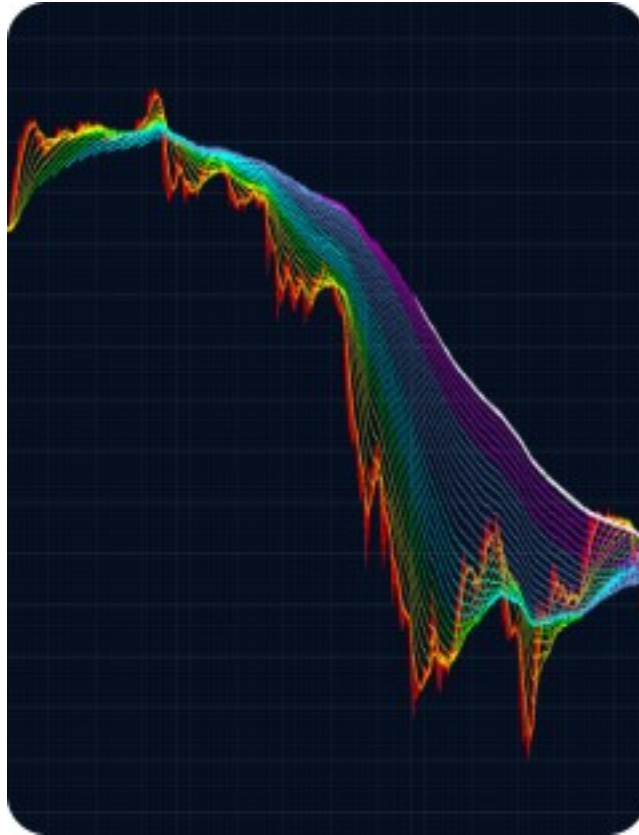


Linuxtroll Simple Scalping



by
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Linuxtroll Simple Scalping is a trading style specializing in entering the ForEx market with high probability and taking profits on small price changes, generally soon after a trade has been entered and has become profitable. It requires a scalper to have a strict entry/exit strategy with discipline because one large loss could eliminate the many small gains that the scalper has worked to obtain. Having the right tools such as 5 sec or xtick Cyrox Rainbow Chart, a live real-time feed from ECN, a direct-access broker and the motivation to place high probability trades are required for this strategy to be successful...

- >> A brief exposure to the market diminishes the probability of running into an adverse event.
- >> Smaller moves are easier to identify and obtain by staying in a 5 sec Cyrox Rainbow chart.
- >> Small profits compound into large gains and allow the scalper to trade bigger lots with lower risk.
- >> Even during relatively quiet markets there are many small movements that a scalper can exploit to make money everyday.
- >> Scalping can be adopted as a primary or supplementary style of trading.

Scalping is very profitable for traders who decide to use it as a primary strategy or even those who use it to supplement other types of trading.

Congratulations and thank you for purchasing this e-book and making one of the wisest investment decisions in your life. This e-book was written not just to teach you the mechanics of Linuxtroll Simple Scalping, but its main purpose is to make you money everyday and increase your wealth. This e-book is about winning and joining the successful scalpers in one of the simplest and easiest to learn scalping methods.

"It takes screen time and practice to learn the Linuxtroll Simple Scalping using Cyrox Rainbow, but those who are able to master this approach can enjoy long-term success in the currency market" - Linuxtroll.

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It is a very sad fact that the general public have been lied to or kept in dark, because there are trillions of our hard earned dollars at stake. Market makers, brokers, introducing brokers, banks, financial institutions, pension companies, sellers of systems and books are all getting rich from our money. My wife and I are active and successful scalpers for over three years now. We did not know how successful we were until, in our constant search for improvement - trying many systems, indicators and expert tips - we found out that our own Linuxtroll Simple Scalping method (we fondly call it Cyrox Rainbow Scalping) always delivered a higher rate of return.

The general public has always been cheated out of money and kept in the dark for long enough. It is time they know the truth about how to achieve substantial returns on their own investments scalping ForEx.

Now that you have started to take hold of your finances and personal wealth building, the first thing you must learn to do is to take responsibility for your own actions. This is vitally important; it is no use blaming the market, broker, computer etc. when things go wrong. You are in charge of your own destiny and responsible for your own actions. No one else can be blamed. In today's society this seems to be an alien trait to many people. There is always someone to blame. The fact is, if you want to trade successfully, you need to take actions and understand that you alone, are responsible - no one else. Traders who lose are quick to blame the friend they got the tip from, the newspaper they read the story in, or their broker. It's everyone's fault but their own. When you place a trade you need to evaluate it yourself and understand that you are responsible for its profit or loss. This leads on to understanding the environment you are operating in and a happiness to accept the loss or profit as your own.

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There is no system that works 100% of the time and you need to admit to yourself when you have made the wrong trade and the market is going against you. Failure to do this is the most common reason why people fail to make a success of scalping. Needless to say, discipline to quickly get out of bad trades and proper risk management is extremely important. The good news is that you have help and a distinct advantage using Cyrox Rainbow Scalping. If implemented properly, Cyrox Rainbow Scalping strategy can be used at very low risk.

All successful scalpers have confidence that they will succeed longer term in their aim to make money. Take some time to read the section - My Main Thoughts In Performing Well. Discipline stems from confidence. It is the one trait that all top scalpers have. Cyrox Rainbow gives confidence and allows you to maintain proper risk control by not second guessing the method. Always assume the worst and you won't be disappointed. Things can only get better.

It is a fact that 90% of traders lose money in the long term. Your edge is what separates you from them. Any successful trader has something that sets his or her method and personality apart from the majority and enables them to make money when others lose. You need an edge that you can define and gives you confidence that you can beat the herd. If you don't know what your edge is, you don't have one! Cyrox Rainbow in 5sec chart is your edge and with some screen time you can develop that edge.

In our constant search to improve our scalping, my wife and I have purchased numerous books and systems. None of them have come close to the profitability and ease of use as our own method. Many books and systems are either too complicated or vague and do not tell you anything new. The aim of Linuxtroll Simple Scalping is to keep things as simple as possible and deliver a

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method that actually works.

