



MARKET MAKERS  
METHOD

# FOREX EDUCATION

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Welcome to a modified version of The Market Makers Method Forex Strategy, made easier to understand, so that you will be able to consistently make PROFITS in the Forex market.

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## **Introduction**

This method is derived from the teachings by Steve Mauro. Many have watched the videos but fail to fully grasp the concepts as there are many and there is a lot of information to retain. The aim of this document is to illustrate a few of the key concepts from the videos and make your trading lives easier and more profitable.

First and foremost, in order to fully comprehend the system, it is of utmost importance not to mix strategies as this will only cause further confusion and doubt in the long run. This system is mainly about piggy backing on the Market Maker trend. Once you understand that concept you will be able to be profitable 90% of the time.

The topics which will be discussed in this document will be as follows:

1. Market maker structure/cycle,
2. Weekly structure (Psychological Support & Resistance, Level Count, Resets and EMAs),
3. Daily set-ups,
4. Types of trades (Trading Zone),
5. Timings,
6. Trader psychology,
7. Trading Tips,
8. Risk Management.

## 1. Market Structure

This system teaches us that on a weekly basis the Market Maker (MM), will induce retail traders to enter trades in the wrong direction by issuing 'signals' that make it seem as though that direction is correct. This is called "Inducing." This is done on every time frame. The MM will accumulate contracts by ranging price in a set amount of pip range for the Asian session, then issue Stop Hunts (SH), in the opposite direction they intend to go. They do this in order to catch out the break out traders. This is how they induce and trap volume.

Once enough volume is accumulated, they start the real trend for the session. The move will be slow and steady and will usually go for 6 – 8 hours. Being able to identify the MM trend and being able to count levels will be of great deal to improve your trading knowledge.

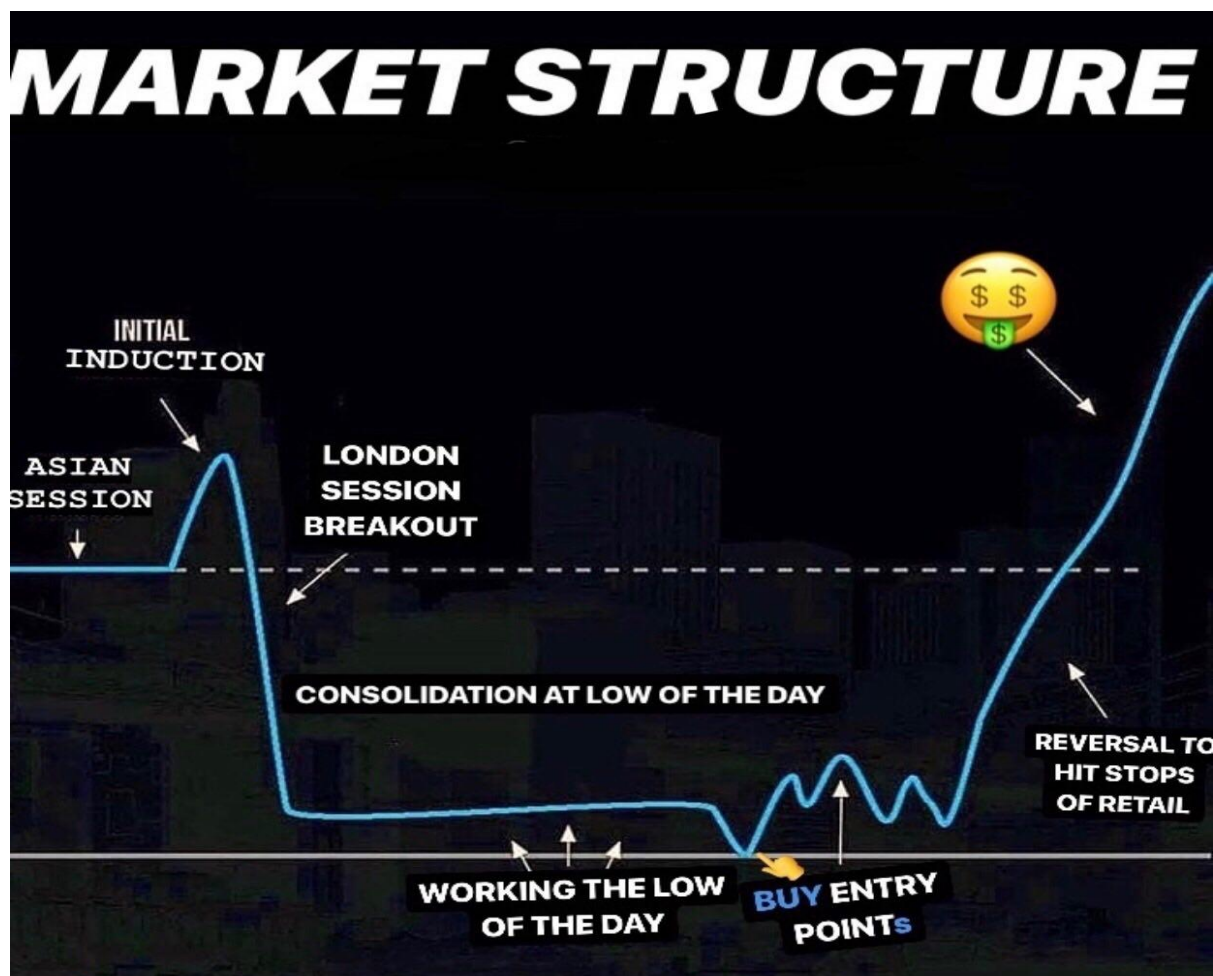


Fig. 1.1) Market Structure

The figure above illustrates how the MM pattern goes. This is applicable on all time frames. The pattern also plays out on a weekly basis, with the first day or two, being the initial induction, which is in essence a SH and then MM will trade against it, as it is now the Peak Formation (PF) for that week.

In a perfect cycle there should be 3 levels of drop which play out over a period of 3 days, the pattern will be a M, A<sub>1</sub>, A<sub>2</sub>, W (Down Trend), and W, V<sub>1</sub>, V<sub>2</sub>, M (Up Trend). Meaning each trading week will

have a PF High and PF Low. Once the PF is established for the week, it is at that point you will look for signals to enter a trade against the PF and turn the spot trade into a swing, ideally holding for 2-3 days.

