh ideas from this book that you can use on your trading right away, but other strategies that are even more risky like trading with huge lot-sizes and other very advanced trade manipulation techniques are not covered here. Each advanced topic needs a long discussion. A separate book is needed for each.

Disclaimer

Forex Trading can be a challenging and potentially profitable opportunity for traders. However, before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience, and risk appetite. Most importantly, do not invest money you cannot afford to lose.

There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but not limited to, the potential for changing political and/or economic conditions that may substantially affect the price or liquidity of a currency. Forex Trading may also be susceptible to sharp rises and falls as the relevant market values fluctuate. The leveraged nature of Forex trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. Not only may traders get back less than they invested, but in the case of higher risk strategies, investors may lose the entirety of their capital. It is for this reason that when speculating in such markets it is advisable to use only risk capital.

Introduction

Little Known Facts That Have Been Hidden From Traders And We Have Been Misled For So Long

For years, there is a lot of misinformation about Forex trading and traders have been in constant disagreement with one another about methods that work. Disagreement like the following:

- Some traders are convinced that trading without Stop-Loss is not possible and very risky. But some traders believe that trading with Stop-Loss is more harmful to the fund especially when many Stop-Losses are hit in a row.
- Some traders have a disagreement about the implementation of “hedging”. Some even think that

it is just an overrated method that puts you into a trap.

- Grid trading is just a waste of time, effort and money because it only exhausts your margin until you get burned.
- Some traders believe that you can not trade successfully without Fundamental analysis incorporated in your trading plan.
- Some traders think trading naked is the way to trade and others say it's impossible to trade without indicators.
- Most traders believe that most indicators are lagging.
- Martingale is not a good strategy.

Do you want to know the truth? These are the truth. You can safely and consistently profit when trading either with Stop-Loss or without Stop-Loss. You can also profit with the Grid method. You can profit on Hedging. Yes, you can profit with Martingale. You can profit when trading with both small lot sizes or big lot sizes. You can profit with Fundamental Analysis. You can profit from pure Technical Analysis. If you disagree on any of these and you believe that one of those is impossible, you still need more trading time to learn and experience more. Any strategy is really risky if you don't know what you are doing and you are just blindly following its rules just because you read it somewhere or a mentor just told you so.

There are many myths and misconceptions about trading, but the truth is most of the methods work. Opinions and knowledge of traders are limited to what they have experienced and learned that's why there's a lot of disagreement between them. Limited to the methods that worked for them. Limited to the kind of patience they have given on each strategy that they come across with. Traders have different experiences that's why they think differently.

In this book, we will try to elaborate and give proofs to some of the strategies that you see out there that may have good potential and may give you the profit that you dream of.

In subsequent chapters, you will learn that the following methods really work. You just have to give enough patience to analyze deeply, test, rethink, and retest until you figure out how it really works.

- Grid Trading (Part 2: DT Playbook)
- Cost Averaging (Part 2: DT Playbook)
- Trading without Stop-Loss (Part 2: DT Playbook)
- Trading with Stop-Loss (Part 3: Trend Following)
- Martingale Hedging (Part 3: Money Machine)

- Trading With Pure Technical Analysis (All topics about trading strategies in this book are pure technical analysis)

These are the topics that we will shed light on in this book. Other very advanced topics like trading with big lot sizes, true break-out analysis, tight Stop-Loss will not be covered here as they are long enough to be covered in a separate book. But what you will learn in this book are more than enough for you to understand that there are so many ways to profit from the Forex market.

Another point that you will realize after reading this book is that Entry Analysis and its execution plan are important but the rest of the trading plan such as Money Management and Exit Plan is equally important. You will learn how to check if your Entry Plan is not a weak one so you don't have to spend so much time testing it. You can walk away from it. Look for another one that will give you a Strong or Moderately Strong Entry Plan. Once you find a strong or moderately strong entry plan, of course, you also need to work on its money management and exit plan. Most of the time, you will be frustrated while you are in the process of completing your trading plan. You will experience a lot of failures along the way. But if you don't quit, you will surely get it eventually.