Scalping as a trading method is widely misunderstood. Here are some common opinions on what scalping is: ForEx scalpers are usually seen as traders who sit in front of the screen all day, executing trade after trade while trying to play the "spread game" - attempting to profit from the difference between the broker spread and the amount of pips they make per trade. Because the relative small time frame in which scalpers operate, ForEx scalping strategies are often seen as risky.

We will look at some factors affecting Scalping:

Liquidity

Liquidity of a market affects the performance of scalping. Each currency pair within the market receives a different spread. The more liquid the markets and the currency pairs are, the tighter the spreads are. Scalpers must trade in a more liquid market since they can make thousands of trades a day by adding up their small profits offered on each trade. If they are to trade in less liquid markets, they will try to cover their risks by widening their bid and ask prices.

Volatility

Unlike momentum traders, scalpers like stable or silent currency pairs. Imagine if its price does not move all day - scalpers can profit all day simply by placing their orders on the same bid and ask, making hundreds or thousands of trades. They work around the bid/offer, buying on the bid and selling on the offer to pocket the spread or perhaps a pip or two more. They do not need to worry about sudden price changes which kill them if unprepared.

Time Frame

Scalpers operate on a very short time frame, looking to profit from market waves that are sometimes too small to be seen even on the one minute chart.

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This maximizes the number of moves during the day that the scalper can use to make a profit.

Money Management and Risk Management

Money Management is very important. After money management, risk management is the single most important aspect for a Linuxtroll Simple Scalper. The small amount of time that is spent in the market limits much of the risk in exposure in comparison to a longer term system. Rather than looking for one big trade, the way a swing trader might work, the scalper looks for hundreds of small profits throughout the day. In this process the scalper might also take hundreds of small losses during the same time period. For this reason a scalper must have very strict risk management never allowing a loss to accumulate against him. Linuxtroll Simple Scalpers have more edge because they use a risk management by taking only high probability, low frequency scalps using 5 sec Cyrox Rainbow Chart .

In essence, Linuxtroll Simple Scalping is a defensive trading strategy based on risk management. It is about taking small profits and learning risk management techniques to win more consistently and frequently. Scalping the ForEx is also a defensive trading method because it allows you to decrease your exposure to the market. You are not affected by adverse economic news events or overnight gaps as both swing and day traders are. Because Linuxtroll Simple Scalpers participate in a trade for a very short period of time and more importantly control the risk per trade very tightly, they are less likely to be hit by adverse market turns. Cyrox Rainbow, Flame, Spine, H-line and V-line will guide them.

Linuxtroll Simple Scalpers DON'T sit in front of the screen all day trading. They will trade only when the market presents a safe and executable opportunity. In fact, we are free to leave the computer at any time we like simply because we

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are not tied to our positions as longer-term traders are.

Finally, Linuxtroll Simple Scalping is NOT riskier than the other trading styles. In fact it could be said that it is the least riskiest and most profitable trading style. This is due to Linuxtroll Simple Scalpers' very short market exposure while tightly managing risk.

Linuxtroll Simple Scalping is not a get rich quick scheme; your trading must be treated as a business. It is a very serious business but offers the greatest rewards I have ever experienced. As you will learn, time is money so let us move on, have an in-depth study of our business and find out how we can make substantial gains in our personal wealth.

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Linuxtroll Simple Scalping Works

Linuxtroll Simple Scalping differs from most systems. By utilizing ForEx as your trading vehicle you have the ability to make money in both rising and falling market conditions. Choosing your timeframe (5 sec), trading tool (Cyrox Rainbow), currency pair (EUR/JPY) and finding its active trading hours (first and last hour of any major market sessions: London, New York, Sydney and Tokyo sessions) are key to become a profitable scalper. You must specialize, concentrate and be an expert on just one currency pair. It is virtually impossible to become a master of all the available currency pairs.

Professional ForEx scalpers trade just one currency pair. They find out all they can about their chosen currency pair, they specialize and are experts in their currency field. Each currency pair behaves differently; this is why you must stick to only one. Not only must we choose just one currency pair, but we must also specialize further by refining our scalping to certain time periods of the day.

Investors are often advised to have a diverse portfolio to limit losses, this is in the hope that although some stocks may fall, this will be canceled out by others rising. The problem with this is that although it may limit your losses, it also limits your profits. Large brokerage firms have analysts that look at just one company, Microsoft for example; futures traders trade one particular contract. If the professionals specialize, then this is what we must do in ForEx scalping too. We must specialize in one single currency pair. I specialized in EUR/JPY and my wife specialized in GBP/USD.

By scalping ForEx, you can make your hard earned money work more and more efficiently and produce greater returns for yourself. ForEx makes use of

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leverage, which is the ability to control a large amount of the underlying currency for a small percentage of the actual cost. It is clear that the mechanics of ForEx scalping give you an instant advantage by using leverage compared to conventional stock trading.

As you read further you will find one simple strategy, where within minutes of looking at the market you will know if you should buy or sell. This very simple system works at least 7 times out of 10, giving you another distinct advantage above the rest of the crowd. We must find the entry and exit points as early as possible; exit with maximum profit possible and act immediately when you identify a fake entry or exit.

Linuxtroll Simple Scalping will show precise entry and exit signals using Cyrox Rainbow. This takes the emotion out and therefore errors out of scalping.

It is commonly advised that the session open should not be traded, as it is unpredictable and volatile. Do not listen to this advice. It can not be both; the volatility will happen and that is the predictable part. If 95% of the people lose, would it not also make sense that common knowledge and standard practices are also incorrect? There are two reasons for the volatility at each session open:

>> There has been several hours of news and world events, or more over weekends and holidays, since the market has last traded. As a result so many investors panic at the open, selling on bad news and buying rallies on good news, only to find the market retrace shortly afterwards.

>> It is a common practice for market makers and brokers to advise clients to place stop-loss slightly above and below the market depending on the position held. Most of the major market makers know where these stops are and there

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is a little known practice called gunning the stops or stop hunting.

Stops are limit orders that must be filled and so what usually happens at the open is that large players trading say 300 lots will bid up the market with a few lots a time. Soon those who are short the market panic and try to get out, this adds fuel to the upward momentum and next the buy stop limit orders are hit. There are now very few real buyers, the ones trading 300 lots will now become heavy sellers and the market reverses trying to hit the lower stops on those who were long.

