All you need to know about the markets in one E-Book. These are the secrets from Eleven years of Trading.

BEHIND THE CHARTS

BY MMFX_BOSS

Contents

What is Forex?

Forex, a term that is often used among traders to describe the foreign exchange market. It is a market unique for its ability to exchange one currency, in exchange for another. The foreign exchange is the largest financial market we have to date, with over 5 Trillion USD traded in volume through the Forex market every day from 10PM Sunday GMT to 10PM Friday GMT.

What are currency pairs?

There are over 100 currency pairs available to trade however brokers generally provide the most actively traded currency pairs, including commodities, stocks & indices.
However we are only focusing on the 7 major currency pairs which are as follows;

GBP/USD (United Kingdom / United States) **EUR/USD** (Eurozone / United States)

USD/JPY (United States / Japan) **USD/CHF** (United States / Switzerland)

USD/CAD (United States / Canada) **AUD/USD** (Australia / United States)

NZD/USD (New Zealand / United States)

For example, you may want to sell GBP for USD. You would do this by clicking "**sell**" on the pair **GBP/USD**. One reason for doing this may be because a pattern has formed on a technical chart giving us a good indication that the GBP is weakening and the USD is developing strength. (In further chapters we will go into why one currency may come weaker or stronger against another). Another reason may be that certain news events, positive or negative, may take effect on either the GBP or the USD.

What is a spread?

When you are set up with your broker and have attached it to your trading platform there will be a spread assigned to each currency pair available to you.
Let’s use the GBP/USD sell trade example for this as well. You're going to short (sell) the GBP/USD, your spread is 10. The market price for this pair right now sits at 1.40000 (market price). The spread of 10 will sit at 1.40010 (the ask price). A 10-point difference from the market price. As you are going in for a sell order, you will need the market to drop at least 1 pip or 10 'pipettes' in order for your trade to break even.

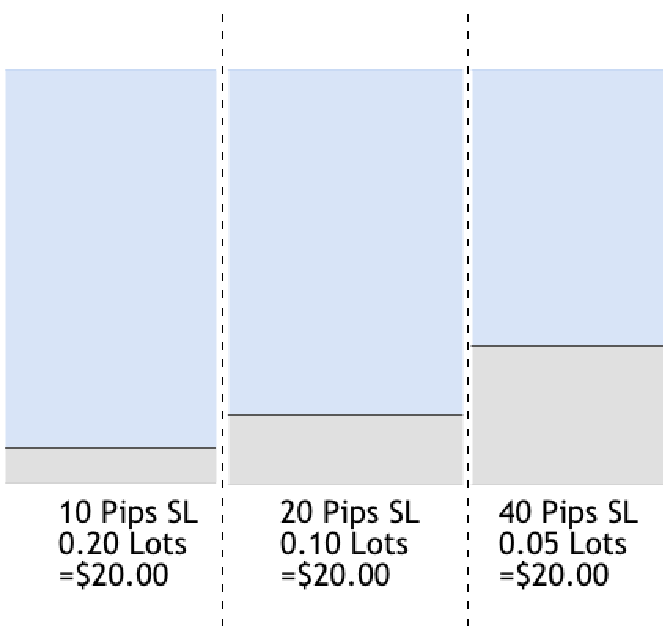
10 pipettes = 1 pip.

If your trade has a 20-pip target, you're looking for the market to fall 200 pipettes.

With your entry being 1.40000, your 20 pips take profit target will be at 1.39800.

Lot Sizes / Risk Management

A lot size is a term used among traders as measurement of money used within a trading account. You will assign a lot size to each individual trade you take, and this must be in accordance to the size of your trading account to ensure your capital is protected. Using too big of a lot size can damage your trading account, ruin your trading plan and also damage your trading psychology, resulting in fatigue, greed and stress. It is highly recommended that you use a lot size of 0.01 per $100 in your trading account and risk only 1-2% of your total equity per trade at any given time.



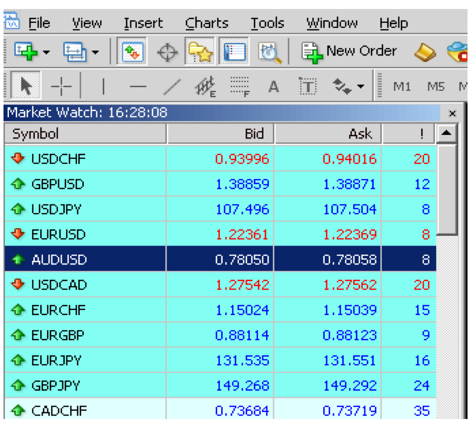
For this example we will be using 2% risk. Stop Loss area marked in ‘Grey’ on these Long/Buy positions. If your trading account is $1,000, your lot size should be 0.10 with a 20 pip stop on the trade taken, in this example the maximum you are risking is $20.00. Should you choose to increase your stop loss to 40 pips, to maintain the 2% risk you would half your lot size to 0.05 meaning you would still only be risking $20.00 with a larger stop loss of 40 pips.

Vice Versa, if you're decreasing your stop to 10 pips (not recommended) you could double your lot size to 0.20 lots, whilst still maintaining a 2% risk.

Placing a trade

Firstly, before placing a trade, we need to know our entry point, most importantly your exit point. Very simple aspect to the method of trading yet disastrous if you were to get it wrong. So, here I am going to provide an example of how to place a buy and sell trading on both the Desktop MT4 platform and the MT4 Mobile platform.

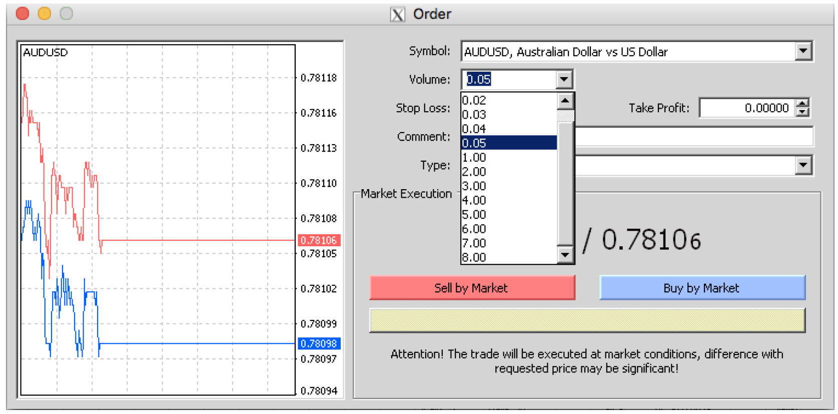
Placing a trade on the MT4 Desktop platform:



Firstly, choose the pair you're going to trade from the column on the left of the chart also known as 'market watch'. For this example we will use **AUD/USD**.

Open the chart for **AUD/USD** and right click on the chart. With your mouse hover over the drop-down menu 'Trading'. Here you will see an option saying, 'New Order'. A simpler way to access the pop up is the key 'F9'. Once you have this second window open, firstly, ensure this is the correct pair you're attempting to trade by double checking the 'Symbol'.

Secondly decide on your lot size, you do this by editing the 'Volume' drop down option to your preferred lot size (refer to risk management section).

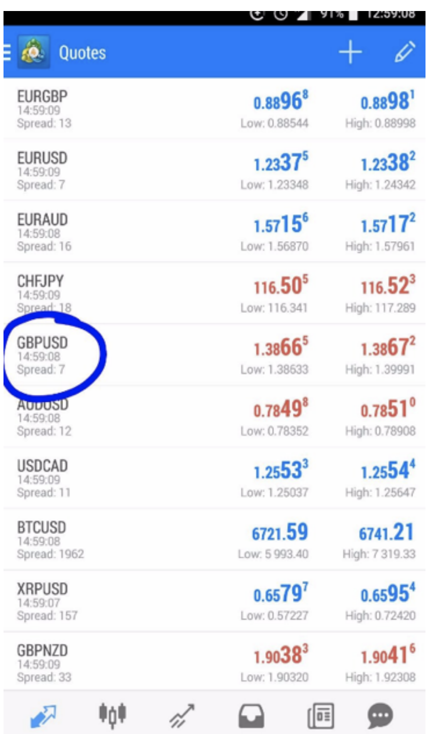


Now, depending on whether you're buying or selling this currency you will need to know where, both your Stop Loss (Max Risk), and your Take profit (Target) is going to be. Once you have worked out your targets, simply input them into the section named ‘stop loss’ / ‘take profit’.

Then, once that is all done, tap either 'Sell by market' or 'Buy by market' at the bottom of the window.

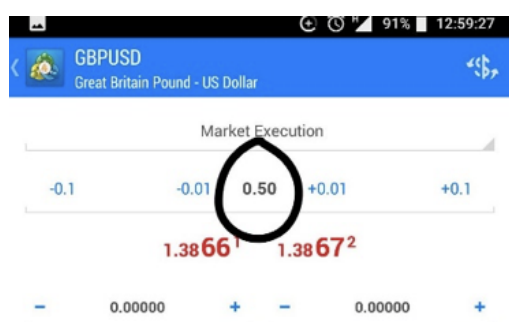
Placing a trade on the MT4 Mobile platform:

Same idea but a slightly different so worth explaining.



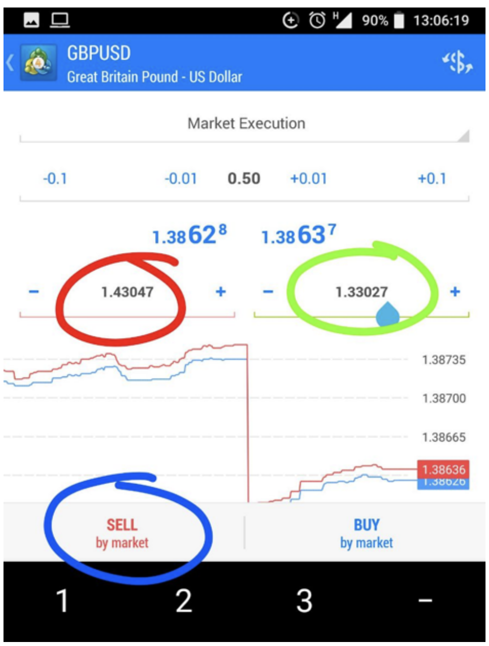
Once you have opened the application, at the bottom left of the screen you will see two arrows overlapping each other, this is known as the ‘quotes’ section. Here we can find a list of all the pairs available to you, tap any pair and click Advanced view mode to check the spread of each pair as the spread often changes depending on market volatility.

In this example we will be looking to sell



GBP/USD. Give it a tap and click, 'New order'. You will then be taken to the 'Market Execution' page much like the one we saw on the desktop version. There are other options such as Buy Limit, Sell Limit, Buy Order and Sell order, however, we do not need to focus on these as our trading style focuses on market execution entries and not pending orders entries.

Here on the right is the option to increase or decrease the lot size you're using for this trade, go back to the Lot Size section to read what I have advised about this part of trading.



On the left we can see the Market price and Ask price. You will see to the left there is a red bar and on the right, a green. The red is where you will type your Stop Loss, and the green is where you will set your Take Profit. This isn't too clear in the beginning stages, but it will become second nature to you. Then once you have your Lot size, Stop Loss and Take Profit in place, click either 'SELL by market' or 'BUY by market' to execute your order.