A Kept Secret About Trading-Analysis That Can Single-Handedly Improve Your Entire Trading Performance

Another concept that you will learn in this book is that there is a third type of analysis aside from Fundamentals and Technical Analysis. The Analysis for Systematic Trades Maneuver or simply Maneuver Analysis, the analysis that you can use to know the combinations of trades, grid, hedge, fund monitoring techniques, etc. so you can successfully exit all trades with possible breakeven, positive profit, or very little losses. In short, it is the Exit Analysis and Exit Execution Plan. This alone can improve your trades on a new level. I don't consider it as part of the technical analysis, because technical analysis is the study of price history and potential price direction; the past and the future of the price. The Maneuver Analysis is not about the statistics of the price, though we use the current price information to know the action that we need to do. The analysis is for the action plan that you need to do for the present situation of your open trades regardless of where the price is going. Tactical combinations of actions to escape and close the trades with a profit, breakeven, or very small losses.

Important points you have to keep in mind before we proceed to the first topic of the book.

1. There's a big difference between knowing the path and walking the path. It is a wrong belief that you can successfully trade once you have learned a trading plan with step-by-step procedures on reading books or attending seminars. It takes more than knowing a strategy to execute a successful strategy. You have to experience a lot with it, including the worst-case scenario of the strategy. Most of the time, it takes thousands of hours of trading before you grasp the exact way to execute the technique.
2. A deep understanding of price movement, preparation, and practice is needed to trade successfully manually, semi-automated, or fully automated. Yes, you need to practice even if you do a fully automated trading. Some people do not understand this yet. In this book, I will try my best to show you why. In the "FXFledgling Forex Study Group", we actually train the new traders about patience by making them use a fully automated trading system.
3. The right attitude is key. Every trader already knows what kind of right psychology is needed to trade successfully, but almost all of them forget about it once they are in the middle of trading.

4. Each trading strategy has a different kind of psychology. It is very important to know the kind of behavior you have on each strategy and how to work on your bad trading behavior.
5. All strategies are risky if you don't know why you are doing it. Almost all strategies have the potential to be profitable (except for weak entry plans). You just need to practice it more to experience more about it. If you heard someone saying about the best strategy and hating other methods of other traders, that trader has limited experience and doesn't really know what he is talking about. He is just bragging about his newly discovered strategy.

Now we can go to the first part of our topics.

Part 1

Trading Psychology: Your Emotions And Mind InnerWorkings

"The key to trading success is emotional discipline. If intelligence is the key, there would be a lot more people making money trading."

By **Victor Sperandeo**, widely regarded as an expert in commodities, particularly in the Energy and Metals sectors

Chapter 1 Trading Emotions

Unnoticeable Mental State In Which The Brain Functions When Trading And What You Can Do About It

Have you experienced that every time you wait for an open-trade to finish, there are butterflies in your stomach, especially on losing trades? For some reason, even if your account is just a demo account, you may also have these butterflies. If you haven't experienced this then you are a good candidate to become the best trader in the world. But unfortunately, anyone who is really determined and focuses to become a good trader, the same emotion behind that determination gives you the same feeling of fear when you are trading.

So a serious trader always has butterflies in the stomach. If you started without the butterflies, you are not really serious, just playing around, and just plain curious about Forex Trading. The butterflies, as we have hated to have it, are also our shield to protect ourselves from putting ourselves in a bad situation. Though the purpose of these butterflies in the stomach is to protect us, it doesn't always serve its purpose. Sometimes it makes us do something stupid that becomes harmful to the fund instead of saving us. It takes practice to be aware of these feelings while trading. Thousands of hours of practice for each strategy are needed to be really aware and ready on the exact feelings while trading.

Though we have this fear inside of us while trading, there is also a certain level of greed lurking inside us. So the feelings always become a battle between fear and greed, and it has a different level. If we think we are fearful, it only means that the level of fear is higher than greed. On the other side, if we think that we are not afraid and powerful, greed has taken over us at a higher level than fear. The struggle of traders is to keep these two in balance. Even seasoned traders always struggle to keep these two in balance.

Greed is in control when you force yourself to open a trade on the basis of "gut feel" and no clear analysis.