After these initial moves which usually are over in the first hour of trading, the market takes on a different spin by trending or ranging in the latter part of the session. As you can see there is actually method in the madness and reasons why the market behaves the way it does. There is a saying “the trend is your friend”. The market very rarely trends at the open and that is why many traders stay away.

But if you know what to look for, it can be the most exciting and profitable time of the day to trade. Linuxtroll Simple Scalping takes advantage of this volatility, with a system that produces an exceptional high percentage of winners.

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Cyrox MMA or Linuxtroll Rainbow

There are certain things we need to have setup before we can start scalping effectively, and I would like to introduce you to the tool of the trade. Your scalping should be treated as a business or profession and as such the tool of the trade is vitally important. The tool of the trade is Cyrox Rainbow in 5 sec or xtick chart.

Because of the speed of the ForEx market, I only recommend on-line real-time trading via high-speed Internet connection using ECN (Electronic Communication Network).

According to Wiki definition - An electronic communication network (ECN) is the term used in financial circles for a type of computer system that facilitates trading of financial products outside of stock exchanges. The primary products that are traded on ECNs are stocks and currencies. ECNs came into existence in 1998 when the SEC authorized their creation. ECNs increase competition among trading firms by lowering transaction costs, giving clients full access to their order books, and offering order matching outside of traditional exchange hours.

My method never uses market makers, especially those who allow Introducing Brokers, even though you can make money using market makers too.

There are numerous good books and free information on many Internet sites about technical analysis and ForEx terminologies, and so I will not go into too much detail and will only look at the basics and what we need to know.

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There are a lot of misconceptions regarding technical analysis, Gann theory and Fibonacci numbers etc. The reason why they work has nothing to do with the fundamental value of a currency, it is purely that so many people believe that they work and are looking for the same things. Another reason why chart patterns become self-fulfilling is that many trading and scalping programs also incorporate these ideas.

I like to keep scalping as simple as possible, the same goes for my chart. There are only two types of charts that I use, one is a simple blue color Rainbow. This is great for looking at the longer trend that the market is making and is set for 30 sec time frame. My main chart is 5 sec Cyrox Rainbow that I created a couple of years ago. We can use the same colorful Cyrox Rainbow for both charts, because I only use the 30 sec chart to peek for verification of the possible longer trend.

This is real-time charting, it is very adaptable and if you have an account with Oanda FXTrade - the data feed and charting platform are free.

You have probably heard “*the trend is your friend*”. The mistake many traders make is jumping on and scalping after the trend has begun. The problem with getting on in the middle of a trend is that you do not know when the trend will end, it could be a short market move and you have ended up buying at the top or selling at the bottom.

The best place to get on a trend is at the beginning at a turning point in the market. Cyrox Rainbow will help you identify these turning points. To identify these turning points and practice jumping in and out of the market needs a lot of screen time with our tool of the trade, but as I mentioned before - those

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who are able to master this approach can enjoy long-term success in the currency market.

There are groups of people who do not look what the market is doing and trade solely by watching their favorite indicator. Two major examples are Rainbow Scalpers and Woodies CCI Scalpers. Cyrox Rainbow has more advantages than Woodies CCI – which I can cover in another big e-book. There are dozens of different indicators, many standard ones and some proprietary, the latter usually costing money to use.

The market does one of three things; it will either be trending by making a major move up or down; or it can be in a range period of consolidation; or not trending or ranging, where it will be relatively flat. While in either of the last two conditions the market will also make short steps up and down and oscillate between overbought and oversold conditions.

We want to enter our trades on market reversals taking a contrarian position to the market, but we have to be careful not to go against the trend, if there is one existing.

We need to wait until we have reached the top or bottom and then enter as soon as trend direction reverses; this way we are going with the trend and the momentum of selling or buying will make you money very quickly.

So how can we use indicators to help in finding the best entry points? As I said earlier, there are dozens of indicators and some people add so many that their charts look like a Christmas tree. This can be very confusing with each indicator giving slightly different signals. Even worse is to use several time frames (I

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recommend that you use only one).

All you really need is Cyrox Rainbow, which we will look at now. Cyrox Rainbow is simply 27 multiple moving averages plotted on a 5 sec chart or xtick chart. A moving average is just that, an average of the previous number of set period. The larger the number of periods the smoother it makes it, however it also becomes more lagged. Decreasing the number of periods makes it more responsive but can give you too many signals. I came up with Cyrox Rainbow by mixing 27 Weighted Moving Averages (WMA) with colors to see what is going on in the market by staying in front of other investors and traders. My 5 sec chart is ideal for that purpose and my scalping style.

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A weighted moving average (WMA) gives a higher value to periods nearer the last bar and therefore it reacts slightly quicker than a simple moving average (SMA) or exponential moving average (EMA). This while using a 5 sec time frame gives us an exceptional working tool of the trade, namely Cyrox Rainbow.

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Cyrox Rainbow gives very user-friendly visual and wave patterns to show us where to enter and exit. Those patterns with slight variations occur minute after minute, hour after hour, day after day - it is just a matter of looking out for those movements to ride the waves and make money.

Money Management

The importance of this section cannot be stressed enough, please read this section and Mantra section a couple of times and to ensure you have a thorough understanding of all the different aspects.

All of your scalping - buying and selling - revolves around money. Therefore money management is about managing your business and maximizing your profits.

There are five key elements to good money management but I have yet to see another publication, which discusses them all in detail and links them all together. I have read many posts on bulletin boards that talk about two or three of the elements but again there seems to be a lack in encompassing all that is required and people often opt for what in their opinion is a safer option, the result of which is lower overall profits.

Key Elements are:

Trading Capital and Broker

Remember what I said earlier that for every winner in ForEx trading there is a loser, this being so, you should consider trading as a battle and to fight the battle you need ammunition. Your trading capital is the ammunition you need to fight, if you run out of ammunition the war is over.

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You should keep your trading capital completely separate from living expenses; don't trade with the mortgage money. Only trade with money you can afford to lose and don't borrow money to trade as some people did at the height of the Internet bubble. It is much harder to make money when you have to, and if you cannot afford to lose it, will only add pressure to your trading and you will make errors.