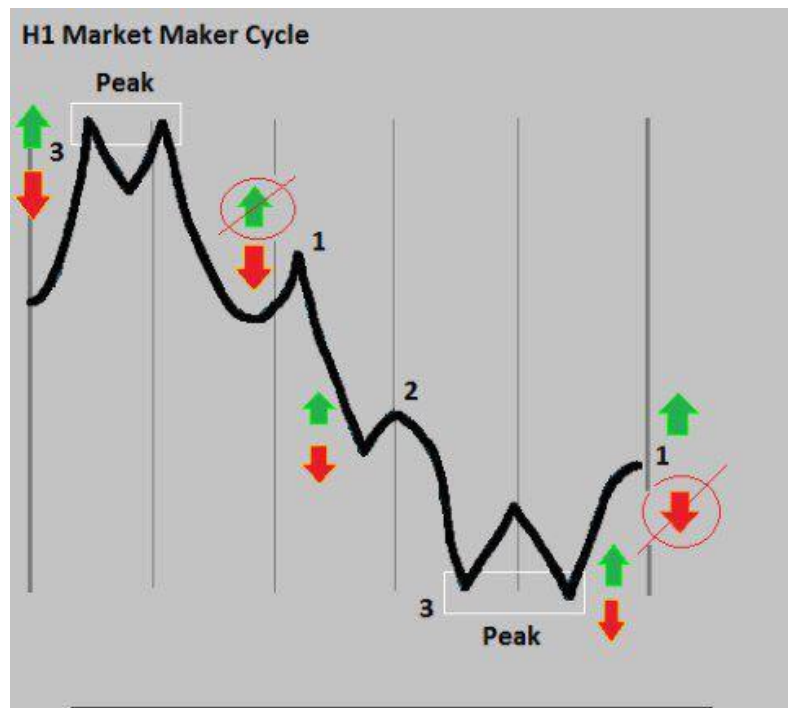


Fig. 1.2) M, A<sub>1</sub>, A<sub>2</sub>, W (Down Trend)

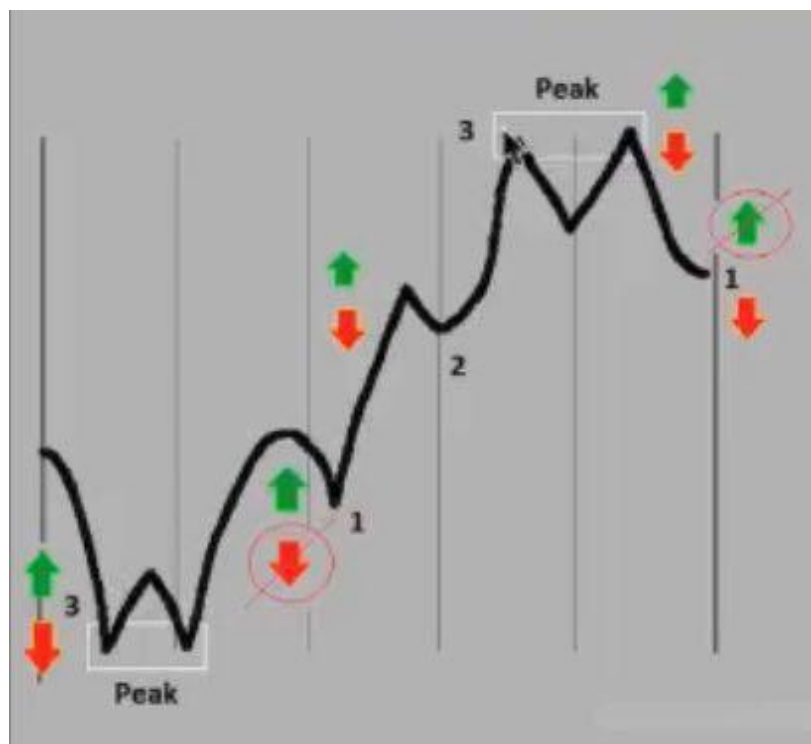


Fig. 1.3) W, V<sub>1</sub>, V<sub>2</sub>, M (Up Trend)

## 2. Weekly Structure

The weekly structure refers to a macro view of the past week on the H1 time frame. This is the ideal time frame to identify the previous PF and helps us anticipate and project the next PF for the upcoming week.