Admit it or not, we sometimes go overboard. It’s human nature. We just open a trade just for the sake of trading and hoping it will profit. But of course, a human is a creature of complex behavior. Sometimes we do things that are not clear to us.

On the other hand, sometimes we have the mood to think and plan first before we make a move. There are also times that we have a state of mind that we are clear on what we are doing.

At some point, there are cases that we over-analyze. Even on small things. It prevents us from opening trades at the right time. Sometimes it becomes too late to trade before we realize it.

All traders have these attributes. Our mind and emotion only switch in any of these moods at any time. It happens most of the time without warning.

For these reasons, we can say that trading behavior depends on our mood. Temporarily, we switch our state of mind and/or feelings depending on what state we are into. It may be due to different reasons like in our current state: happy, angry, etc. Or maybe in what current environment or situation we are into. Or probably because of the things that we intake like food, caffeine, medicine, alcohol, etc. It’s human nature. Each condition has a psychological effect on us and can do something to us. Sometimes we feel good and it reflects on good trading performance. Sometimes we feel bad that also makes our trading decisions bad.

Unknown Technique That Can Help You Keep Greed And Fear In Balance

Admittedly, being fearful or being greedy are emotions that are very hard to break even for seasoned traders. If one of these feelings is in control during trading, it is hard for traders to control the trade. To control your trades, you should know first how to control the emotions you have while trading.

Controlling emotions is easier said than done. One can easily say "*Do not be afraid*" or "*Control your greed*". The big question is "*How?*". Many people have different ways of controlling behaviors and feelings. You can see a baby crying a minute ago that is now laughing for joy. You can encounter a man that is bursting in anger to another man that is almost killing him, suddenly saying "I am sorry" after 5 minutes. The ability to do that is a skill that is in-born to some people. But it is something that can be learned by other people who don't possess it. Yes. You can be trained to have that skill.

One particular practice of releasing emotions is called the Sedona Method. The release technique. I am not an expert on this technique, but I can say that I can use the technique in my own simple way to change my feelings while trading. I am also not qualified to teach the

Sedona Method as I only know the basics. Nevertheless, for the completeness of this book, I will only give you a few minor steps that I have been doing to switch my emotions while trading.

- Awareness. Learn how to understand the reason behind your current feelings. If you feel sure and very confident about your trades, check yourself if you are just being greedy and excited about your new ideas. If you can't open the trade after intensive hours of analysis, ask yourself if you are just being fearful at that moment. Being greedy and fearful is just a condition of your whole body (not just the mind) at the moment of trading. There may be reasons behind that. Dig yourself. But before you can start digging, the best way to understand the feeling well is to know the opposite of those feelings. Opposite, as in the opposite of your "*right*" is "*left*". The opposite of your "*front*" is "*back*". The opposite of "*happy*" is "*sad*". But in your case, you have to recognize your current feeling and know its opposite. Understanding the opposite will make it easier to understand what is missing. This is very difficult at first but with practice, you can truly learn this.
- Let it go. After knowing the feelings, the next step is to switch it to the opposite. Switch to what is missing. It is easy to say that you are not greedy if you are greedy or you are not fearful if you are fearful. But deep in

your center, you have a different feeling. What's truly important is what is in your center. The center of your feelings is deep inside you. Sometimes you know it. Sometimes you don't. That's why our first step is awareness. Sometimes a trader is being greedy and not aware of it and keeps saying he is not greedy. You have to practice to understand yourself while trading. It takes hundreds of hours of practice before you become adept at it. It is a continuous process. Keep checking yourself while trading. Do not just check the chart or news. Check yourself as well. If feelings are not useful switch to the opposite of the feelings. Switch what is in your center. The opposite of greed is not greed. The opposite of fear is not fearful. This sounds very simple but it is not. Something that will help you to switch to not being greedy is to think of possible ways that you may doubt your trading plan. Not in a way that you really become doubtful about your plan. Just find a reason to double-check. If the trades are already executed and currently open, double-check your exit plan. What if the price goes up? Are you still ok? What if the price goes down? Are you still safe? What if the price goes up or down in a very huge way? Have you planned for that? Do you know what to do? If you don't know what to do in any of these situations, then you are being greedy. Switch your center. Then reexamine your exit plan. Change it if you have to. As much as possible, I don't want traders to change the trading plan in the middle of open trades. It's not good practice. But, if you executed an order without a clear exit plan before opening, you have to do something about it and go ahead on changing your plan.