Types of Traders

There are hundreds of successful ways to trade. The most successful traders however will put hours, days, weeks, months and in most case's years developing their strategy, approach to trading and ultimately their chosen craft to the absolute, and will continue to do so for years to come.

It just shows that within life there is no real target apart from becoming the best at what you do and in our case, this is trading the foreign exchange market.

Here I will briefly go over some of the most renowned ways people trade, people may choose one over another for many reasons.

For example; The day trader may not like the risk that is taken within scalping, yet the scalper may not have the patience to day trade.

We all reach a point in Forex where we decipher what best suits us and will carry on learning why that may be as you become more successful.

Position Trader

Possibly one of the strictest ways to approach and trade the market yet likely one of the most successful, with regards to the time and freedom you have away from the charts this approach gives the trader more flexibility with their time.

Position traders firstly aim at holding their trades for weeks, if not months.

They will look at huge time frames (Monthly and Weekly) when doing their technical analysis but these traders will focus a lot on the Fundamental side of things and keep an ear out for potentially huge moves on one currency pair.

These traders will use a small Lot Size but chase anywhere from 100 pips to 1000 pips and sometimes more, using a 100-200 pip stop loss may be considered risky to other traders but to a position trader this will sit as a standard as it allows significant breathing room for their trade to eventually head in their direction

Day Trader

Day Trading is generally considered a highly successful and profitable way to trade, understandably as the select few who master this style of trading are the most strategic and disciplined traders allowing them to catch a lot of the big price movements on the Foreign Exchange.

They begin the day nice and early and know exactly what they are after, they are not after the amount of pips or profit that can potentially be made with a trade, but for a pattern to be formed and respected.

They will act upon their strict money management plan/ strategy they have implemented and as soon as they see that the confirmations have been met, they enter. The discipline these traders have is admirable.

Intraday Trader

Intraday meaning 'within the day'. Much like Day traders, do not hold trades over night and quite simply only trade within the day but here's the difference. Where Day Traders may focus on dominating a singular currency pair along their trading journey, Intraday traders will look to make several trades within a singular trading day.

They will look for recognisable patterns across a whole bunch of pairs to find the entry they've been searching for.

Swing Trader

Swing Traders, again another approach to the market which some new traders may be apprehensive about using. These trades are held for several days often, overnight. Which to the Intraday trader and the Scalper is a big no no.

They will dedicate several solid hours each night or morning to ensure they're up to date with their technical analysis and the trades that they have going.

Swing Traders tend to have multiple opportunities presented to them over the trading week so they will set a limit on all; how many trades they're going to take, how big the lot size will be, how far their stops will be and also their weekly targets. From this they can calculate exactly how much they're going to risk and how many pips they will be attempting to catch. This is known as a trading plan.

Scalper

Scalpers are often referred to as 'savages' not because they enter with extreme lot sizes, but mainly because Scalpers enter extremely volatile markets holding significant risk. Remember, scalpers have spent 10,000 hours perfecting their craft.

They get in and out of the market within seconds and at times minutes.

But to the scalper 15-20 minutes is quite enough, 1 hour at most. They go into the market when there is extreme volatility and fast paced movements, hence why they spend so little time with the sharks. Another key thing to note about scalpers is they are after a small amount of pips, 5, 10, 20 pips at a top. A real tight stop loss, trail-stop as soon as they're a few pips in profit, also have no no second thoughts jumping out early as this way of trading is all about 'securing-the-bag'.

Price Action

Price action is used by all professional traders as it is not a lagging indicator. An example of a lagging indicator would be a SMA (Smooth Moving Average), as the traditional setting is 20 period on the moving average, that means its gathering information from the previous 20 candlesticks to then be processed into a moving average which is what we see on the chart. It’s an extremely useful tool to help identify trend changes and trends in the market, however its downside is that the information is delayed. The reason we choose to trade price action as opposed to using indicators is that the technical data provided is raw and live so it can be interpreted there and then by the trader instead of depending on several lagging indicators. Price action is the foundation to any successful technical analyst and any indicator chosen to be used, should be deemed as an accessory to confirm your trade and not be used to predict movement.

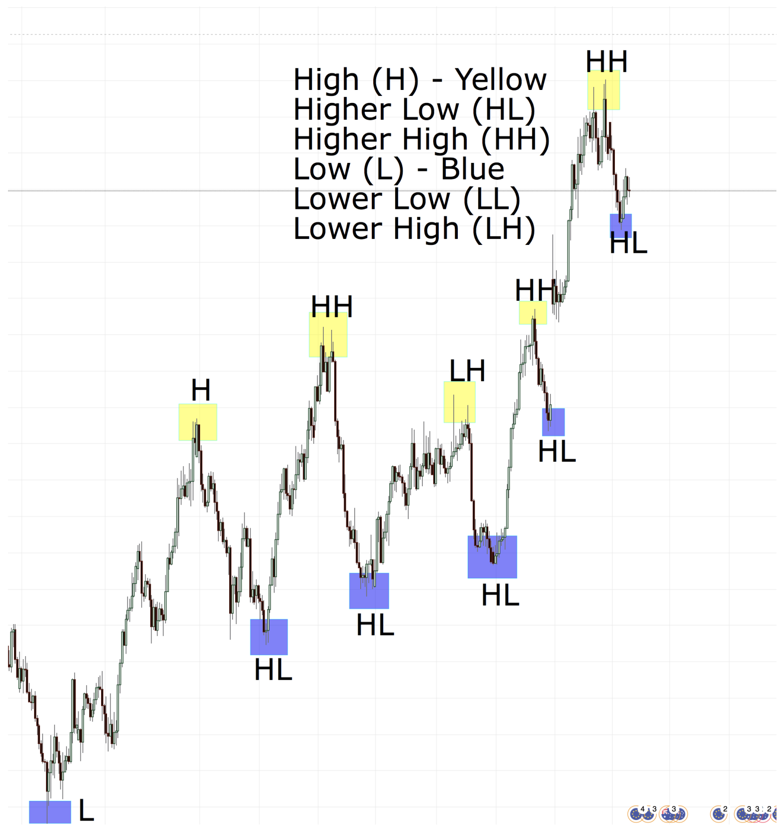
In this section, we will be covering the most important candlestick formations, what they look like, what do they indicate to use and how we can use them to our advantage! We’ll also include information regarding;

- Trending Market (Highs and Lows)
- Key Levels (Support & Resistance)
- Trendlines
- Candlestick Analysis
- Top Down Analysis
- Pattern Analysis (Wedges / Breakouts, etc)

Trending Market

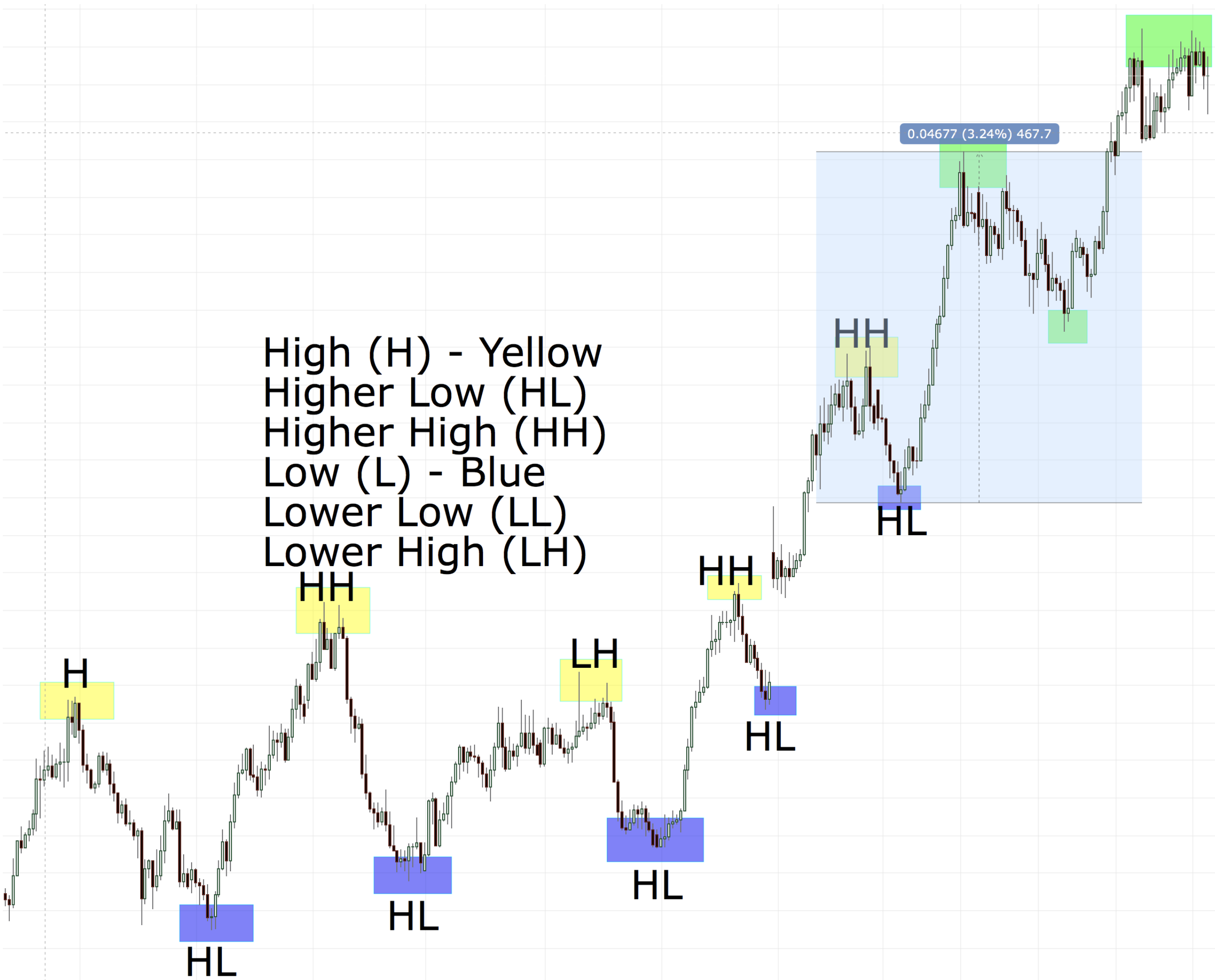
A Trending Market allows traders to identify which direction the market price will likely continue in. Trending Markets help traders capture profits by yielding high returns on low risk trades (Swing Traders). There are four major factors that cause both long-term trends and short-term price fluctuations within the FX Market. Price can be influenced by one of thee four major factors, such as;

- Governments
- International Transactions
- Speculation and Expectation
- Supply and Demand



On the right is an example of a trending market developing. It is clear to us that this pair **EUR/AUD** is in an **uptrend** as price is developing **higher highs** and **higher lows**. Vice versa, if the market was developing a downtrend, we would see **lower lows** and **lower highs.**