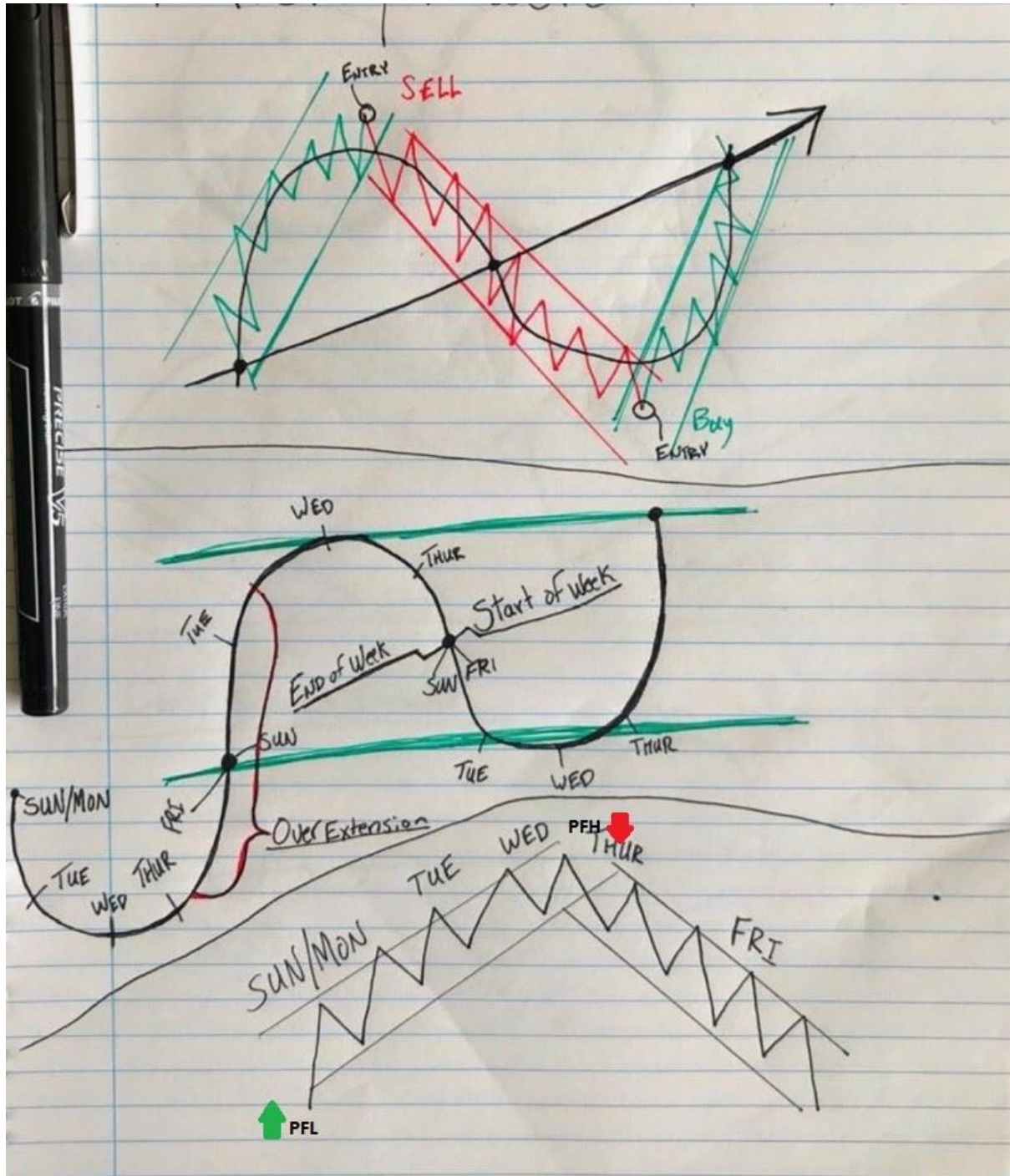


Fig. 2.1) Weekly view of the markets



- **Psychological Support and Resistance:**

We will start off with the weekly Psychological support and resistance (PSR), which is actually the accumulation zone for that current week. This accumulation zone will act as a trap zone for the MM to induce weaker traders. The PSR is identified on the H1 time frame, after the first session of the first day of each new trading week, meaning the first 8 candles of the week act as the PSR for the week.

Once the MM has set that zone, they will make a false move week beginning, which acts as the Initial induction for the week, or SH. Once the SH has been set it will act as the PF for the week, this is when we look for signals that show that the trend will reverse and this is when you trade in line with the MM against the PF.



Fig. 2.2) Psychological Support & Resistance

- **Level Count:**

Now that we have discussed the weekly pattern, we know that it behaves in a cyclic manner. In an ideal trading cycle, we should have 3 days of Level rise/drop. Meaning in an uptrend, we expect 3 days of rise, with each day representing a Level or rise, and the opposite with a downtrend, 3 levels of drop.

It is not uncommon for the Levels to not going for an exact 3 rises or 3 days for that matter. Always bare in mind that the MM can change the trend at any given time. Your duty is to be reactive to the MM moves. Understand that at Level 1 & 3 aggressive moves will be seen. MM must book profits at these Levels.

When you are in Level 1 or 3, remember that will be the PF.

The goal to being able to count Levels is by identifying the PF for the Season, Month, Quarter and Week. Once you can establish the PF you will be able to see where the main trend is going. If for example the main trend is a Down trend, then there will be more aggressive and visible levels of drop, as opposed to a rise. By this I mean, if EURUSD has been dropping for the past 4-5 months, it's abundantly clear that the pair is on a Down Trend. So we need to identify the very first PF that started the Down trend. When this is done, you will notice that when price drops, it will be in the traditional L1, 2, 3 drop over a 3 day period, with the pullbacks being the PF for a small reversal for the week, which may not give the full 3 days or rise, or if it does give the 3 days and 3 Levels of rise, they will not be as aggressive as the drop.

Being able to count will yield a higher level of trading results. But don't be so trapped in a bias that you miss signals of a reversal because you still expect another Level of rise/drop.



Fig. 2.3) Level Count



- **Resets**

Resets occur so that there are more than 3 days to a trend. Resets can be identified as movement in price which usually closes more or less where it opened.

- If during a Down trend and there's a stop hunt low, instead of a stop hunt high, it means either a Reset or a Reversal.
- Once a Reset is identified, it will be in bias with the trend.
- Sometimes Resets act as new PF which will be either a continuation of the trend or a reversal.
- The more the Resets the longer the main trend will continue for.