- Avoid. If you have learned your lessons from previous trades, you have to plan now how to avoid the same emotional burdens in your next trades. Repeating the same failures over and over again is stressful. Prevention is better than cure. If you fail at first, thank yourself that you experienced that. Pick up the lessons and formulate a solid plan for your next trades. The best way to make sure that you can be confident in your next trade is to know what to do if the price moves against your position. You should have a solid plan for a losing trade. If you have a solid plan, you don't have to exert extra effort to switch emotions. This way, you don't need the Sedona Method.

In case you want to know more about the Sedona Method, the internet has a ton of information about it. Search in Google or Youtube, to learn more.

Three Methods That Affect Us Emotionally

When we trade, each of the trading methods makes us react in a different but specific way; different effects depending on what the strategy gives us. There are actually 3 categories of methods that affect us emotionally. These are the ways we exit the trades. These are my observations:

- Trading with Stop-Loss, though this is the industry's acceptable standard method of trading, this is the most heart-pounding method. Many traders hate this method especially newbies because it's not uncommon to experience many Stop-Loss hits. How do you think traders would feel if they got 10 stop-loses in a row? It's mental torture. They can't stand to see their account balance decreases continuously and there's no assurance that it will be recovered on the next trades. Traders often tweak or totally stop using the strategy after a few SL hits. Also, sometimes, if this is done manually it will take months or years before you can see a solid result if the strategy is good or bad. Since most traders are in a hurry to find a good strategy, very few have really tried this method for a long time. When trading with a Stop-Loss it is not a guarantee that a strategy is good even if you got many winning trades after a few weeks of trading. You really have to test it for a long period of time.

- Trading without Stop-Loss, though it may sound risky theoretically than the method with Stop-Loss, many traders prefer this method as the experience is less scary than with Stop-Loss as they see only floating loss and the account balance is still there. Psychologically acceptable and comforting. But as I have said, any method is dangerous if you don't know what you are doing. Some traders have experienced a huge floating loss. After a long run of comforting multiple small profits, it also becomes mind torture in the end when the floating loss has started to accumulate. If you are reckless and have no solid plan. This method can put yourself into a trap in the end. A trap that you have created yourself.
- Trading with imaginary Stop-Loss. This is preferred by some traders sometimes. But it is more stressful than the last 2 methods above. You will find yourself trapped in a situation that you can not decide if you really want to cut-loss it or just let it pass. If you don't have the hardcore discipline to follow the plan, you will find yourself confused, undecided about what to do, and find yourself making inconsistent decisions all the time.

The way you exit these 3 methods is what makes you feel emotional every time you trade. The best way to make sure that you will not have bad feelings when trading, plan your exit before you open the trade. In part 2 of this book, you will learn one of the best ways to trade with no Stop-Loss profitably by manipulating your “exits”. In part 3, you will learn how to become consistently profitable with fixed-distance Stop-Loss and indicator-based Stop-Loss.

Probability Game

Forex Trading is a probability game. If you truly grasp this concept you will understand that playing currencies is like playing the lottery but with a much greater chance of winning if you know the rules. I’m not talking about the amount of the prize. Though if you do Forex Trading consistently you may end up with the same lottery prize in the long run; not a get-rich-quick scheme. A probability game is a routine game. It is about playing the game by doing the same thing over and over again even if you lose money. That’s why I compare it with the lottery game. In the lottery, most of the winners have the patience to bet on the same set of numbers for years even if they lose money. In Forex Trading, you do the same trading plan for a very long time again and again with no tweaking of the rules of the plan along the way. The only difference, if you have the persistence and patience to do a trading plan for a very long time, I mean a really very long time, success is much faster than the lottery (again I'm talking about success but not the amount of the prize).