If your funds are limited think about having a garage sale of those household items, toys and gadgets you have but never use, or auction them on Ebay. The minimum you need to open a ForEx trading account is USD 500 and some brokers will accept less, but it is easier to lose your ammunition and the ability to fight/trade.

Starting with USD 1000 with an ECN is recommended and it will allow you to trade mini-lots. In fact you should only trade one mini-lot to begin with and have some reserve. The preservation of capital is of the utmost importance.

If you do not have enough trading capital you are out of the game and cannot play. By choosing the right broker you can save a lot of money in commissions. Do what the professional traders do, know your currency pair and make it your specialty and just trade the one pair. By using leverage in ForEx you are making your money work better for you as it can earn 30 or more times the profit of conventional share buying. Treat your scalping as a business, record and analyze your scalping - it will pay you back in the long run.

Win-Lose Ratio

Nobody wins all of the time; the win-lose ratio is usually expressed as a percentage. For example, if you win 90 trades out of every 100 then you will

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have a win percentage of 90% and a losing percentage of 10%. This expressed as a ratio is $90/10 = 9:1$. It is quite possible to make a profit even if you have more losing trades than winning trades and many swing trading methods work on this principle having say 20 wins to 40 losers = $20/40 = 0.5:1$ ratio. Anything less than 1:1 or 50% win percentage and you will have more losers than winners.

Personally I would have a problem trading a system with a low percentage of winning trades, even though it wins in the long run - psychologically I would find a long run of losers very difficult to cope with.

Risk-Reward Ratio

Calculating reward is simple, it is just the average number of points won per trade, so if you have made 37 trades, of which 21 won a total of 252 points your average win (reward) is $252/21 = 12$ points.

Risk is just the average number of points lost; over the same 37 trades you must have had 16 losers and if had a total loss of 128 points, your average loss (risk) per trade is $128/16 = 8$ points.

The risk/reward ratio is simply 8:12 or 1:1.5.

Combining win-lose ratio and risk-reward ratio together, we can calculate how much we can expect to make for every trade on average over the long term. If you end up with a plus figure you will be winning and making profits, should you end up with a minus figure you will be losing.

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Stop-loss and Risk

When asked about making money in the stock market Warren Buffet the world's most successful investor replied;

“There are only two rules to making money in the stock market

Rule no 1. Don't lose money.

Rule no 2. Follow rule no 1”

Although quote may make you smile, it is in fact a very important factor in being successful and making money in the markets. If you can eliminate your losing trades all that you will be left with are winners.

The best we can do is to manage our losses, first by trading a system with a high percentage of winners and secondly by using a stop-loss to limit the number of points lost.

There is always a trade-off on where to position a stop-loss; too close to the entry price of the trade and the stop will be hit more often the result of which will be less winning trades and a lower win/lose ratio. Too far from the entry price and the risk/reward ratio is altered, again resulting in lower profits.

A stop-loss is a limit order and is the maximum amount you will lose should that trade go wrong. It is also the maximum amount of risk per trade.

Compounding

Why do banks, credit card companies and mortgage lenders charge compound interest? Quite simply because it makes them a hell of a lot of money.

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So why not emulate how the banking institutions make money and harness the power of compounding by incorporating it into your scalping plan. By compounding your profits you can increase them three-fold or more.

By compounding you are making the same daily number of pips but you are bringing more money to the table; this by just reinvesting your profits and make more profits.

Hopefully reading so far, you have learned that there are quite a few key areas where you can improve your trading profitability well before we start to look at a trading method.

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Linuxtroll Simple Scalping Method

I have titled this section Linuxtroll Simple Scalping Method. You may have slightly different goals and expectations, and so you are free to alter the method or make up your own method entirely. But whatever you do, you should have a method and stick to it.

What would be a realistic amount we could expect to make scalping over say a one-year period? How much return on investment do we get from the professional institutions; 3% to 4% from a bank savings account, 5% to 10% from a pension fund, or 15% to 20% from a stock market fund?

If you are new to investing what makes you think you could out perform these large institutions with all their hi-tech equipment and billions of dollars at their disposal. The answer is you can simply because they are so inefficient and quite simply crap at what they do.

To be fair, if you remember, it is not possible for everyone to win, there is always a buyer and a seller, a winner and a loser in scalping. As these institutions represent the majority of investors and only about 5% of traders make money, it is easy to see why investors get such poor returns.

Here's something else to think about, profits from the stock market come from company dividends and inflation only and so the market will give a relatively small return over the long term. More investors paying more for stocks cause intermediate rises in the market. There are only paper profits and because there is a fixed amount of added value to be earned together with more investors, this means that there is actually less for each investor.

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The high stock market values caused by more investors paying too much for stocks is what causes bubbles and these eventually burst causing market corrections - large retracements and drops.

We are not investors; we are scalpers so this doesn't apply to us because we can make money in both up and down markets. If it wasn't for investors however, we could not be day traders or scalpers. There are long-term investors, medium term investors, active investors, swing traders, day traders and scalpers, each plays a role in the ForEx market and adds liquidity.

One reason why many traders fail to make it in the market is greed, because of all the hype - they expect to earn too much too soon and they overtrade or trade too many lots.

Fortunately there is a simple and sensible way to make huge gains without being greedy. Make 6 pips a daily target and compound. By scalping with 6 pips daily target and increasing the lots by reinvesting the profits - your equity will grow exponentially.

You do not have to start off scalping just one lot, but why risk more of your hard earned cash than you need to. Some people are uneasy scalping a larger number of lots and you may find it more suitable to stop at 10 lots and earn enough money per month - this is entirely up to you.

If you are new to scalping I would suggest start small and build up as you gain confidence. I am all for making scalping easier and simpler, tell me which do you think would be easier to do: Make 06 pips profit everyday OR Make 60 pips profit everyday?

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I do hope you chose the first option; of course it is going to be much easier having an earning target 10 times less.

If you have been paying attention so far you will know that there are three main players in the stock market, the investors whose trades last months to years, the swing traders whose trades last days to weeks, the day traders whose trades last for several hours and the short-term traders or scalpers whose trades can last for several minutes only.

Due to the different timescales in which they operate, they often trade against each other and this is what makes the market look erratic. When two or more of the players trade in the same direction, this generates the bigger moves in the market.