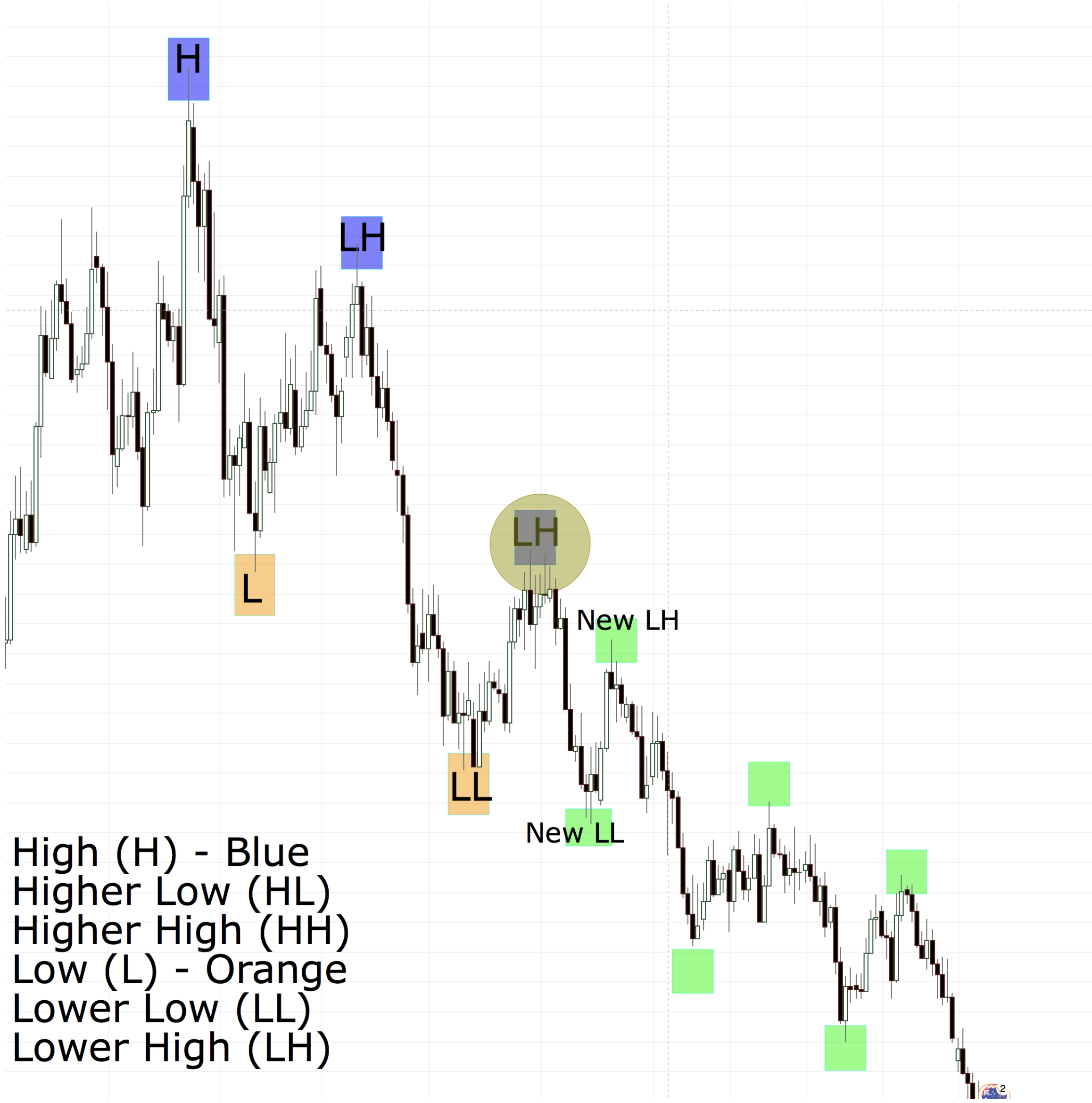
Using this information available to us, we can anticipate that the pair **EUR/AUD** will continue its uptrend and will create a new **higher high**.



As anticipated, in a bullish trend (uptrend) we expected a **new higher high** to form (first green box) after the previous **higher low** (circled above).

The pip count from the circled higher low to the green new higher high would have achieved 467.7 pips. With a lot size of just 0.10 on a USD base currency account, the return on this single trade would have been approximately $467 USD.

Above is an example of a trending market developing. It is clear to us that this pair **EUR/AUD** is in a downtrend as price is developing **lower highs** and **lower lows**. Vice versa, if the market was developing an uptrend, we would see **higher highs** and **higher lows.** Using this information available to us, we can anticipate that the pair **EUR/AUD** will continue its downtrend and will create a new **lower high**.



As anticipated, in a bearish trend (downtrend) we expected a **new lower low** to form (first green box) after the previous **lower high** (circled above).

Key Levels / Support & Resistance

The concept of support and resistance forms the foundation for basic forex technical analysis.

Forex traders look to long (buy) at or near key levels of potential support.

Forex traders look to short (sell) at or near key levels of potential resistance.

Forex traders usually ask the question how low is low and how high is high. One way we can identify these key levels is using areas where price is attracted to.

Support and resistance is understandably referred to as the “floor” (support) / “ceiling” (resistance).

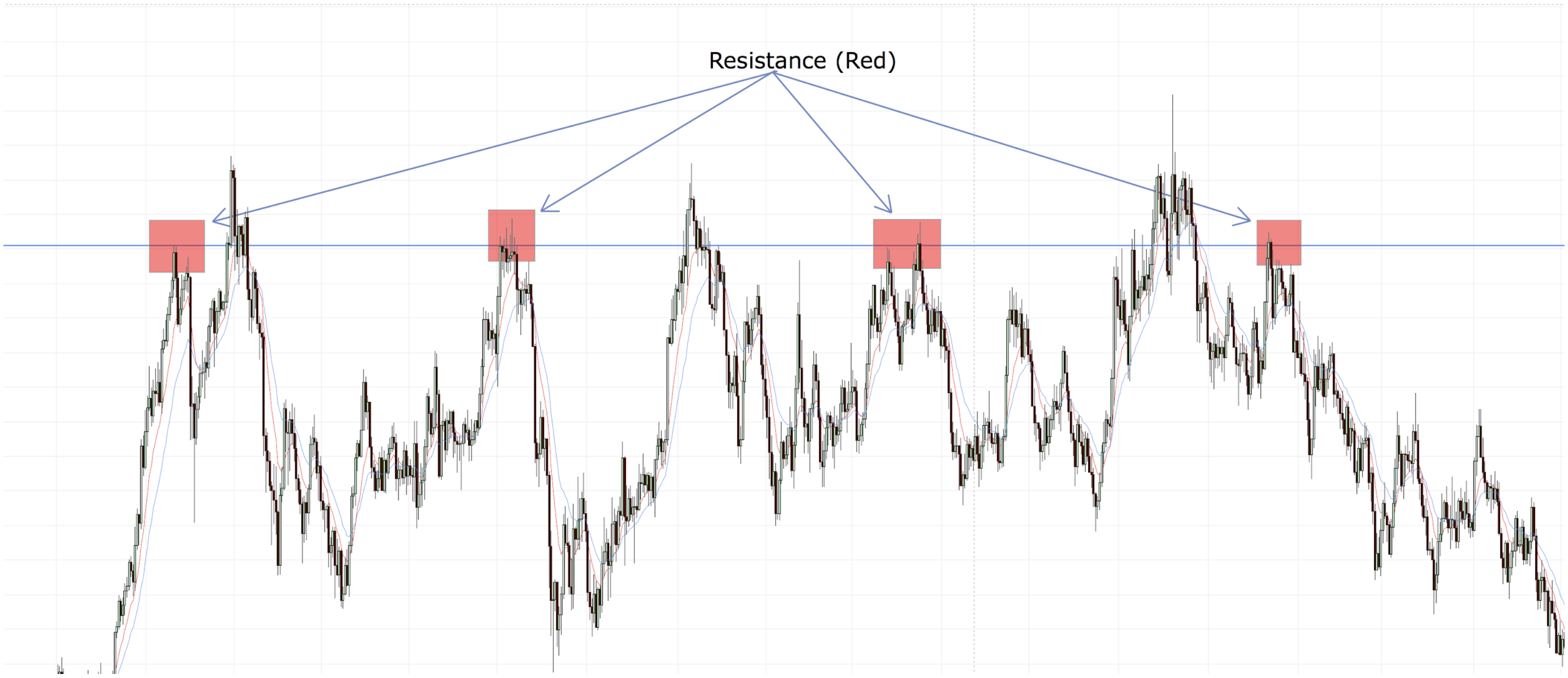
Support and resistance can be identified in many ways, often traders will use multiple factors to identify these key levels and potential reversal zones / targets.

Support and resistance are not just some random areas in which price turns around within the market. There are potential sellers waiting at resistance zones with pending orders (sell order) and other traders waiting on the sidelines for price to reach these levels.

Likewise, There are potential buyers waiting at support zones with pending orders (buy order) and other traders waiting on the sidelines for price to reach these levels.

As a trader I focus purely on price action, including candlesticks, channels, trend lines and top down analysis.

Examples Key Resistance (ceiling) Levels



Above is an example of the pair **GBP/USD**. As you can see, price has tested the blue horizontal line 4 times in total, meaning this price level holds significant resistance.

You can expect a rejection of this level should the price reach it again.

After the second red box, it is clear to traders that this price level is forming a resistance, we can identify this by the big upper wicks left behind, followed by bearish engulfing candles. These will indicate price will move with bearish momentum at these resistance zones.

(we will cover wicks and candlestick types, such as the bearish engulfing candle mentioned above later on)

If we were to short this pair from the resistance identified, our stop loss would be just above the previous high allowing our trade breathing room. We would aim for a target no less than 3/1, or most recent low.

Examples Key Support (floor) Levels

Above is an example of the pair **CHF/JPY**. As you can see, price has tested the blue horizontal line 4 times in total, meaning this price level holds significant Support.

You can expect a rejection of this level should the price reach it again.

After the second green box, it is clear to traders that this price level is forming a support, we can identify this by the big lower wicks left behind (3rd green box), followed by bullish engulfing candles. These will indicate price will move with bullish momentum at these support zones.