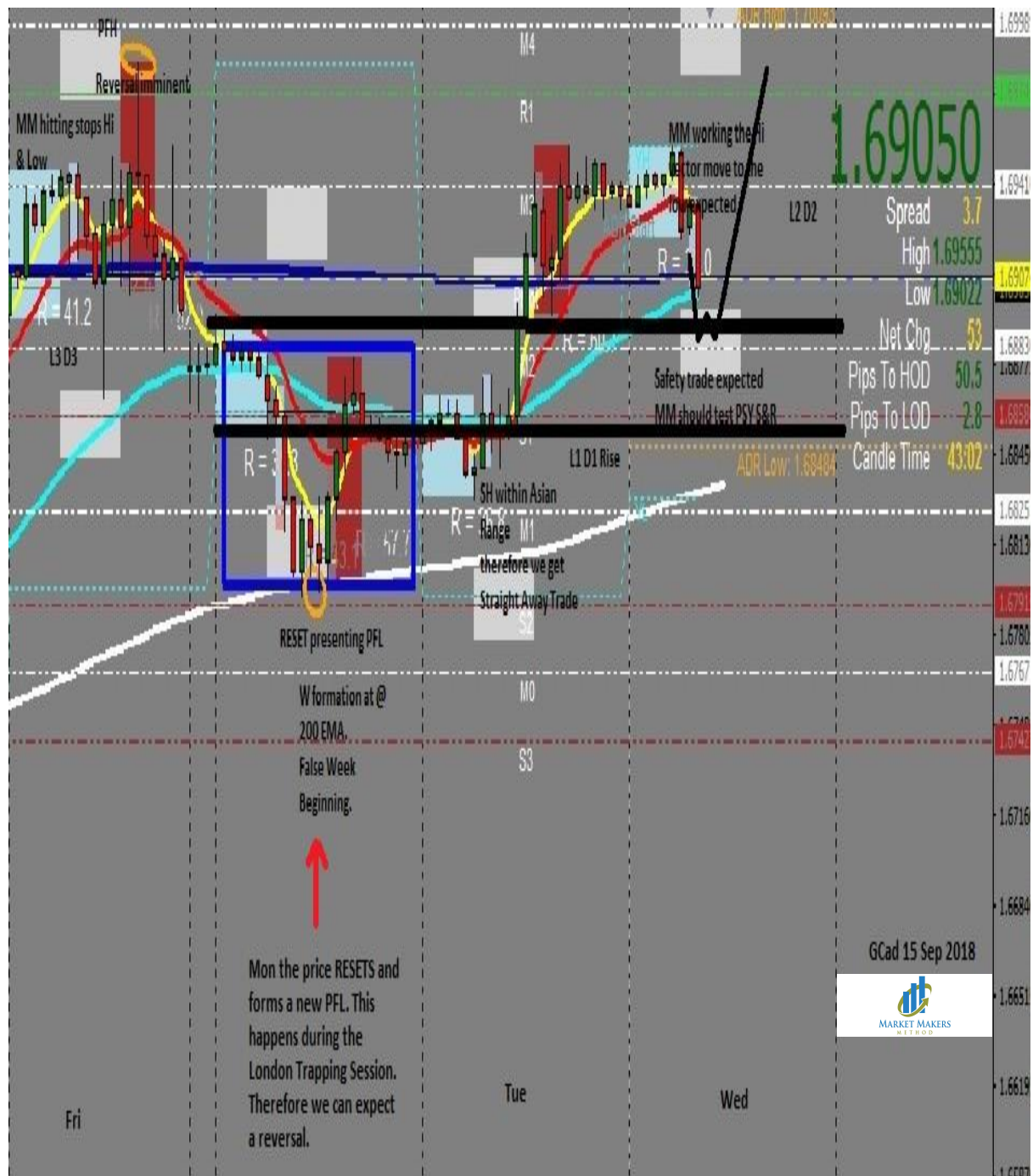


Fig. 2.4) Reset example

- **EMA:**

In this strategy there are indicators involved, the most important being the Exponential Moving Averages (EMA). Namely the 5/13/50/200/800. Understanding the behaviour of the EMAs will greatly improve your analysis and understanding of the market structure, pattern and level count.

- When the trend is going Down, the White (200) is above the Aqua (50)
- When the trend is going Up, the White (200) is below the Aqua (50).

We can use the EMAs to identify Levels and MM trend cycles. The 50 and 200 act as moving support and resistance, respectively.

200 EMA represents the 50 EMA on the next higher time frame. Therefore the 200 EMA on the M15 chart shows the position of the H1 chart, 800 EMA plots position of the 50 EMA on the H4 chart.

Any trade that is counter the MM cycle must have a take profit at either the 50 or 200 EMA. It is advisable to use trailing stops when taking these types of trades as the MM can deliberately hold price away from the EMA.

When a W/M (usually multi-day) presents on the 800 EMA, the trend will continue for more than 3 days, on the 3<sup>rd</sup> or 4<sup>th</sup> day more entries can be taken to supplement initial entries. [H1 timeframe]. The W/M must be on the 800 EMA.

- **NO INDICATOR CAN REPLACE YOUR ABILITY TO IDENTIFY THE PATTERN AND THE COUNT!!!**

-Level 1 is identified by the flattening and tightening of the EMAs

-Level 2 identified by the crossing of the 50 & 200 EMA

-Level 3 identified by the fanning and then collapse of the EMAs

\*5 & 13 are the signal lines.

\*50 is the balance line and indicates the intra-day trend.

\*200 is the home base, defining the longer term trend. Price always returns to home base.

When the EMAs are squashed up and squiggly you can expect consolidation and/or chopping of the price. This is not an ideal trading condition as it will give many false signals which won't give feasible results. Usually this type of behaviour means a reset.

**\*whatever happens on Fri will continue on Mon, unless if price RESETS (consolidation), then it will continue on Tues.\***



Fig. 2.5) EMA behaviour (Squashed and Squiggly)



### 3. Daily Setups

By daily setup, it does not necessarily mean that this setup appears daily nor that you should be trading daily. This is way of analysing the weekly structure so that trade setup are identified in advance.

❖ Play 1 (Weekly Structure)

- 3 – 5 day look back in activity/trend.
- Macro check down, use H1.
- Form bias for the market before even considering entering.
- Entries are always on the M15 chart.
- Generally speaking if price has only gone up/down for 1 or 2 days it will continue in that same direction. We really get interested with possible reversal anywhere between 3 – 5 days.



### Fig. 3.1) Weekly Structure

❖ **Play 2 (Daily Structure)**

- Consolidation (is it less than 50 pips?)
- Stop hunt (Must be between 25 – 50 pips)
- Long sustained run (6 – 8 hours of trend move)
- Continuation move
- Reversal

Correction (Reset) will often shift back to 200 EMA. If the 13 never breaks below the 50 then we know it's a correction and not a reversal.

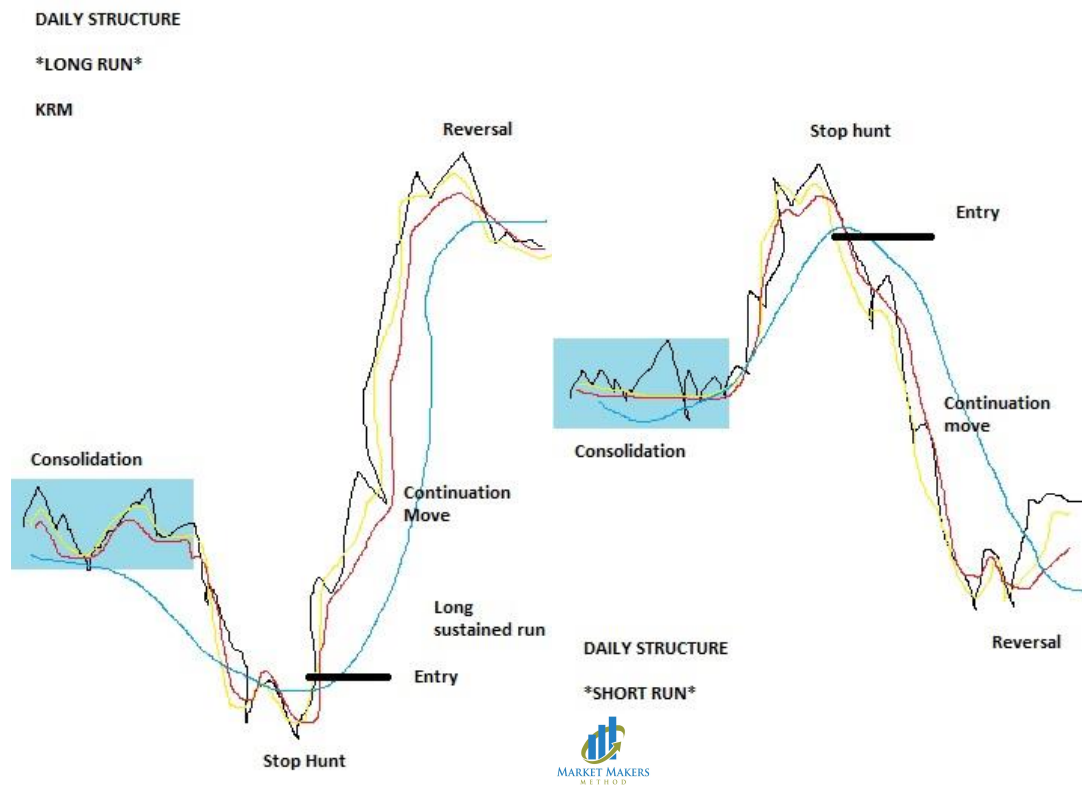


Fig. 3.2) Daily Structure



❖ **Play 3 (The Strike Zone and Formation)**

A strike zone is 3 or more indicators lining up on or near one another to determine the highest probability price points for entry patterns.