The smaller the number of pips won per trade, the higher percentage of winners you will have. There are 2 simple reasons why this is so:

>> First, there are far more smaller movements than larger ones in the ForEx market. Because larger moves occur less often, the chances of capturing them are also reduced.

>> Secondly, for every winning trade of 10, 20, 30, 40, 50 and 60 pips, we must also have at least a 06 pips winning trade first. In other words, the market must move through us.

If you are happy with a target of 06 pips, you still have the opportunity of letting your profits run on the longer moves. You could easily make double your daily target on a 20, 30, 40, 50, 60 pips etc move. If your target is 60 and the market only moves say 20 then you are probably in a losing trade. Now you know the advantage of having a lower 06 pips target and be a winner all the

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time.

So is it possible to make the 06 pips we need daily? Yes, but what is the best currency to trade? I trade EUR/JPY. You can pick your own pair and become an expert trading that pair. I also recommend GBP/USD, GBP/CHF and GBP/JPY.

We need a market with high liquidity, where there are many buyers and sellers competing together. This enables us to get good fills near the market price quickly and easily. This is one of the reasons that I recommended ECNs.

The chosen market must also have volatility (relatively high swings and movements). If the market does not move we will not make money in any direction. The faster the market moves, the quicker we can make our money and the less time we need to spend scalping. This is one of the reasons I picked EUR/JPY.

Let's say for example, that the intraday movement of the EUR/JPY is at least 300 pips (Up60+Down90+Up40+Down30+Up80). If you add all of the small intraday swings per day over a period you will find that a 300 point movement is quite a typical range for the EUR/JPY. As we are only looking to capture 06 pips early in the trading session start, this will suit our purposes just fine.

Secondly, look how many smaller moves of 06 pips there are throughout the day. There are over 100 or more of them within a few hours, which is shown graphically in 5 sec Cyrox Rainbow chart and which corresponds with what I was saying earlier about there being a much higher probability of having many more winning trades, by being satisfied with a smaller profit of 06 pips.

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And lastly, going back to what I was saying about the advantages of scalping ForEx over normal investors. If you look at the beginning and end of the day you may see that the market has risen only 60 pips at the day end. This is only an increase of 60 pips and this is what the long term buy and hold investor would make.

On the other hand it would be quite possible for the intraday ForEx trader to capture at least 150 pips of the full intraday swings of 300 pips; which is way much more than the investor.

To get this far you have come a long way and we have not touched on the Linuxtroll Simple Scalping method yet - this will be detailed in the next section.

Many of the facts that we have covered are very rarely written about. Why? Maybe because most traders do not fully understand their importance and do not incorporate them into their scalping. The other factor is that billions upon billions of dollars are invested by banks, pension companies and financial institutions getting ordinary people to buy their products, keeping the general public in the dark, so that they only see the banks multi million dollar marketing campaigns.

Knowledge is power and I am trying to give you the in-depth, inside knowledge that really matters and will help you make more profits. All that we have discussed so far can easily be put together and this knowledge will increase your bottom line over 100 fold. For example:

>> Simply choosing to trade ForEx doubles the opportunities to win by allowing you to make money going long or short which means more Profits for You.

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>> Scalping ForEx allows you to take advantage of leverage, which makes your capital work harder and more efficiently, and this will make more Profits for You.

>> ForEx allow you to take advantage of intraday movements, the result of which is more Profits for You.

>> Some markets don't move very far; the ForEx has volatility and large moves, trade it and end up with more Profits for You.

>> Because there are more currencies in which to take a profit on the ForEx this will give more Profits for You.

>> By working out how much you should risk rather than trading too low will result in more Profits for You.

>> Compounding gains will definitely give more Profits for You.

There are so many advantages of scalping ForEx compared to buying stocks and shares that I really do not understand why people bother with shares at all.

Why wait weeks and months for a stock to rise when you could be making money every day and using those profits to make even more money. Some investors have told me that they find scalping stressful; this is probably due to the fact that they do not know what they are doing. This statement doesn't make sense to me because even if you are a longer term trader the intraday price fluctuations still affect your profit and loss.

Some people, due to work commitments do not have the time to scalp; this is OK and a valid reason. But if you are serious about scalping and making money, ForEx and scalping is the way to go.

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Cyrox Rainbow Setup

As you can see the actual scalping method is only part of your arsenal in the war for profits, an important part it must be said. Let's have a look at a simple method that I have used for years that makes consistent profits with a high win ratio.

Before we get to the scalping rules, I would like to run through the scalping screen setup. Unlike many systems where you need multiple monitors due to their complexity, because we are only concerned with one market we can fit all of the information on to one screen. It could not be any simpler. Below is a screenshot of my scalping setup and I call it Cyrox Rainbow.

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>> Get a FXTrade account from Oanda or get a platform that can give 5 sec or xtick chart.

>> Select Average Price Line chart and change the line color to Red (No candlesticks).

>> Plot the following WMAs with colors on a 5sec or xtick chart:

WMAs 1, 6, 12, 18, 24 (Red)

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WMAs 30, 36, 42 (Orange)

WMAs 48, 54, 60 (Yellow)

WMAs 66,72,78 (Green)

WMAs 84, 90, 96 (Cyan)

WMAs 102, 108, 114 (Blue)

WMAs 120, 126, 132, 138, 144, 150 (Purple)

WMAs 156 (White)

>> Adjust the zoom level for Time line (v-line) to show the chart in 5 min interval.

>> Adjust the zoom level for Price line (h-line) to show the chart with 5 or 10 pips interval.

>> Select your currency pair (here EUR/JPY)

>> Select your timeframe (here 5 sec)

Ho Ho Ho... We got the Cyrox Rainbow Chart ready for us to scalp

Linuxtroll Simple Scalping was developed with feedback from people whose main requirement was not to have to spend all day in front of the screen scalping. So we devised Linuxtroll Simple Scalping to enable short-term traders to spend the least time possible scalping, often just minutes per day and a maximum of 1-2 hours.