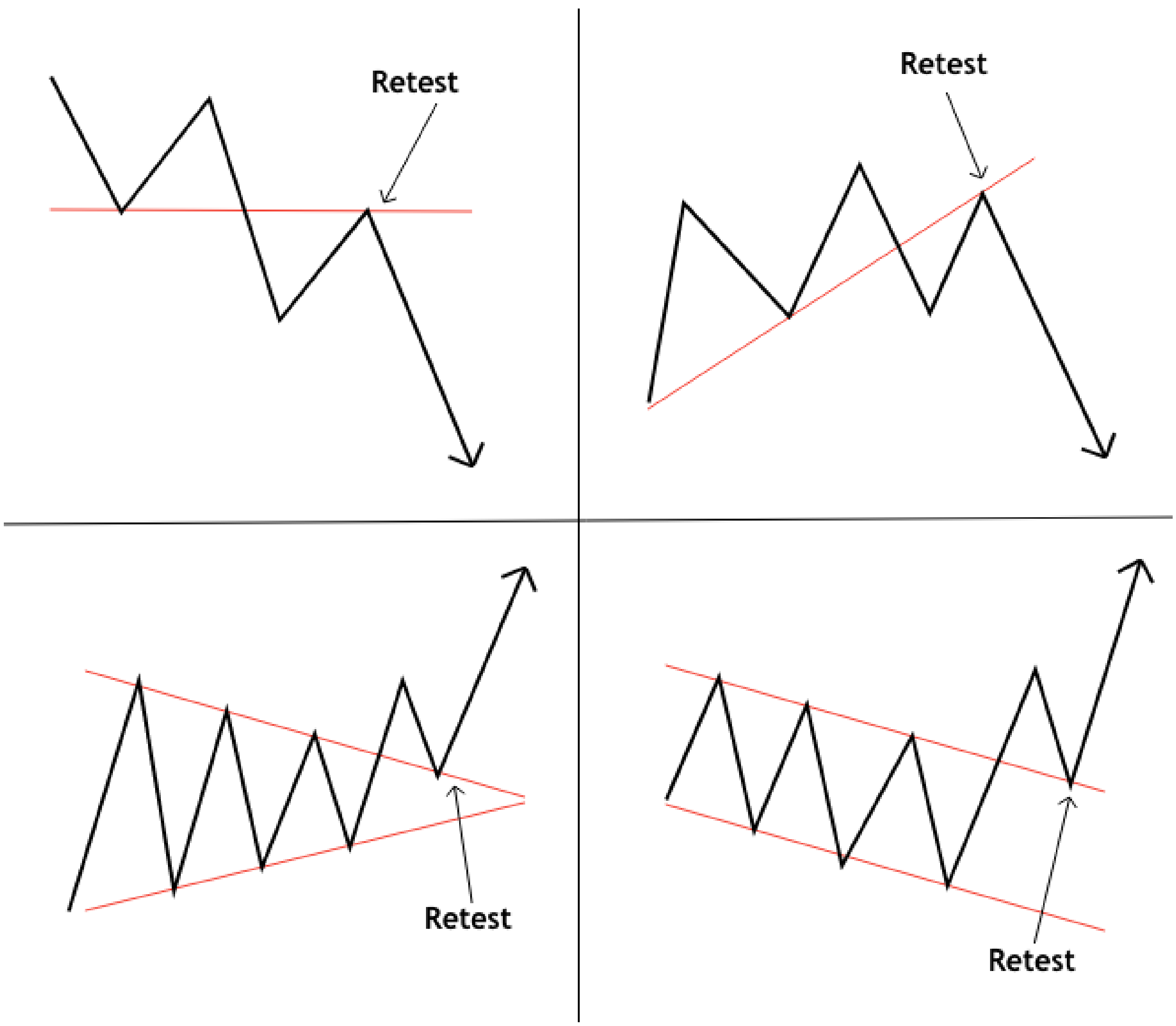
If we were too long this pair from the support identified, our stop loss would be just below the previous low allowing our trade breathing room. We would aim for a target no less than 3/1, or most recent high.

Trendlines

Trendlines, a go to technique for nearly every single trader, Position, Day Trader, Scalper, Crypto trader or Stock Trader.

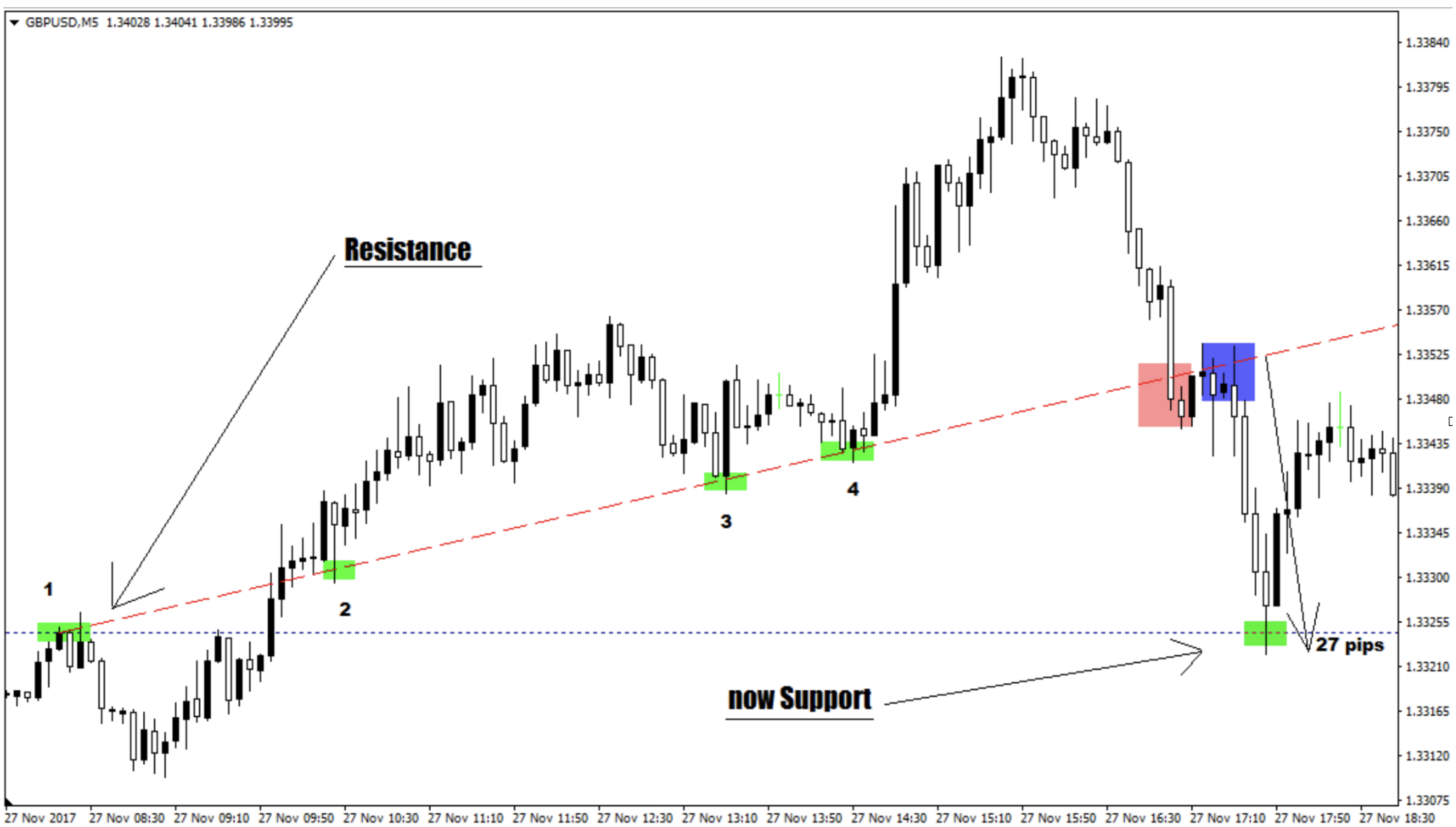
Trendlines are used quite simply to define a trend. They are key areas in which price seems to respect intently until the trendline is broken. Below is a screenshot of a trend being 'respected' and a trend finally being broken. Also a screenshot of a trendline being broken, and re tested. By restested, we mean that the market breaks key levels of support and resistance or a breakout from a trendline or pattern, (that we will cover later).

(see examples below)



After understanding support / resistance and breakout / retests, we can recognise price formation, such as the example below.

1. Initially we've identified resistance (shown as point number 1)
2. As price unfolds the trendline begins (point number 2)
3. Point 3 & 4 confirm this supporting trendline
4. Red box represents price 'breaking' the supporting trend line
5. Blue box represents price 'retesting' previous supporting trendline (entrypoint)



Identifying targets from the break and retest

As we know “old resistance becomes new support” Likewise “old support becomes new resistance”. As price held resistance at point 1, targets for the break and the retest entry were at the level of point 1 (new support) shown by the blue dotted line.

Above is another example of a break and retest developed from a symmetrical triangle. Stop loss is placed within the triangle above the high, prior to entry. Our target would be the next clear support zone as shown in the first example.

We would place our targets no less than 3/1. E/g, our risk could be £100 and our reward would be £300.

It is important to remember that just because a trendline has been broken it doesn't mean the price is inevitably going to follow in that direction. It may be what traders refer to a 'false breakout'. It may be that the price has broken the trend to find a prior key level (Support or resistance, or a previous Fibonacci level).

Candlestick Analysis

Basic Sentiment Candlesticks

1. Doji

2. Marubozu

Reversal Candlesticks

3. Harami

4. Engulfing

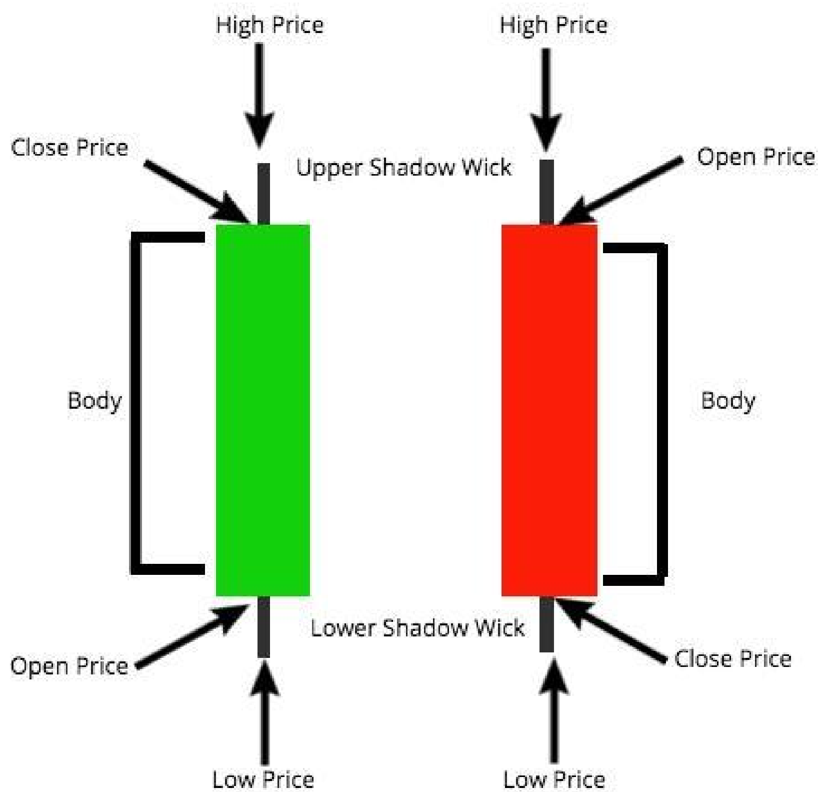
5. Hammer / Hanging Man

What is a candlestick

Candlesticks are composed of the body and an upper and a lower shadow also known as a **wick**. The area between the open and the close is called the **real body**.

The **wick** illustrates the highest and lowest traded prices of an asset during the time frame you have selected on your chart.