- Ideally we wait for a peak formation to form or set, we need the peak formation to be tested the following day. This is known as either the High/Low test depending on whether price is rising or falling.
- Once the PF is tested we need the setup to occur during London Trapping Session and that setup needs to have a 2<sup>nd</sup> leg M/W close to the High/Low.
- The 5/13/50 EMA cross has to occur at this zone and entry is taken here. This is the highest probability trade which can be held for the duration of the trend (3-5 days).
- There should be a clear Shark fin or W/M in the TDI.
- The candle formations needs to be the correct ones at the correct time.



**Fig. 3.3) Strike Zone**

#### **4. Types of trades**

When it is time for you to take a trade, it is important to identify key points on the chart where you can safely enter trades. These trades need to be high probability setups that will allow you to become most profitable.

As discussed in the webinars, we ideally look to take trades from the PF and trade against it for the next few days/weeks/months (depending on the type of PF we have identified). If however the PF has been missed there are still opportunities to catch the continuation with a Safety Trade (ST) or the (SAT). We will exclusively focus on catching either of the 3 setups.

In order to take a trade, the following should be identified:

- Ideal Asian range of 50 pips or less.
- Trading zone is set 25 – 50 pips higher than the Asian range.
- Setups occur in the last ¼ to just outside the Asian box [If they happen earlier, they are still tradable, you are smarter than a box]
- The stop hunt must be visible.
- Correct candle formations at the correct times.
  - Hammer or Inverted Hammer
  - Spinning top
  - Doji
  - RRT
  - Star pattern
- HOD/LOD test
- EMA cross
- TDI

We should avoid taking trades when the ADR has already been reached.

Remember reversals fails when the MM hasn't reached enough volume, therefore we can get a 4<sup>th</sup> day or Rise/Drop. This is known as an extended Rise/Drop.

Identify the **trend**

- There are 2 types of trends;
  1. MM trend (Real trend)
  2. Technical trend (rest of the world)
- Levels are visible on all TF, but the best macro view for level count would be on H1.
- All the TF don't always line up. This is a retail trader trap, don't get caught by the MM.
- By the time the higher TF line up the MM may be thinking about reversing.
- Since the trend is set by the MM it can be reversed at any time.
- Have an open mind, trade both ways but understand the limitations of doing so, [e.g. do not trade towards the peak coming out of Level 1].

❖ **PF Trade:**

This should be your signature trade, it has the highest probability of success and yields more profits when held for the ADR x 3. There needs to be a clear High/Low set, which is then tested the following day. When this test occurs we expect a clear M/W to present. The best entry is at the cross of the 5/13/50 EMAs. All the other indicators and rules need to be present as well.

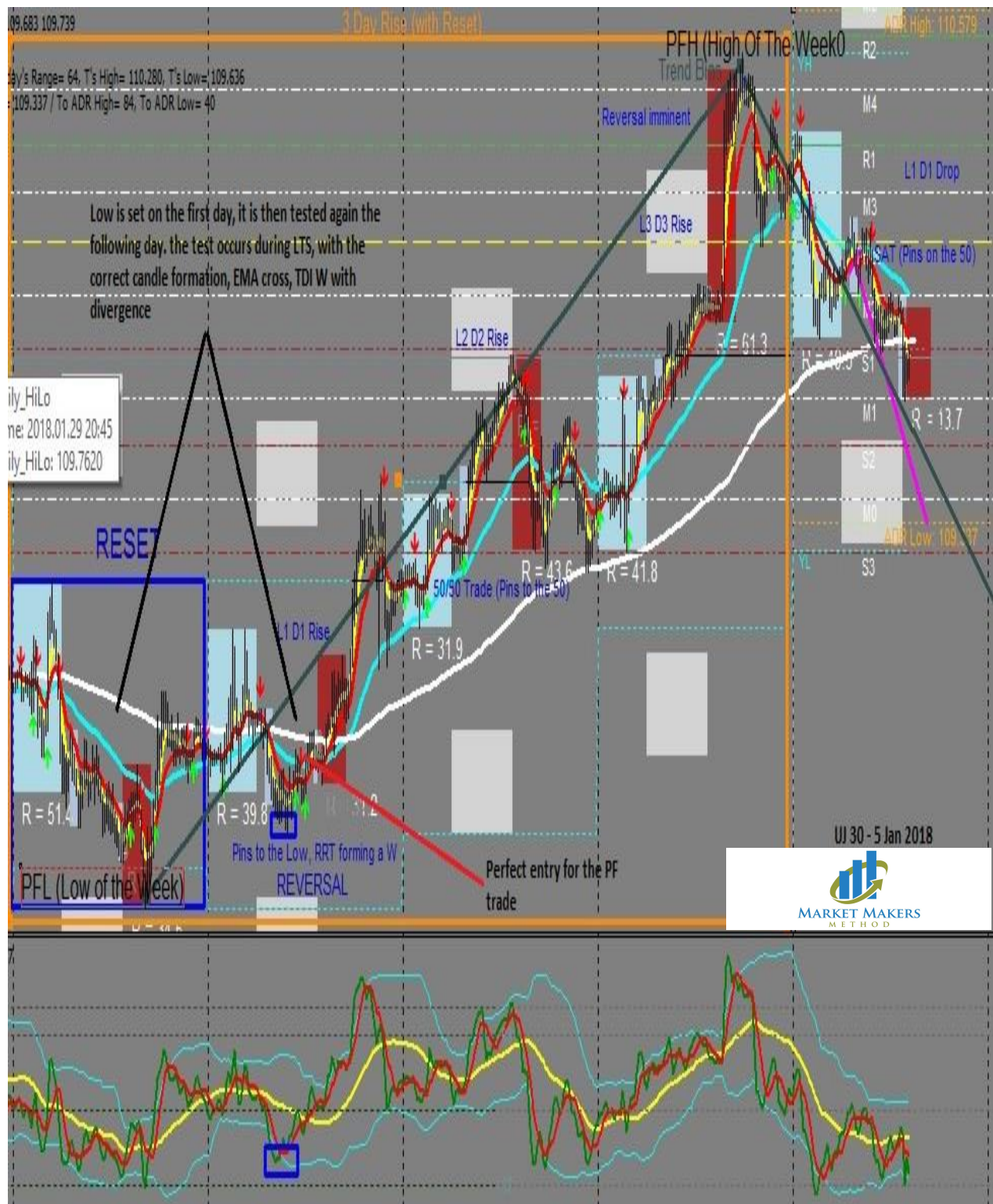


Fig. 3.4) PF Trade



### ❖ Safety Trade (ST)

Identifies the top/bottom of the market in that moment in time. Allows you to trade in line with the PF (high/Low) as a confirmed directional move.