The ForEx market very rarely trades in one direction for an entire day on average I would say only twice per month at the most. Our method takes advantage of the small intraday swings and reversals that the market makes. The day can start with any session opening. To determine if it is a buy or sell session we watch the screen with Cyrox Rainbow in 5 sec time-frame and let

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the market make a move Up or Down. From this initial move or leg we take a contrarian stance. A contrarian is someone who has the opposite view to that currently being held.

If the initial leg that the market makes is Down, our trading direction is going to be buy. If the first move is Up we look for the sign of sell, it is that simple. Because it is so simple to decide which way to trade, you will have plenty of opportunities to enter high probability trades. Wait for the best moment and execute the trade.

I will show you an example screenshots here that follow a scalping session and compare that with - what you see in 1 min or 5 min charts. The moves that we see in 5 sec charts are not visible from 1 min or 5 min charts. The edge in staying in front of everyone gives us a huge advantage and we will walk out as winners.

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Scalpers in this example started their day around 21:00 EST. If you see the above chart an aggressive scalper will spot the down move when the spine hit the v-line (time line) around 21:55 and flame (red group) already hit the h-line (price line) at 158.30. Aggressive scalper will jump in when the flame hits 158.30 and grab a 10 pips when the flame hits the 158.20. As you can see aggressive scalpers will follow the flame and h-line.

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A conservative scalper will stay calm and wait for the up move taking contrarian approach. He may wait for the spine - which is the purple group here – moves above the white line and enter when he sees the flame cut the h-line or breach the previous flame resistance. Conservative scalper jump in around 158.25, or little bit later and ride the wave until the flame hits the 158.35 to grab a 10 pips.

In both scenarios our Rainbow scalpers cashed in the daily bread 6pips. In both scenarios, Rainbow scalpers were following the Flame, Spine, H-line, V-line.

Flame - is the red group that forces you to follow the price.

Spine - can be Purple group or Yellow group depending on the development stage of the Rainbow. White line gives you a guidance in identifying the spine. It also shows you the trend strength and the direction (from the angle of cutting the V-line).

H-line – shows you the rounded price numbers in your chart. You can zoom in/out the chart to adjust the scale to show you a 5 pips or 10 pips interval, so that it will help you to manage the risk easily.

V-line – shows you the time in your chart. You can zoom in/out the chart to adjust the scale to show you 5 min or 10 min time interval, so that it will help you to manage the active market time and execute time based exits.

As I mentioned earlier, we can not see the above moves easily from the other timeframes. Check out the following example screenshots and you can decide on your timeframe based on your risk profile. I strongly recommend 5 sec and maximum 30 sec chart. When you see the moves in 1 min or 5 min chart, our Rainbow scalpers above have already cashed in 10 pips. Every single move must pass through those who stay in 5 sec chart.

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The preservation of capital should be your utmost priority - remember the “don’t lose money” rules. This is why in addition to our 06 pips daily profit target there are several other rules for exits.

Your absolute maximum stop-loss should be 18 pips from your entry. It should be noted that the closer the stop is to your entry price the more likely it is to

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be hit.

Time based stop - if you are not in profit after 06 minutes close out the trade on the first sign of Cyrox Rainbow going against your position. The 06 minute rule has been shown to increase profits by 20% or more. Time based often reduces the stop-loss, instead of the market moving and hitting your 18 pips stop-loss; it is often reduced to a handful of pips because you have not given the market enough time for it to move against you. Using the 06 minute rule often captures a profit, maybe only 2 or 3 pips but this is much better than a loss. Some days you have to take what the market is prepared to give. You can also exit at any time when you are unhappy with the way the market is moving.

Linuxtroll Simple Scalping Rules

>> If the initial move of the market in any session start is UP look for Sell Opportunity. If the initial move of the market is DOWN look for Buy Opportunity.

>> We buy and sell using Cyrox Rainbow patterns and wave changes. Use Flame, Spine, H-line and V-line as guides to take high probability scalps.

>> As soon as the Cyrox Rainbow wave turns showing the end of a previous trend, enter into the trade. New scalpers can wait for the spine to cut the next major round market price using h-line or when Cyrox Rainbow breaches any previous support/resistance level until they master the Cyrox Rainbow waves. Use a lot of screen time to avoid fake moves and when you detect the fake move just simply get out.

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>> Take a fixed profit target of 06 pips, or take profit on Cyrox Rainbow when it hits the next major round market price - h-line or previous support/resistance level or ride the wave and wait for the Cyrox Rainbow wave change direction for maximum profit.

>> Use the 06-minute rule as an optional exit strategy by using v-line; Get out of the trade if the price freezes for longer time than expected or if you are not in profit (v-line will help here). Always remember an absolute maximum of 18 pips stop-loss (h-line will help here).

That is it - simple scalping rules for entry and exit and whether to buy or sell, when to enter and when to exit. With some screen time you will trade with much more confidence. Always keep the take-profit and stop-loss in your head (to avoid any manipulation from the broker or market maker).

You must be a little careful scalping when the market has not traded for a long period such as weekend and over national holidays as there is a chance that the market has got a great deal of International news to catch up on and the first day back may be a one-way day with little or no reversal. If you identify the direction, jump in and ride the wave and harvest the pips for rainy days.

You should also take note of news releases made in the first hour of scalping. A list of these releases and their importance can be found at ForexFactory Calendar:

<http://www.forexfactory.com/index.php?page=calendar>

A list of trading sessions can be found at World Market Hours:

<http://www.worldmarkethours.com/Forex/Defaulta.htm?12,0,1,0,9>

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You will often find that there is a case of buy on the rumor and sell on the news; just something to bear in mind. It is wise to wait for the news to be released and then trade.

I hope you have found this book enlightening and that you have to learn to scalp with what you see and not what you think. Thinking against the crowd and taking a contrarian view will give you a better chance of making money in the long run. Everyone can not make money in the market, so try and think outside the box. Linuxtroll Simple Scalping does work, it has worked for many years and I do not see any reason why it will not work for years to come.

Even if you think that scalping is very similar to gambling - successful gamblers such as bookmakers and casinos will tell you that you do not have to win mass amounts of money, you just need an edge. With the Linuxtroll Simple Scalping method and 5 sec Cyrox Rainbow chart you now have that edge, use it and be in the top 5% of traders and be a winner.

All that is left for me to do is to wish you success in your scalping. You now have the ultimate knowledge and knowledge is power. Charge on... Make Money... Play golf... Enjoy the life...