For example, if you are viewing a currency pair on a 1 hour time frame, each individual candle represents 1 hour. Within that hour, price fluctuates forming the highs, the lows and the real body. This will create a candlestick pattern that each trader reads to assist their price action analysis.



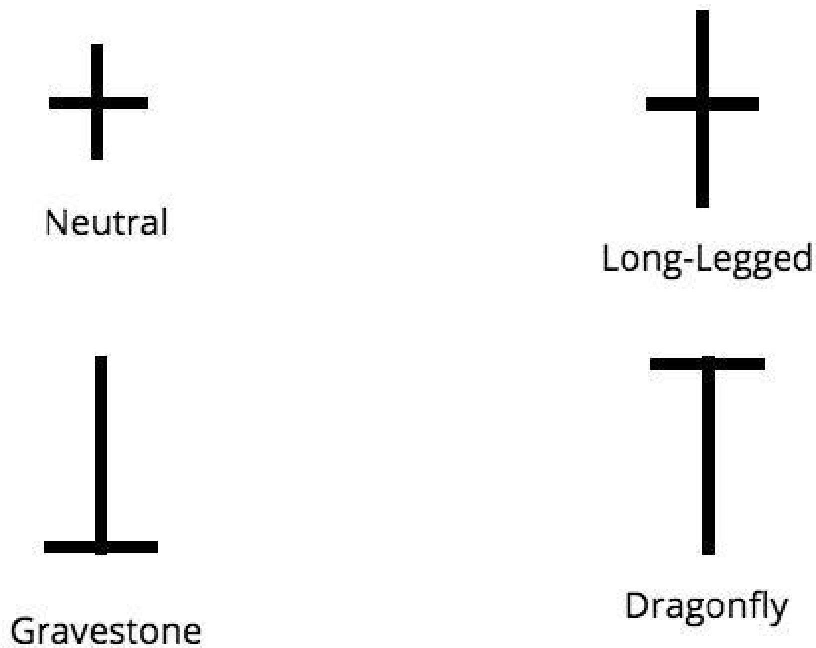
Doji

Doji candlesticks are candles with little to no ‘Real Body’, meaning they Open and Close at the same price. The way we can analyse the direction of the candles following the ‘Doji’ is by looking at the wicks/ shadows.

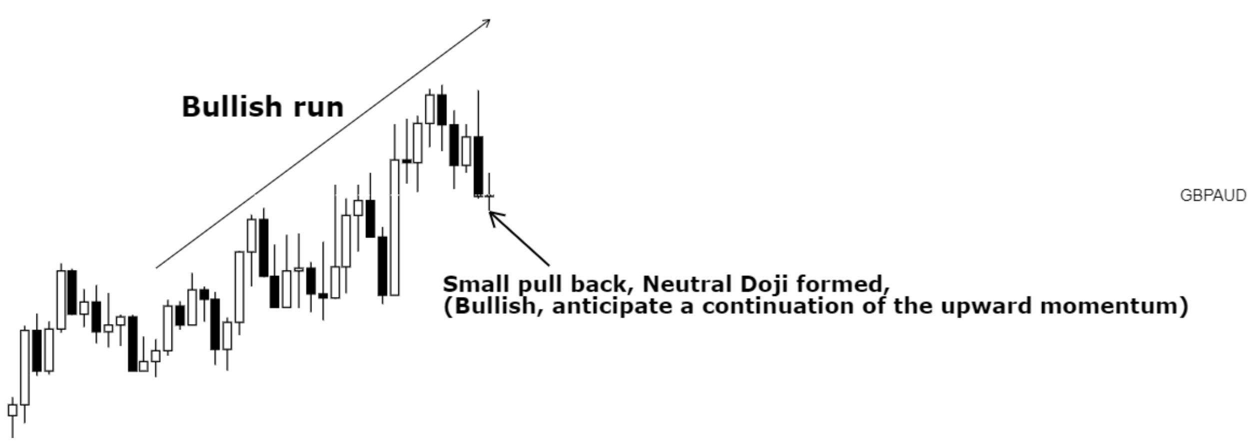
- **Neutral** - A Doji with the Shadows equal length of each other but still, very little movement within that candle.
- **Long Legged -** Again a Doji with the Shadows equal length of each other but reasonable movement up & down within that candle. Opening and Closing at the same Price.
- **Gravestone** - A Doji candle with a long Upper Shadow and no Lower Shadow
- **Dragonfly** - A Doji candle with a long Lower Shadow and no Upper Shadow.

Types of doji formations

Types **Doji**

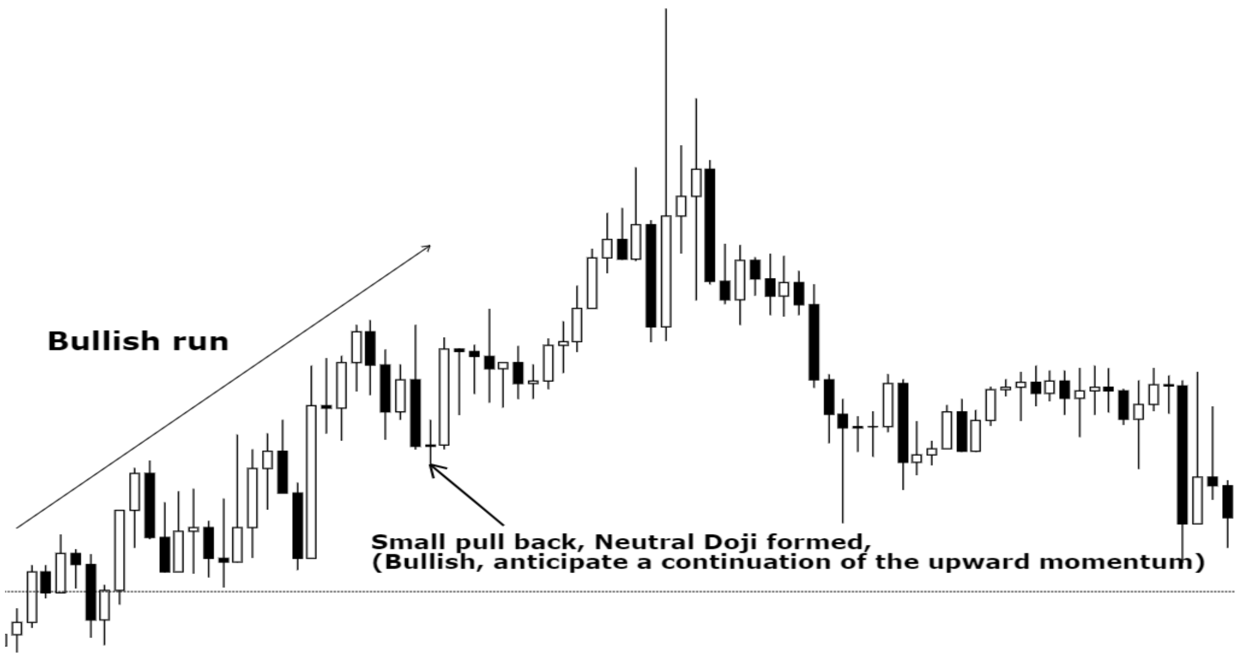


Examples within the Market



Not that we would have entered a Long directly off of one ‘Long Legged Doji’ but there are a few things we could analyse to expect a further push to the upside.

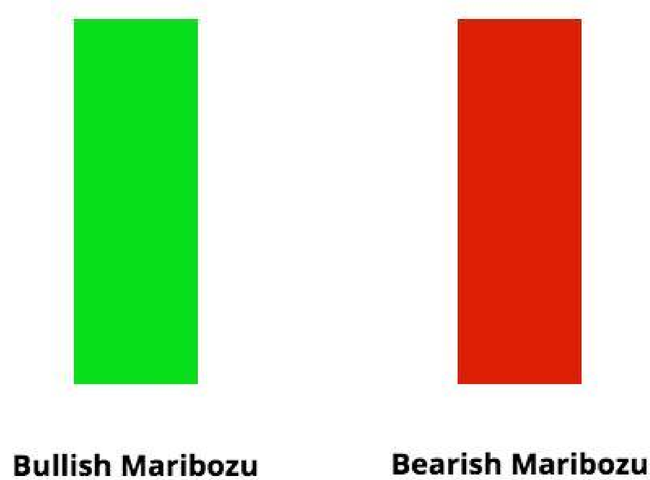
As you can see, the Doji formed after a small pullback of the Bullish run. This would act as a supporting trend. Also, where this Doji candle closed just above the opening this can be regarded as a ‘Continuation Doji’, especially within Bullish Territory, this is no reversal Doji. Stop Losses on this position would be 10 pips + below the Doji.



Marubozu

Marubozu Candles are candlesticks that have no Shadows, Upper or Lower. They fluctuate within the timeframe of that candle but it will stay in the direction of it opening.

Bullish Candle means a



Marubozu generally

continuation of the existing bullish trend or a reversal of the current bearish trend. Likewise Bearish Marubozu Candle indicates that the current bearish trend will either continue or the current uptrend may reverse.

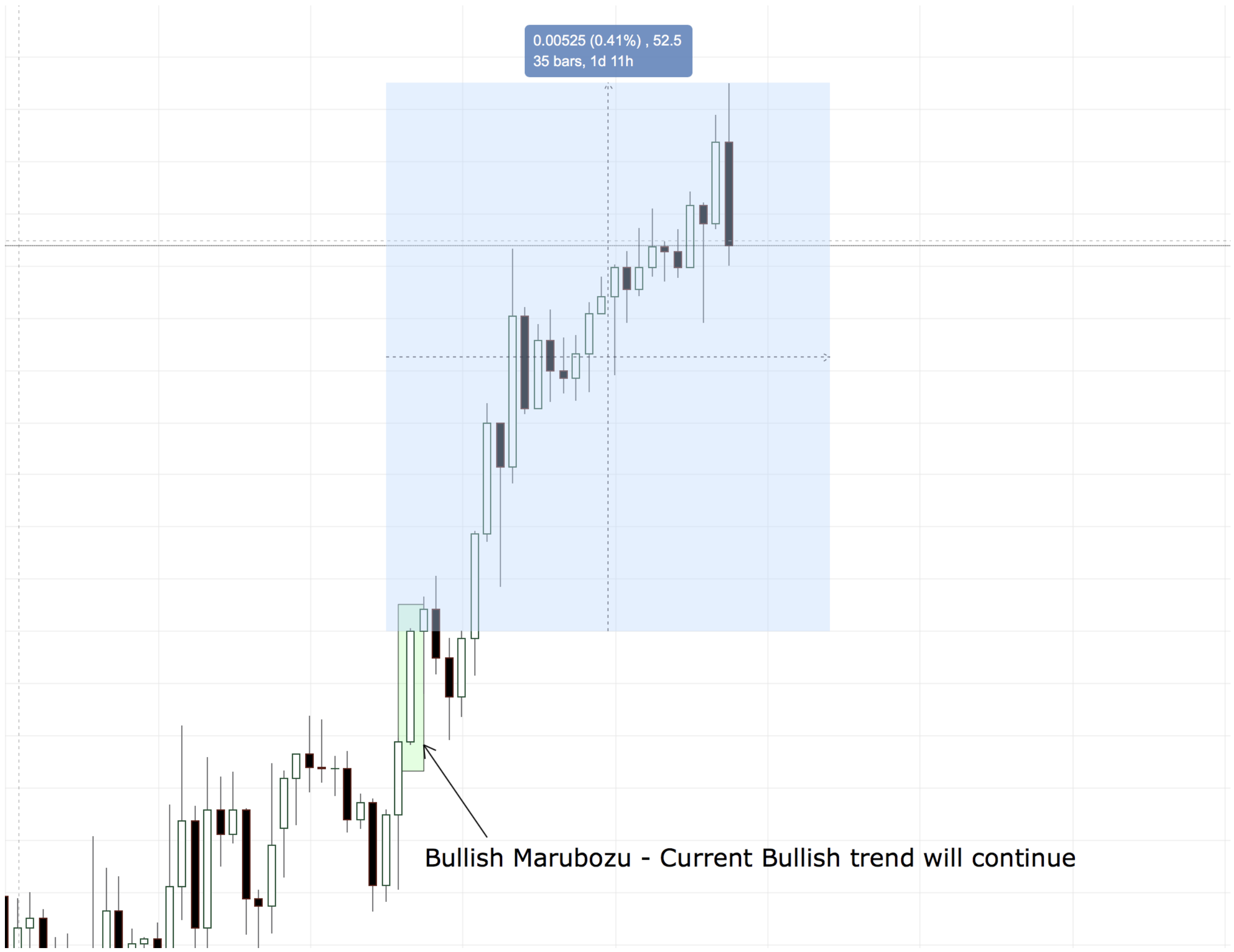
As mentioned above, Marubozu can result in continuation of the trend or reversal of it. Looking above, we can identify that we are in a bearish trend and a bearish marubozu candle has formed. Using this information, we can expect further decline on the **AUD/CAD** pair.