Patience is the key. All traders already know this but only a pinch in a mountain of salt has the hardcore discipline to stick with their trading plans. Many traders keep saying that they don't modify their plans while trading, but they are actually not telling the truth or not aware that they tweak and they actually did it once they experienced losses. My smart guess is about 99% of traders change the trading plan while in the middle of trading. No hard proof on that, but if we know that 90% of traders lose their money. A large portion of the successful 10% just got lucky on their tweaking. Even traders that use "*Expert Advisors*", their fingers are always itching on changing the parameters without testing on the default ones for a long period of time. In their minds, they always find a reason to change something. They always forgot that the one and the only reason to stick with the plan is to have a consistent profit in the long-run. Temporary short-term losses are inevitable.

Consistent profit doesn't mean consistent winning on each trade. Consistent profit means you will win some and lose some but the overall average is positive profit.

The Only Trading Psychology That You Need To Master

Finding a consistently profitable strategy is just one of your problems as a Forex trader. Your trading personality disorder is another. Each trader has a different level of disorder. You have it even if you don't admit it. You need to be aware that you have it and learn how to work with it.

There is one particular behavior that you may need to master in order to have an edge in Forex trading, but this behavior is not applicable to all strategies. But it may improve your trading behavior. Before you can use this simple trading behavior alteration, you need to know if the strategy that you are using meets this criterion: **You've got to have a solid strategy.** Don't worry, I will give you a few strategies in the next chapters. But of course, you are free to discover your own. After reading the whole book, you may see Forex trading in a whole new different angle and may be able to design your own.

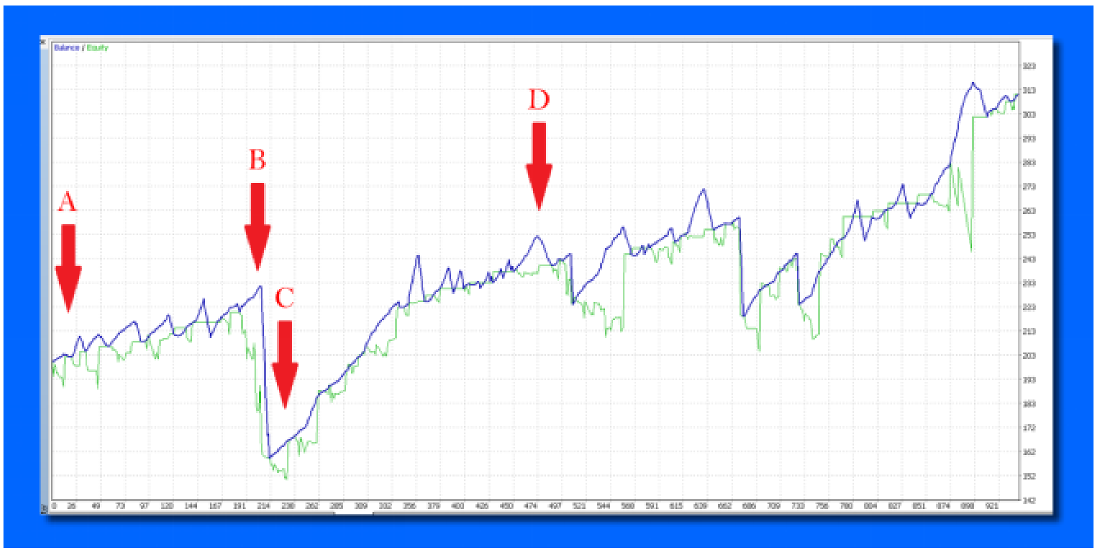
Before we go on with the psychology discussion, I've got to make it clear that when we say "solid strategy", "consistently profitable strategy", or "low-risk strategy", it doesn't mean that it has no risk. All strategy has a risk. So it means that there's still a small chance that you will get burned even if you are very careful. I repeat. All strategies, even good ones, still have a chance that you will burn your fund even if you are careful. Chances that you get burned is higher if you are not careful and over-confident with your trading. Sad to say, this is the delusional thought of most traders. They expect not to lose.