Make More Money using Cyrox Rainbow

Linuxtroll Simple Scalping is entirely concerned with taking a contrarian trade to the initial market session move which often happens a few minutes after each session open. As your experience and confidence grows with more screen time and entering and exiting the ForEx market; you may want to make additional trades throughout the day.

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We must hunt for volatile, liquid market. There are 4 major market sessions: London, New York, Sydney and Tokyo session. To trade effectively we must learn the behavior of a chosen currency pair and pick the most active sessions, even select the particular hours for this currency pair to catch good price moves.

Here you can use the Cyrox Rainbow in 30 sec time-frame. Several trades can be seen over the scalping period for about 20-40 pips profit in each 4 major sessions. Some days more. With some practice, you can unleash the power of Cyrox Rainbow and capture the whole daily move 150-300 pips in one currency pair. If you use a fair amount of lots; I do not need to tell you the results that you will see in your bank account.

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Cyrox Rainbow Scalping Mantra

- >> You must take responsibility for your financial security and your actions. Don't blame the market or change the tool of the trade – Cyrox Rainbow.
- >> Use only Cyrox Rainbow in 5 sec time-frame. Choose only one currency pair to trade. Study and learn all you can about that currency pair. I suggest EUR/JPY.
- >> Have a back-up phone which is programmed with the dealing rooms telephone numbers in case of problems.
- >> Know all the sessions start and end times.
- >> Know the days and times when economic data is released.
- >> Never let a winning trade turn into a loss.
- >> Start with a little capital and only place small mini lots if you are relatively new to ForEx scalping.
- >> Have a scalping strategy and stick to it, it is no good saying one thing and doing another.
- >> Always keep records of all your trades, analyze these weekly or monthly to see if you can improve you performance.
- >> Don't be greedy. You can soon build up considerable wealth with just 1% daily profits.
- >> Never scalp if you are tired, ill or on medication that could affect your responses or you have a headache or you are worried about something.
- >> Wherever possible always try and obtain value when placing an order.
- >> Trade what you see happening. Never trade on tips or what experts say. There will be several experts with opposing views. News is history.
- >> Vary your lots. If market movement is a little slow, use lower lots.
- >> Always look for reversals in the market and trade with this new trend.

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-
- >> Do not over trade.
 - >> Try to make a small profit every day and be happy with that. Hit singles not home runs.
 - >> Don't let the market get away from you. As soon as you detect change, get out.
 - >> If you are losing just get out.
 - >> If in doubt get out.
 - >> If your trade is not going anywhere in a given timeframe just get out.
 - >> Scalp with discipline and you will succeed. Scalp without discipline and you will fail.
 - >> When you are scalping poorly, always lower your lot size.
 - >> Consistency builds confidence and control. Make the same type of scalps over and over again.
 - >> Be yourself. Don't try to be someone else.

My Main Thoughts In Performing Well

- >> Aggressive scalping – Jump in and out.
- >> I get the perfect entry and exit using my Rainbow.
- >> I scalp both directions.
- >> I use simple scalping.
- >> I surf with Rainbow waves.
- >> I let the Rainbow lead me.
- >> I try “smarter” not “harder”.
- >> Learn to change “have to” into “want to”.
- >> Never think of the money, end each scalp positive.
- >> Do not let the market “eat you”, you “eat the market”.
- >> You are what you “Think You Are”.
- >> Winners see what they want, losers see what they don't want.
- >> I let my rainbow do the talking, not my “mouth”.
- >> Solid thinking “Good Scalp”, bad thinking “Bad Scalp”.
- >> Always be in a good frame of mind.
- >> I always trade “Target ForEx Scalp”.
- >> Negative thinking hurts more than negative scalping.
- >> I always concentrate on ForEx one scalp at a time.
- >> I believe 100% in my ability.
- >> I always believed in myself, not someone else.
- >> Stop being afraid of yourself.
- >> Stop being afraid of not doing well.

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-
- >> Winners scalp ForEx automatically.
 - >> Believing in your “Mental Image” will make you a Master.
 - >> Imagination is the key to success.
 - >> Scalp up and down.
 - >> Be in charge of your thinking.
 - >> Stop worrying about when you are going to die, but how you will live.
 - >> Imagination and visualization are my keys to success.

Linuxtroll Simple Scalping Example Session

I did not mark the entry/exit in any of my charts. Please use these charts to mark and practice your possible entry/exit based on your scalping style. Screen time will help a lot here. Whatever works for your brain and eyes. The ultimate goal is to Keep It Simple and Smart (KISS) and make Money scalping ForEx.