As expected, the trend continued to the downside 140 pips from the close of the **Bearish Marubozu**.

Bullish Marubozu

As mentioned above, Marubozu can result in continuation of the trend or reversal of it. Looking below, we can identify that we are in a bullish trend and a bullish marubozu candle has formed. Using this information, we can expect a further push to the upside (new highs to be made) on the **AUD/CAD** pair.


Bullish Marubozu - Current Bullish trend will continue



As expected, the Bullish trend continued to the upside catching 52 pips from the close of the **Bullish Marubozu**.

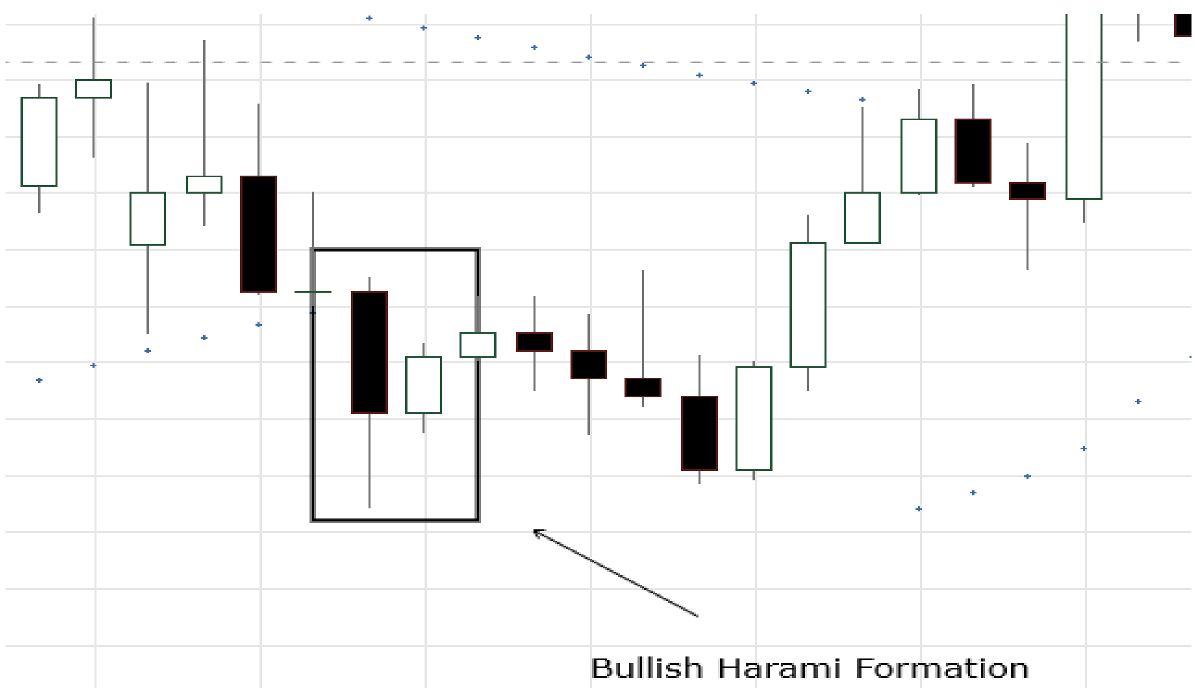
Reversal Candlesticks

You will find 'Reversal Candlesticks' at the end of a bullish or bearish trend *OR* at Key Levels of Support or Resistance. The **Long Legged Doji** and the **Gravestone Doji** are both examples of Reversal Candlesticks. The higher the time-frame you analyse the more reliable these patterns are.

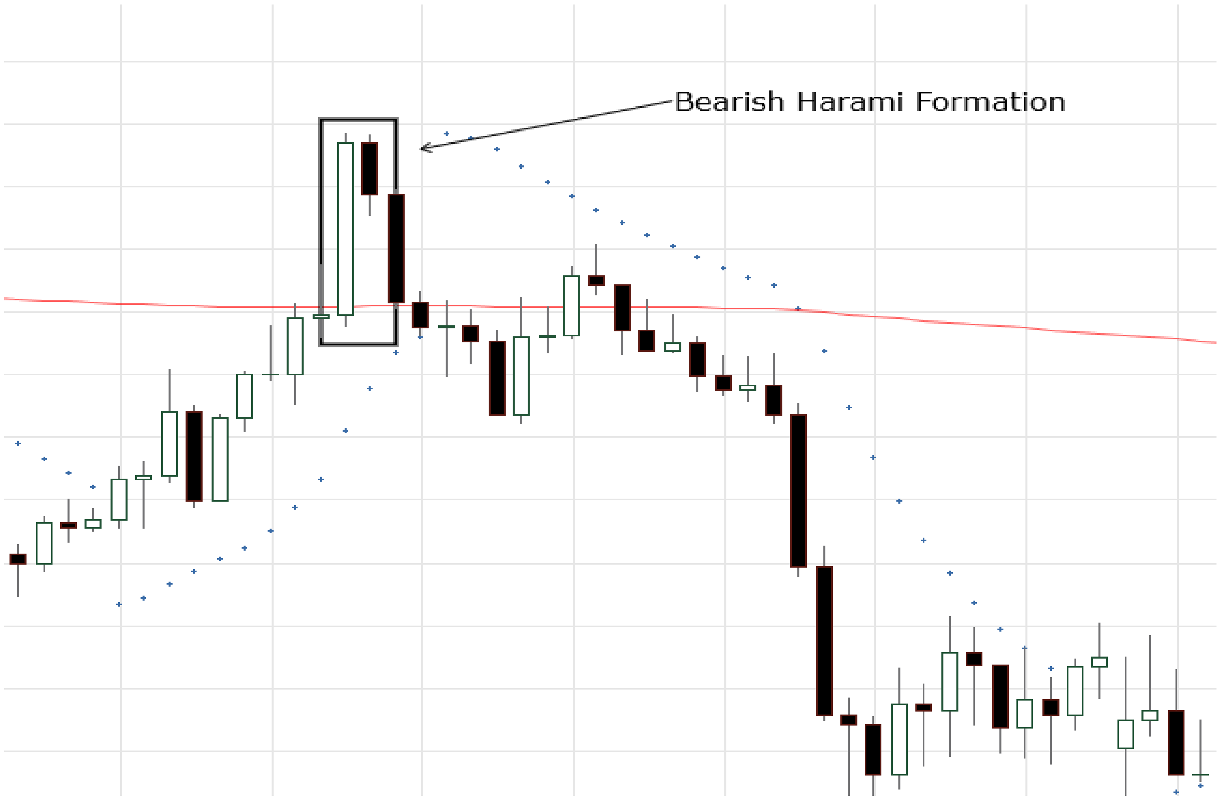
Harami

Harami is a candlestick pattern formed by 2 candles. Whether Bearish or Bullish the second candle opens and closes within the body of the first candle.

A ***Bullish Harami*** pattern is formed by one bearish candle and the second candle is bullish, opens and closes inside the previous bearish candle. As shown below:



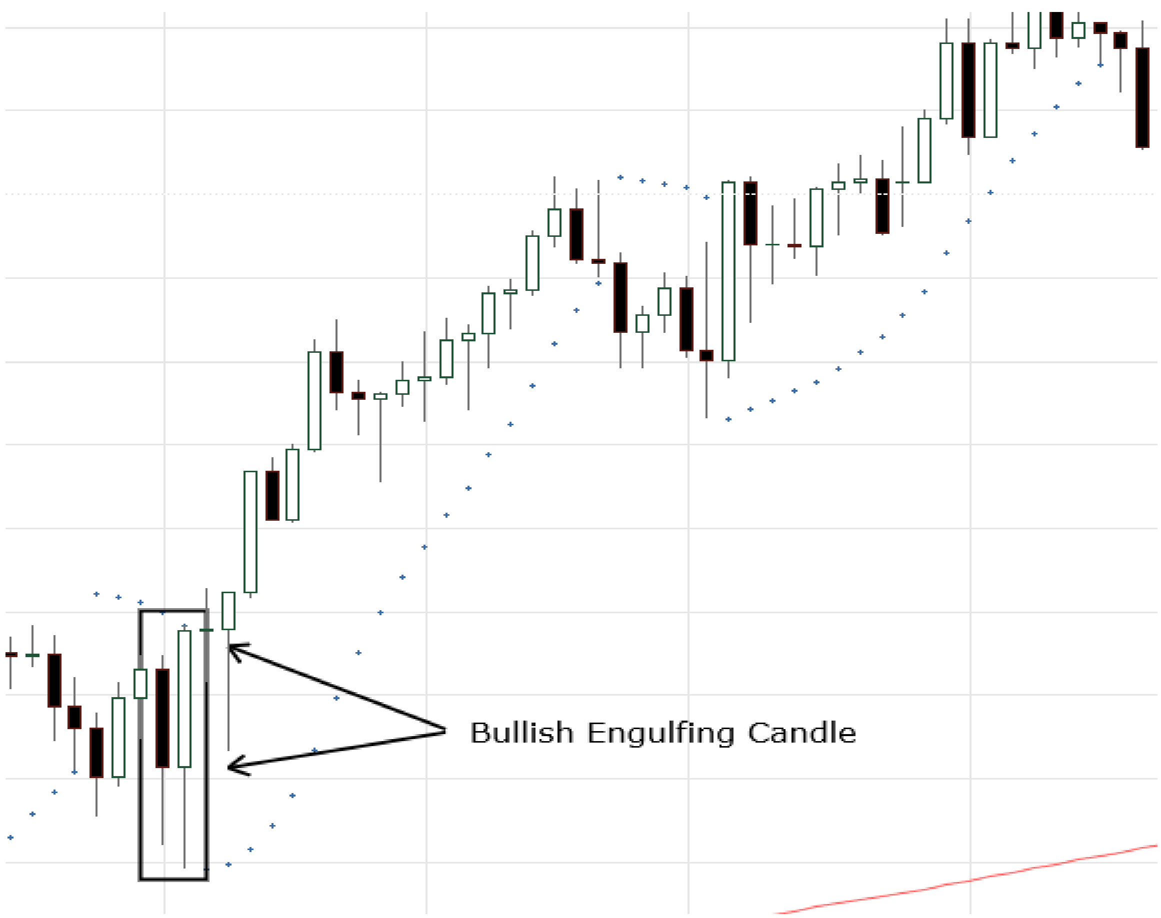
A ***Bearish Harami*** pattern is formed by one bullish candle and the second candle is bearish, opens and closes inside the previous bullish candle. As shown below:



Engulfing

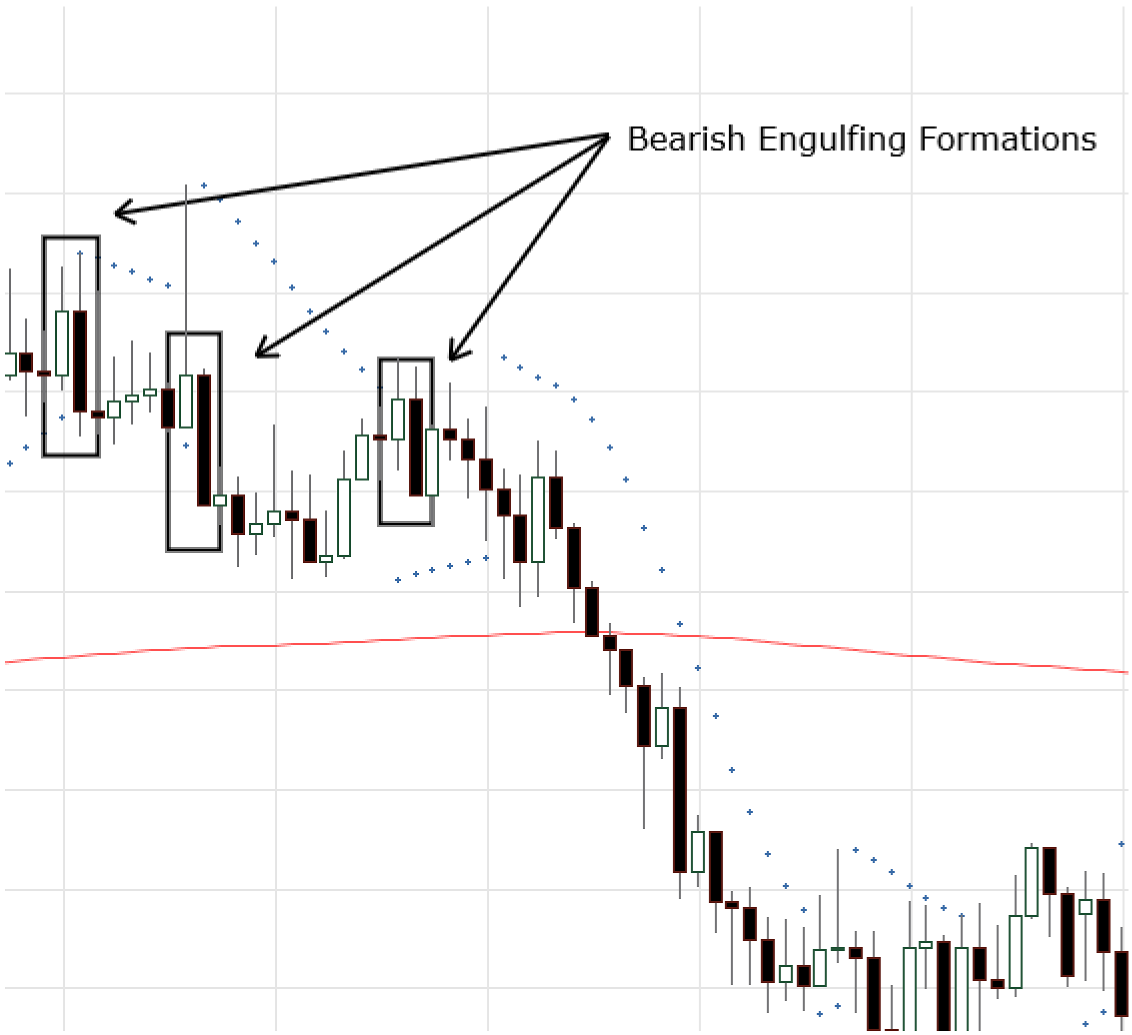
Engulfing patterns are again candlesticks formed by 2 candles. It is essentially the opposite to the Harami candlestick, where the second of the 2 candles completely ‘engulfs’ the first candle.

A ***Bullish Engulfing*** candle formation is a sign that buyers are gaining control and are pushing the market further upward. As shown below:



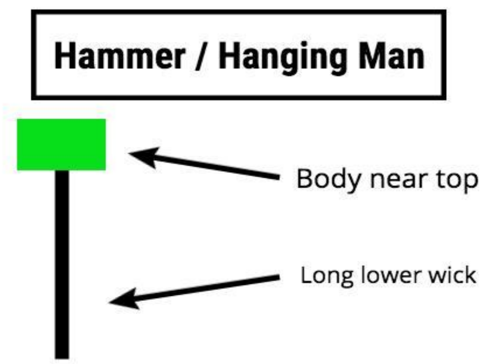
A

Bearish Engulfing candle formation is a sign that sellers are gaining control and are pushing the market further down. As shown below:


Bearish Engulfing Formations

Hammer / Hanging Man

How can we identify the candlestick?

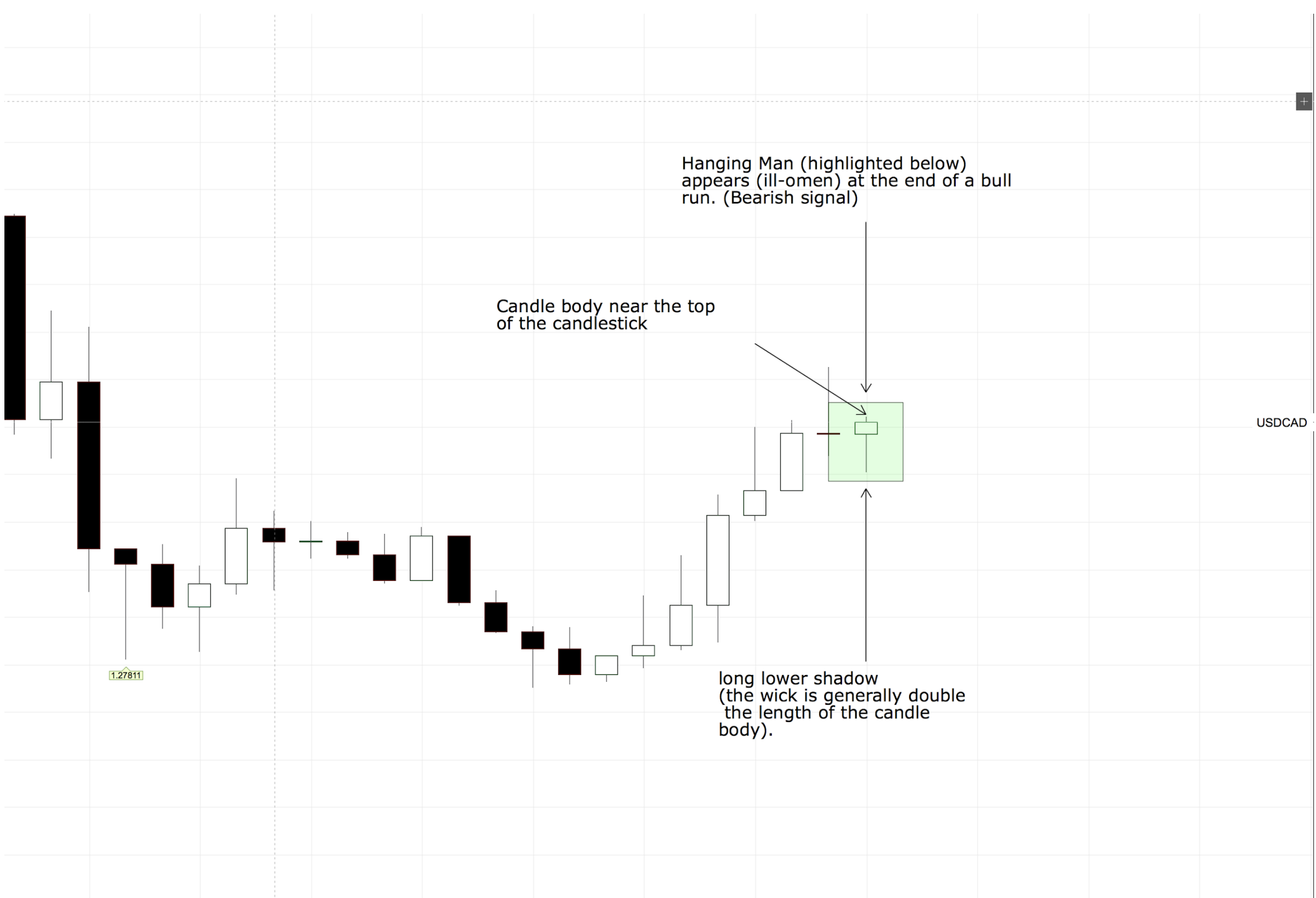


- Both the Hammer and the Hanging Man candlestick patterns look identical.

Both Hammer / Hanging man have a:

- Candle body near the top of the candlestick; and a long lower shadow (generally double the length of the candle body).
- (Color of the candle body does not matter.)

The Hammer pattern is found after a market decline and is a bullish signal. However, the Hanging Man appears (ill-omen) at the end of a bull run and is a bearish signal.



Using the Fibonacci retracement tool, it helps us as traders to identify entry and exit points within the market. We utilise this tool by drawing from the high to the low of a market in a downtrend vice versa in an uptrend (low to high).

Note 38.2% is our key entry level and -27% is our key exit level.

Implementing Fibonacci with other analysis

Using the Fibonacci retracement tool with our candlestick analysis helps us identify and confirm a good entry point for our **short** positions (**sell**) on **USDCAD.**

Our stop loss is placed above the last swing high or between 38.2% & 50% on the fib levels. Due to a large volume of pending orders set by large institutions and retail traders set around these special levels, we anticipate long wicks and strong reversal candles. So you have to be quick and precise with our entry.

Our take profit target is -27.20% as it is our fibonacci extension. Alternatively you could set your take profit at the 0.00% fibonacci level to take a modest 2/1 risk reward. To maximise return, at 0.00% close partial positions and bring the stop loss to entry point for a risk free trade.