The ST has a few simple rules, and can be extremely profitable with very little failure:

- The PFH/L has formed.
- Price has moved away from the PF and has confirmed the formation.
- Level 1 consolidation is clear.
- The Asian range needs to be 50 pips or less, than we should expect a SH in the direction of the PF, which should be between 25 – 50 pips.
- An M/W should present around the LTS or UTS. Enter trade after 2<sup>nd</sup> leg presents at the correct time, EMA and TDI confirms.
- Sometimes news messes up the cycle by hitting the stops on both sides, we will consider it to be a reset.



Fig. 3.5) Safety Trade

### ❖ Straight Away Trade (SAT)

The SAT has similar rules to follow as the ST. The main difference is that the MM does not issue a visible SH below/above the Asian range. The candle formation usually present on the 50 EMA. The SAT usually exceeds the ADR.

Upon issuing the SAT the MM will sometimes correct after the 3<sup>rd</sup> Level to about half the Rise/Drop, the re-evaluate.

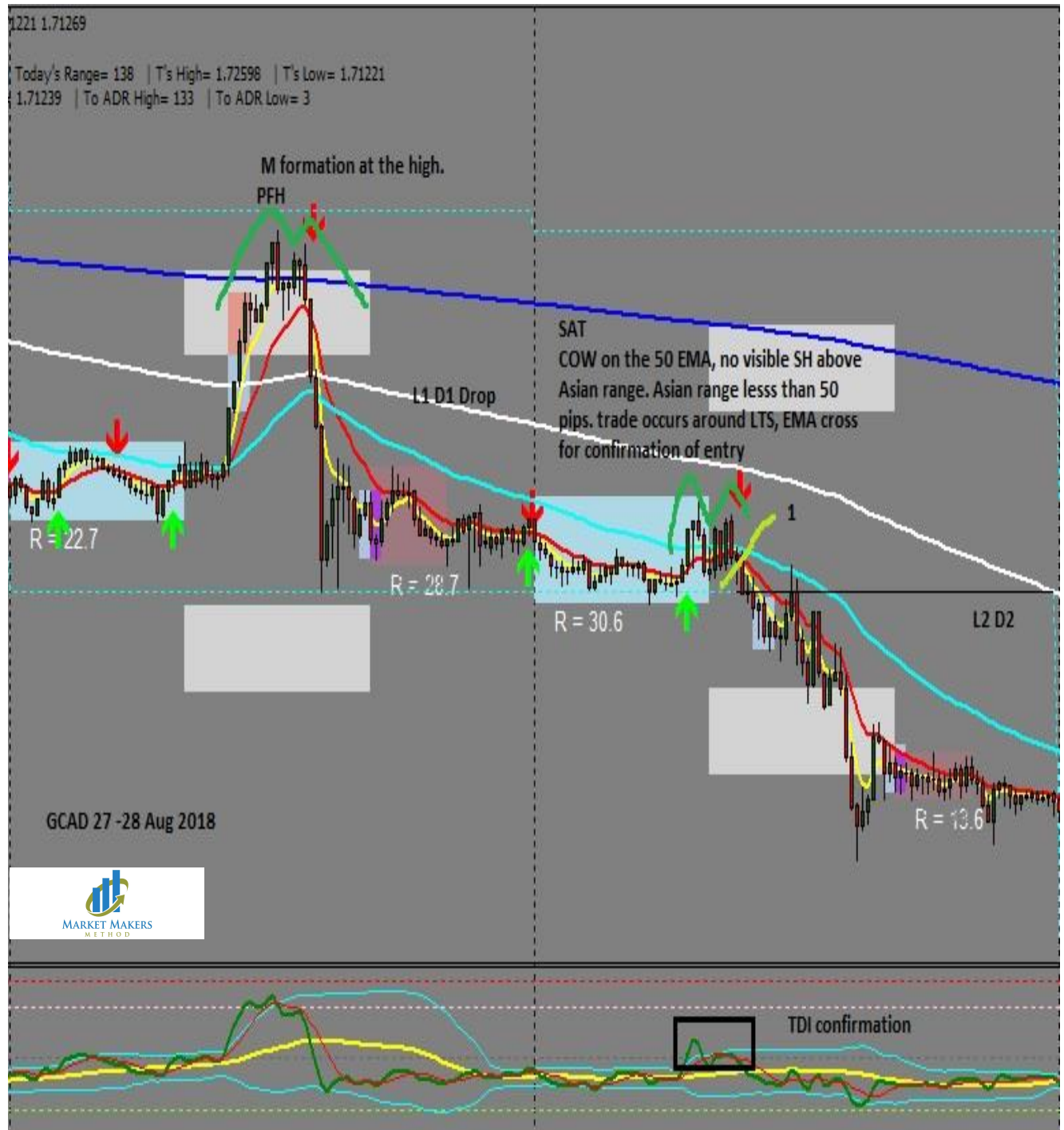


Fig. 3.6) Straight Away Trade (SAT)



## 5. Timings

Ideally as a trader you should not be spending copious amount of time staring at the charts waiting for a setup to present. The whole point of being in this business is to have more time to do the things we love with all the money we will be earning regularly.

We have 2 sessions that yield the most successful results and setup formations:

- i. London Trapping Session (LTS): which is the first 4 hours of the London session. It is best to start looking for setups around 08:45, 09:45 and 10:45.
- ii. US Trapping Session (UTS): Which is the first 2 hours of the US open. It is best to look for setups around 14:45 and 15:45.

Of course setups can present slightly earlier or late than this. This is merely a guideline to help with planning your timing on the platform. Once a trade has been taken, allow 2 hours to elapse to confirm the validity of the trade, if the trade is in draw down after the 2 hours has elapsed than close the trade and re-evaluate.

Since we all live in different time zones, it is advisable to have a market clock that is set to you specific time zone. Try by all means to trade when 2 markets are open at the same time, which is when there is higher volume. Also make sure your currency pairs being traded are for the time zones where the market is open to the currency pair being traded.