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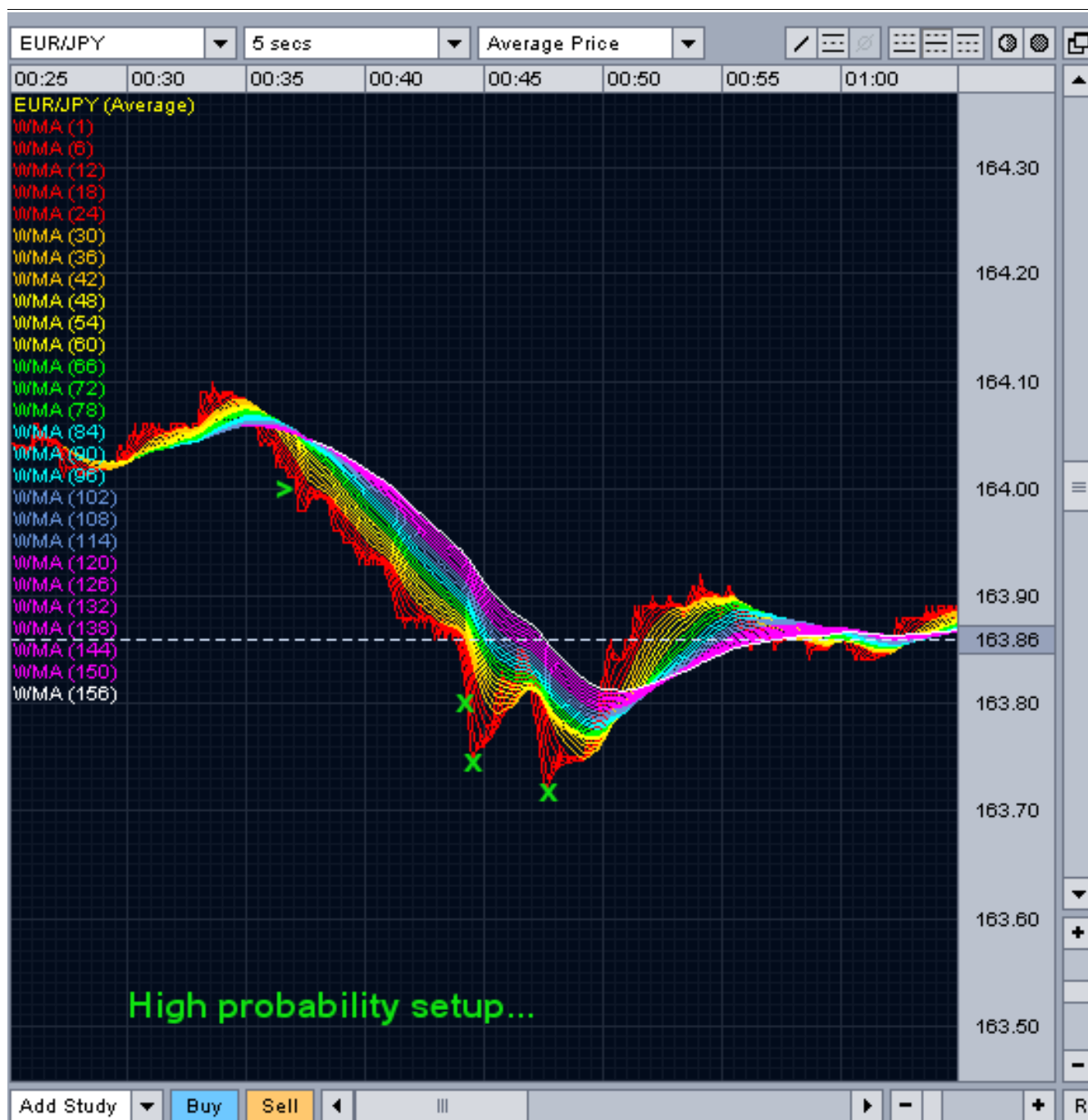
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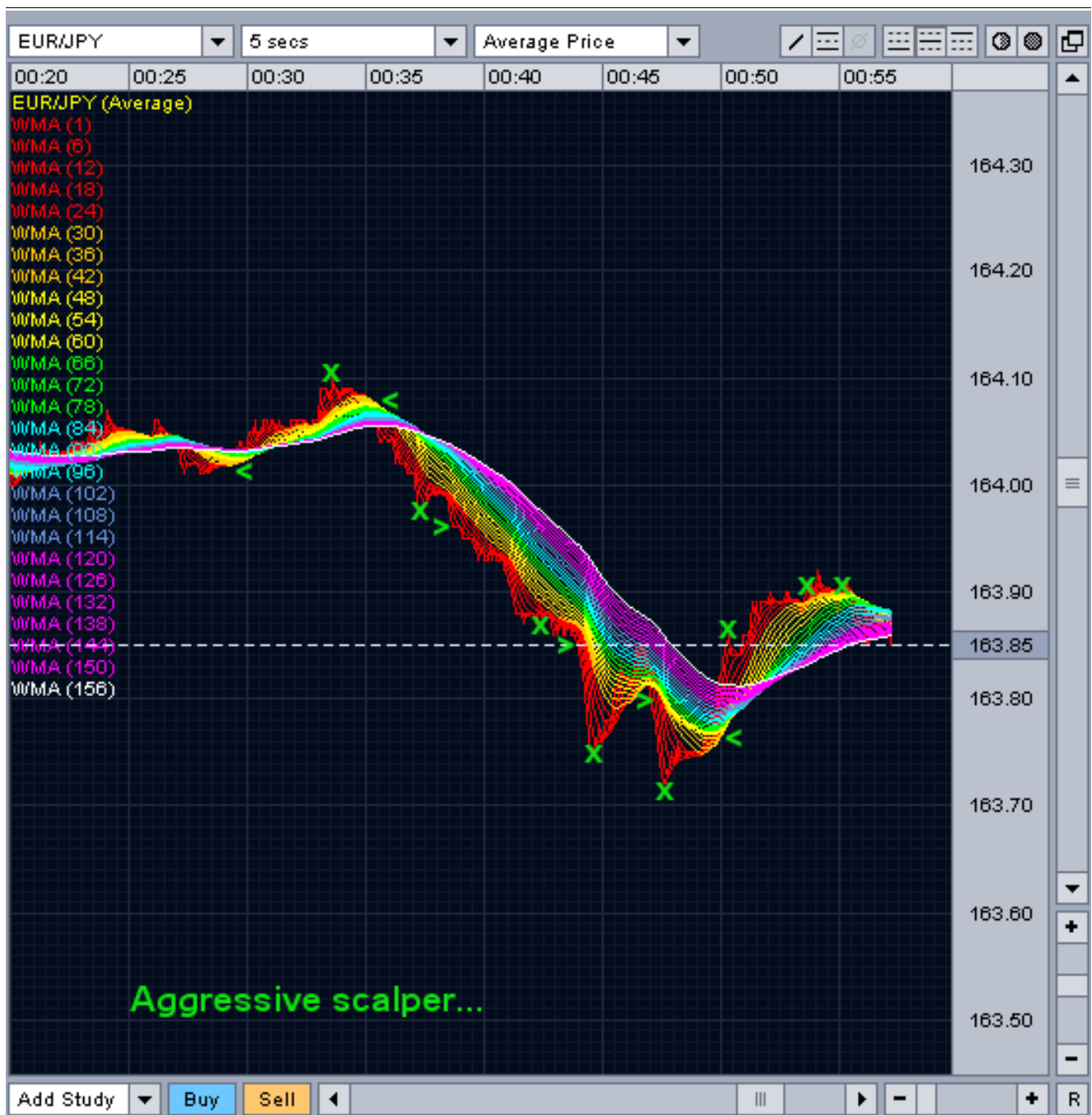
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