This is what this book is all about. I will give you proven low-risk strategies. I will give you “realistic” money management strategies. Most important of all, I will show you how you can protect yourself from your trading personality disorder while using each strategy. If you will understand and follow what I’m about to discuss here, you will be able to profit in the long-term even if you meet some small failures along the way. You read it right. You will still fail at some point in your trading while using our strategies here. But you can still gain handsomely in the long run, and with a good chance of having it regularly. That’s our definition of “consistent profit” here. We fail sometimes but we earn regularly.

If you are looking for a “no-lose” strategy, I am sorry to disappoint you. This is not the book for you. But if you are looking for a regular income even if you lose at some point, you should be excited by now because this is a book that will teach you that.

Worst-Case Trading Situations

To understand more about this kind of situation, look at the sample back-test chart in the figure below. Look at the spots of the chart that the four arrows are pointing to.



As in the figure above, assuming you are using a profitable strategy (as in really profitable), there are 4 spots of trade-result direction in general. Look at the said 4 spots in the figure, points A, B, C, and D. If you are just starting to trade, you start at a certain spot. You don't know where exactly. That can be between points A and B, or points B and C. No one knows your specific starting point. Psychology at each spot is different. They are the following:

Proud-Moment: Between Points A and B

If your trades results start within points A and B, this is where you build over-confidence. This is your proud moment. You are winning here. This is the point that you are not yet experiencing any bad trade. If you can not control your emotions here, this is the point where you feel that you are the best trader in the world. This is the point that you want to bet all your money. Sometimes, you even play the money that you can not afford to lose. Worse, you have the blind belief that your strategy is unstoppable. This is really a bad situation. All traders have been into this spot many times. But most of them always failed to recognize and understand it. Fortunately, you can actually stop this at your next trade. Every time you are winning, before you open your next trade, pause and think first. Imagine you are in this spot, between points A and B. Anytime, expect that you will eventually reach point B any moment, then going to point C. The next spot. That's the moment of truth.

Truth-Moment: Between Points B and C

If your trade is between points B and C, you are losing money at that point. Maybe you have started from between points A and B then proceeded beyond B. Or you have started in between points B and C already. Regardless of your starting point, the point in between points B and C is the worst-case scenario that you will experience with your strategy. All strategies have this scenario. No matter how good your strategy, it will go at this point. This is the point that almost all traders modify the parameters of their strategies. Or completely abandon using the strategies.

If a trader continues on using the strategy, two things may happen in this truth-moment. 1) You may discover a way to recover some or all your losses. 2) You may get burned and lose your fund. If the first one happens to you, you learn some valuable trading lessons. If the second one happens to you, you have to move on and try to learn again. You can not avoid the second one, but you can actually do something to win in the long run even if you lose the money. In Chapter 2, I will reveal to you a simple but very powerful money management method that will enable you to win overall even if you lose at some point. The method is not money management about lot-size computation. It is an entirely new angle of money management to maximize your chance of a regular income.

So when you are losing on using a proven strategy that is supposedly profitable, most likely, you are just in between points B and C, the moment of truth.

Enlightened-Moment: Between Points C and D

You will not be able to reach the spot between points C and D, the enlightened-moment if you haven't experienced the truth-moment. Truth-moment is a prerequisite. Points C and D is where you can be considered as a real trader. It means you managed to get through the hardship of points B and C. You have passed the worst-case situation, learned the lessons on how to start over again or learned how to recover losses. This is the point where your emotions and confidence are in balance. You already know what to do but you are still very careful. It is not easy to be at this point. Sometimes you have to experience a lot of the truth-moments before you completely get into points C and D. It molds you as a trader.

Why Do You Need To Understand These Points Especially Points B and C?

I need to repeat this. All Good Strategies have worst-case points when trading them. This is something you have to keep in mind. As I have said already, you need to make sure that your strategy is really good at first. Then practice the strategy on a demo account until you experience and get through the worst part of the trading strategy. Do not jump to live account trading until you understand and know how to handle the situation in points B and C. This is the reason why 99% of new traders completely lose their money and never recover it at all. Even if they use a good strategy on a live account, they still fail. Why? Because they stop using their strategies or change it right after they lose some trades. They don't stick with the plan once they reach the truth-moment spot. You have to know first how to deal with the truth-moment before going live. Be sure your mind and emotion can also handle this.