I suggest using the forex market time converter from this website:

<http://forex.timezoneconverter.com>

Simply input your location/zone and the FX time converter will match your time zone to the current market times.

**Forex Market Time Converter**

Time Zone:  [How do I determine my time zone?](#)

Time and date: 02:28 AM 29-December-2018 [US/Eastern](#)

Click on a time zone for Daylight Saving Time (DST) transition dates and times.

Forex Market Center	Time Zone	Opens US/Eastern	Closes US/Eastern	Status
Frankfurt Germany	<a href="#">Europe/Berlin</a>	02:00 AM 31-December-2018	10:00 AM 31-December-2018	Closed
London Great Britain	<a href="#">Europe/London</a>	03:00 AM 31-December-2018	11:00 AM 31-December-2018	Closed
New York United States	<a href="#">America/New_York</a>	08:00 AM 31-December-2018	04:00 PM 31-December-2018	Closed
Sydney Australia	<a href="#">Australia/Sydney</a>	04:00 PM 30-December-2018	12:00 AM 31-December-2018	Closed
Tokyo Japan	<a href="#">Asia/Tokyo</a>	06:00 PM 30-December-2018	02:00 AM 31-December-2018	Closed

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**Fig. 5.1) FX Market time converter**

## 6. Trader Psychology

In the Forex business it is very important to understand that this more about the trader psychology than it is about the charts. It will be very hard to make a proper analysis if your mind-set is not correct.

If you find yourself upset or unhappy, do not trade. Avoid getting on to the platform when you are in debt or do not understand what you are analysing. Also social media has a huge effect on your mind set. It is important to adopt a trading plan and stick to it.

You do not need to take a trade everyday but you do need to show up to your platform daily.

I advise keeping a sharp and focused mind setting a simple, and achievable trading plan, set realistic and achievable goals. Read more so you can stretch your mind, a stretched mind cannot go back to its former state. I will share reading material on a monthly basis, these reading material will be in line with mindfulness and emotional intelligence as well as entrepreneurial advice and motivation.

This business comes with losses, no strategy is 100%, but adopting a trading plan and having the discipline to follow it strictly will yield a higher rate of success and minimal losses. The less you lose the more confident you will grow in your understanding of the strategy and market analysis. Do not allow losses to define or knock you down, learn from the mistake and try your best to avoid repeating the same mistake.

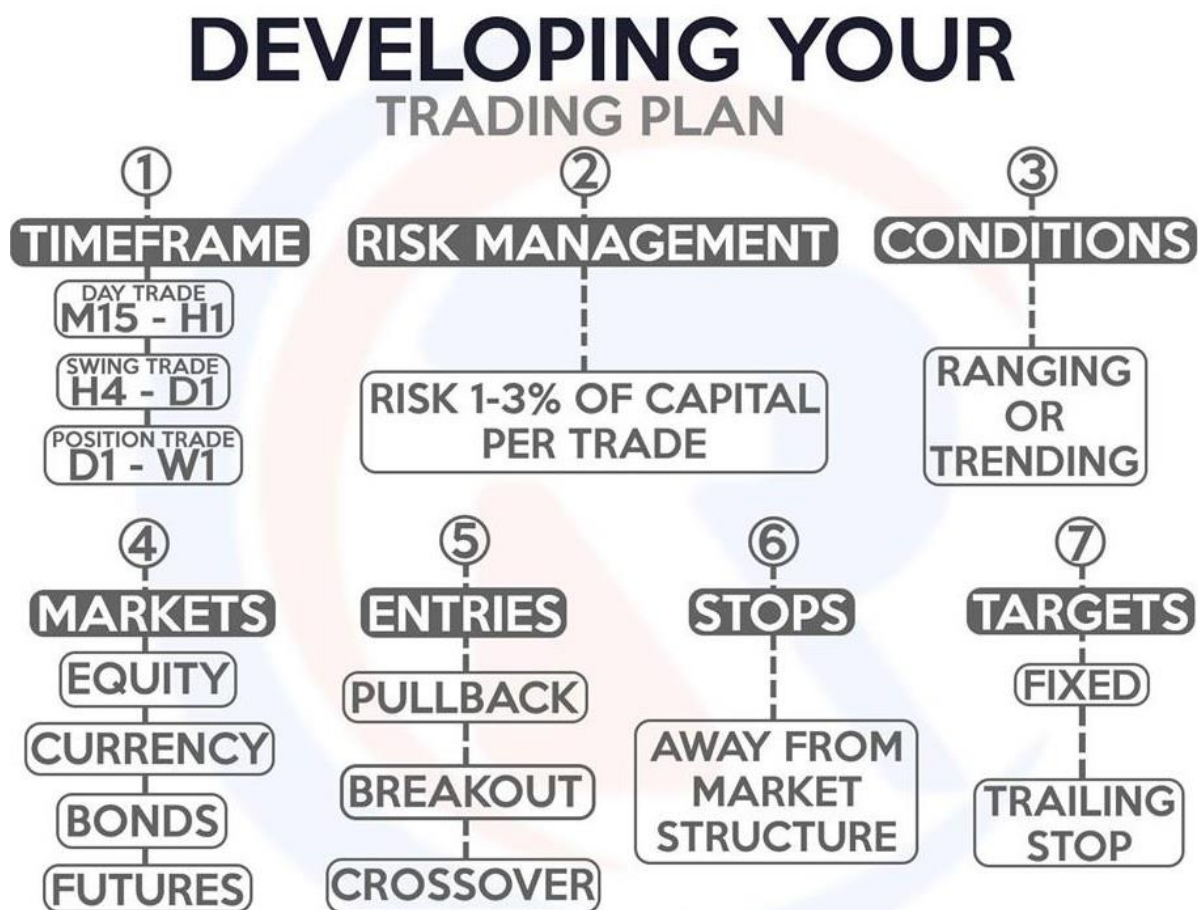


Fig. 6.1) Development of a trading plan

## **7. Trading Tips**

Make sure you have a check down, which should be as follows:

- Always start with higher time frame, ideally the H1 to preview the previous 10 days.
- Set your PSR after the first Asian range of the new week has been set.
- What level are you on?
- Where is it going?
- What day of the week is it?
- What happened the last 3-5 days?
- Form a directional bias.

When you have identified the PF you should be able to project and anticipate the Safety Trade, it will be 25 – 75 pips away from the PF. You can even go as far as drawing a line 25 pips away from PF then another line 75 pips away from PF, this will be your trap zone to catch the Safety trade. Once this is caught it will act as an anchor for the PF.