In my study group, this is the reason why I require my students to reach 100% profit first with their demo accounts before going to live accounts. I can not monitor all of them simultaneously but with that 100%-profit requirements, there is a great chance that they would encounter the Truth-Moment spot. This gives me and my students the confidence that they will be able to do it again with their live accounts.

Start With Baby Steps

In Forex Trading, everybody wants to be a winner. Most newbies have this kind of mentality. Everybody wants to win big. Worse, everybody wants to be a big winner very fast. A very high-priced misconception. You are not flying the plane on your first day in aviation school. Everyone should start with the first step. In case the traders already know the process of learning about trading, only a few of them have an idea of how to handle the outcomes, or not everyone can actually handle the outcomes even if the pieces of knowledge on how to handle it are already known. I'm not saying that it is impossible to earn quickly with Forex Trading. It is actually possible. It is also possible to earn big. It is just that Forex Trading is misunderstood. First and foremost, in order for a trader to win big, he should also need to reasonably risk big. We always hear the phrase “High-Risk High-Reward” but it never really sinks in into the traders’ consciousness. Most new Forex traders unrealistically want to earn huge, for example, a million dollars with a starting capital of $200 in a short period of time. This made them trades with unreasonably large lot-sizes without a clear reason why they open the trades with big lot-sizes. This is the reason why brokers keep telling the new traders that they should only trade risk capital; the money that they can afford to lose. They know newbies can’t control their emotions. In order for newbies to learn the emotions involved in trading, they have to be prepared to lose and to get the lessons once they lose it.

It is a good start to learn with a demo account. There are two reasons for having a demo account to reduce emotional stress:

1. A demo account should be used first to see the weaknesses of a strategy and how to improve it. To improve it, it doesn’t mean you modify the strategy right away. The improvement can be on the way you handle it. You can do that with demo accounts. A trader should always have at least 2 demo accounts. One for tweaking methods. Another one for a

long-term forward test of the strategy. If you keep tweaking the strategy, give each modification a version number even if it's a manual trading plan and create a separate account for each version for a long-term forward test. This way, you will learn which version is more effective. If you can not do it simultaneously on your own, you can ask someone to test some of the versions for you, or test them one at a time. If you discovered one that gives more profit, your next step is to understand deeper why it gives the most profit. Look at every angle why it does that. You can not just conclude that it is the best one. You need to know why it is good technically. It increases your confidence in the strategy if you technically know why it is profitable.

2. One importance, of demo accounts, is on forward-testing the strategies that you didn't design. You got it from other resources like books, internet, seminars, mentors, etc. With a demo account, you are not just going to use it to test if it's profitable. You need to know if it's consistent in giving you gains. Being consistently profitable is not only about the strategy. It is also about how you handle the worst-case scenario that you can experience with the strategy. Most of the traders that use strategies get happy if they get favorable trades after a few weeks or months. They usually jump right away to live

account trading. That is a risky move. Traders should always wait for the worst-case scenario of each strategy that they forward test. All strategy has it. Traders should undergo that situation and figure out how to face it and most importantly how to get through it. That is the most important part of the test. The demo accounts are not only about knowing if the strategy is profitable. It is also for knowing, handling, and overcoming the flaws of the strategy. Another reason that gives you confidence. If you test a good but conservative strategy, you may aim to reach 100% profit or more first before going to a live account. With a good and conservative strategy, 100% profit is achievable in 6 months to 24 months. The strategies that I'm about to share will give you that result if you do it right. You may struggle at the start but if you keep on practicing them, you will eventually get it right.

To wrap up this chapter, I gave you ways to gain confidence in your trading by telling you that you need to have a solid exit plan before you start trading by knowing the worst-case scenario of the strategy and how to overcome it. That is the biggest step to reduce fear to a great extent. The same exit plan gives you the road sign that you are on the right track and not being greedy on your trades. While you are not yet at this point, the Sedona Method is your way out to control your emotions.

******* End of Sample Pages *******

Chapters 1 to 9 are already available for download. The complete version will be available in

March or April 2020.

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