### **\*REMEMBER\***

- Fast move is false
- Never chase rising/falling currency
- MM drops to buy [Buy Low]
- MM pumps to dump [Sell High]
- Previous H/Lod are major trap moves, do not trade these as break outs.
- MM will extend the Hi/Lo in 3 moves (vector)
- The trend is slow and steady
- MM needs to book profits too, so the trend move will contain 20 – 25 pip pullback and 3 levels of move corresponding with levels of consolidation.

## 8. Risk Management

Forex is a risky business, there is a high probability of losing your initial capital if you do not apply a measure of risk management. It is highly recommended that a stop loss be used at all times, this ensures that your account lives to trade another day in case your analysis is incorrect.

What makes the risk defined is the lot size and number of entries we choose to put on. You should only be risking 20 – 30% of your account at any given time. For example if you have a \$100 account, then your losses shouldn't be more than \$30.

Lot sizes should be established on the following basis:

○ \$100	0.01
○ \$200 - \$400	0.02
○ \$400 - \$600	0.03
○ \$600 - \$800	0.05
○ \$800 - \$1200	0.08
○ \$1200 - \$3000	0.10
○ \$3000 - \$5000	0.25
○ \$5000 - \$10000	0.40
○ \$10000 - \$100K	1

The number of entries will be defined by the stop loss you choose to use, all the entries in total should amount to the maximum risk of 30% of the account. Taking this into consideration, your equity growth chart should be exponential and show more growth than loss.

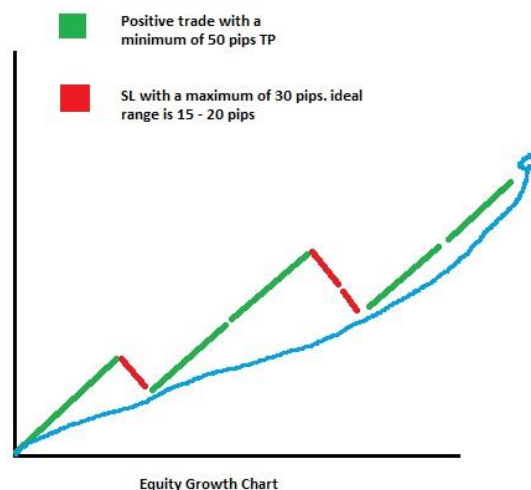
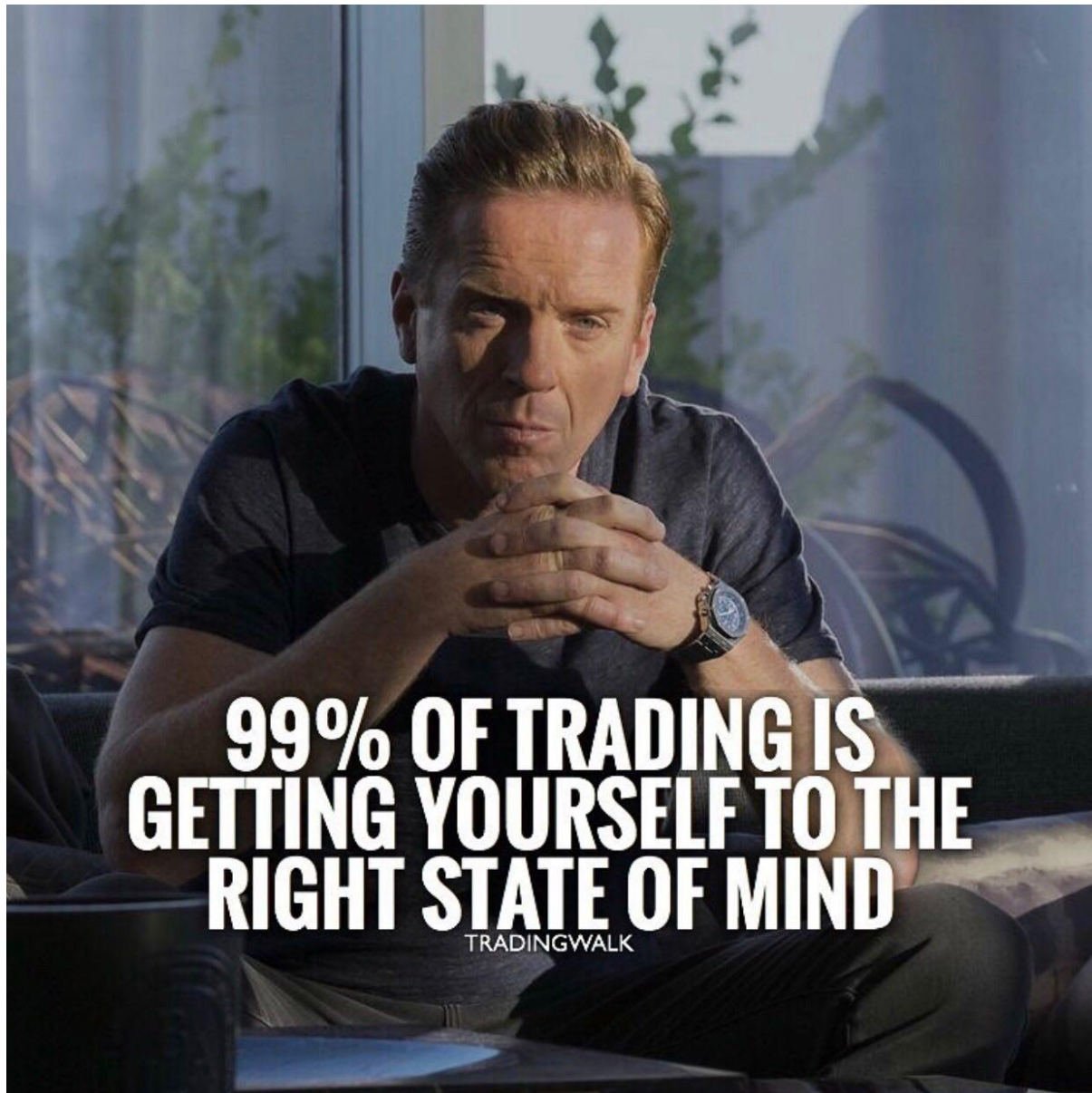


Fig. 8.1) Equity growth chart

Withdraw often, it's better to have a big bank balance than a big trading account, because your trading account could be blown in one simple mistake.

**HAPPY TRADING!!!**



Visit Us @ [www.MarketMakersMethod.com](http://www.MarketMakersMethod.com) for Live Trade Alerts and Further Forex Mentorship!

**GOOD LUCK TRADING!!!**