As you can see, target 1 for take profit at 0.00% was achieved for a partial take profit (50% of trade closed) and stop loss moved to break-even for a risk free trade, meaning we don’t make anything if it reverses on us however we won’t lose either. We have secured 50% of the trade and now we let the other half run.

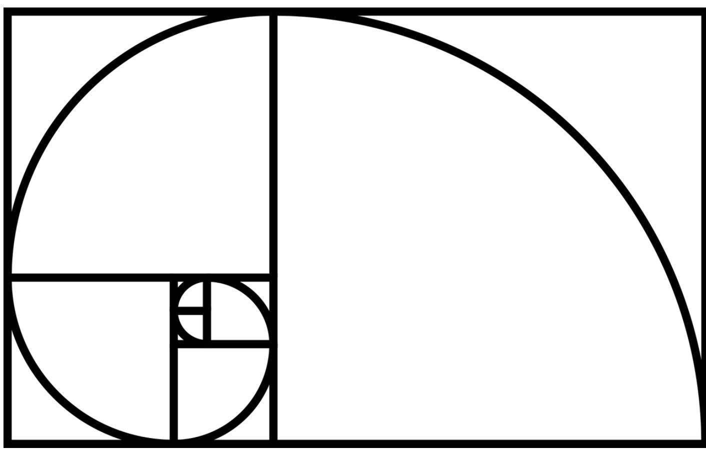
Fibonacci Retracement

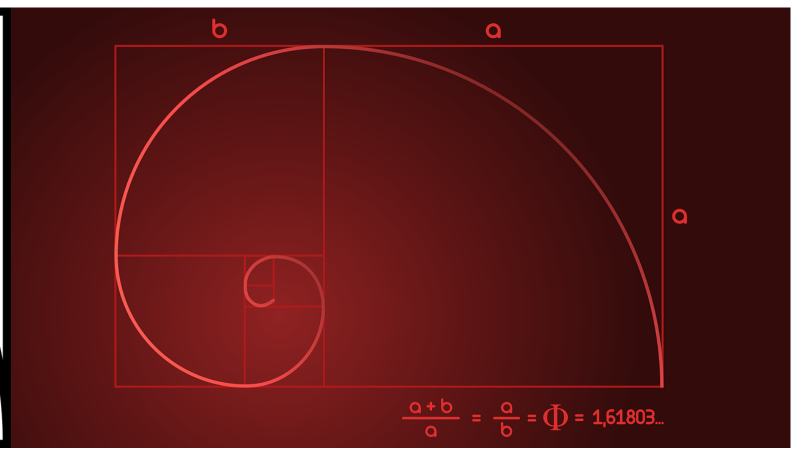
The Fibonacci number sequence may seem like a random set of numbers when first looked upon. A Fibonacci Sequence is found by adding up the two numbers before it, starting with 0 and 1. For example, the sequence goes, 0,1,1,2,3,5,8,13,21,34.

(1+1=2. 2+1=3. 3+2=5…).

Fibonacci numbers are found in our everyday lives however, they often go unnoticed. Regardless of their value.

For example





Fibonacci can also be found within forex on any trading time frame. Although I recommend using the 1/2/4H Time Frames with this tool. If using the tool on higher Time Frames it may take much longer to fulfil aimed targets

Fibonacci tools are one of the most actively traded tools by technical analysts.

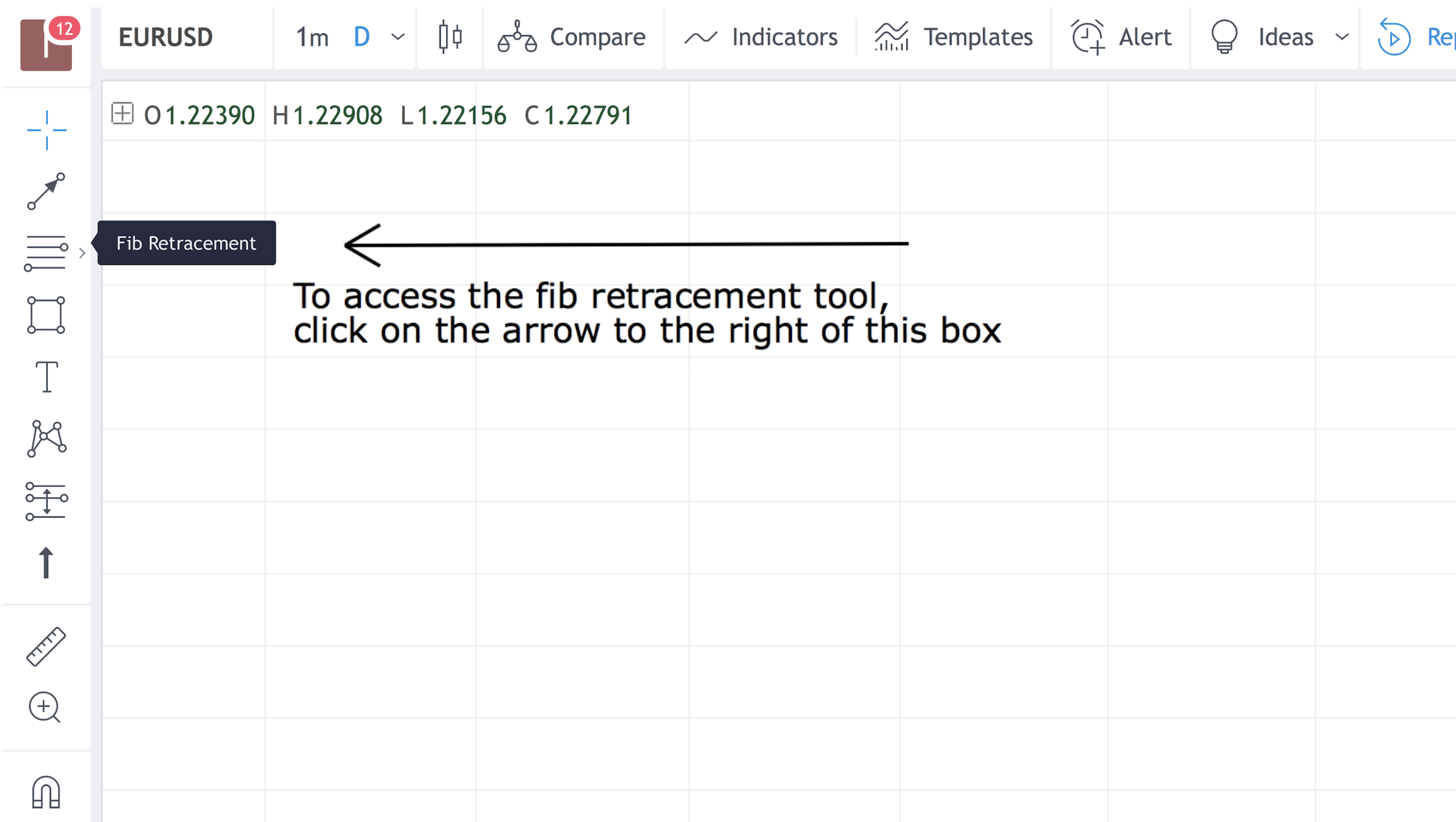
In this section, we will cover one of the most important aspects regarding the fib retracement tool and how some analysts utilise this tool. The fib retracement tool is used to help identify good entry and exit opportunities. There are two ways to identify targets using the fib retracement tool.

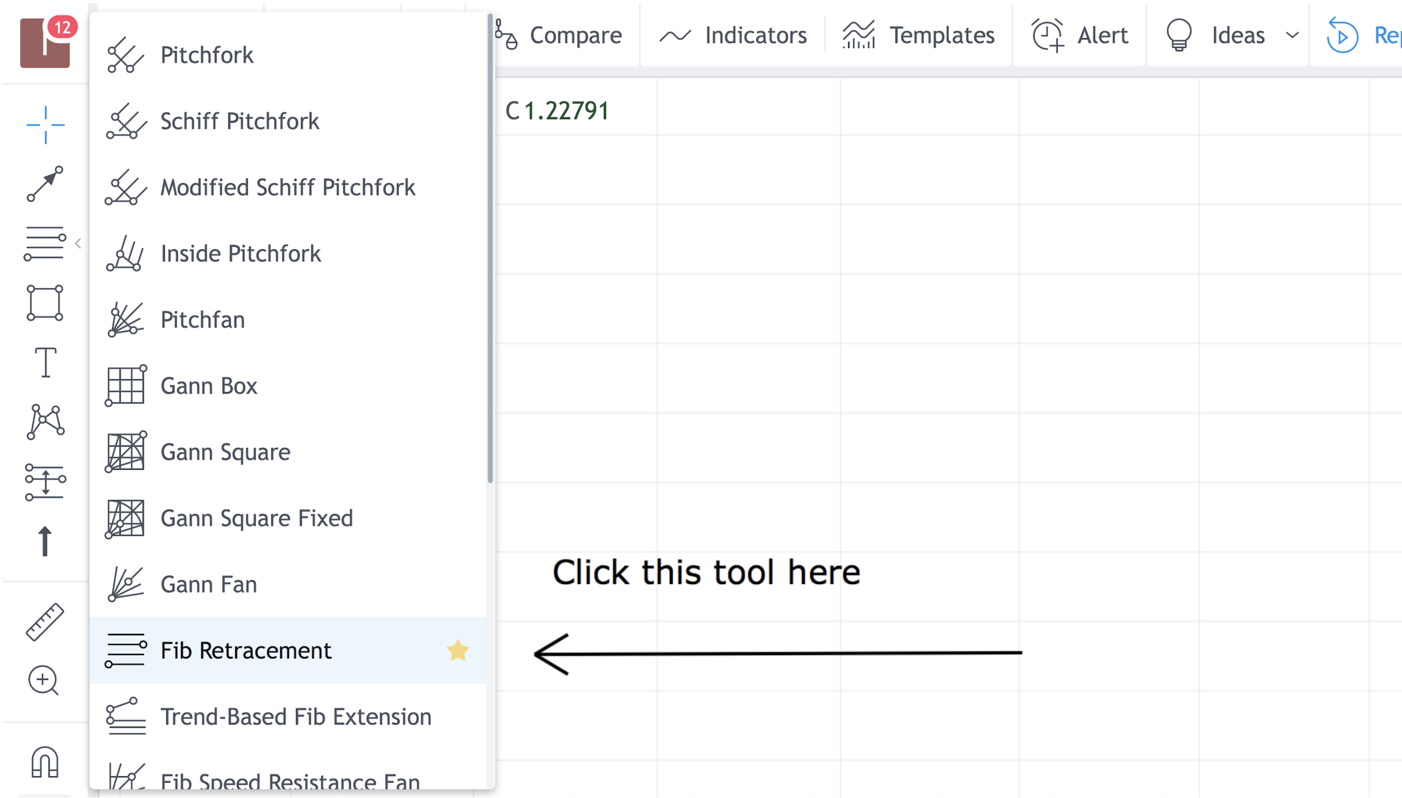
1. Trading the extensions 1.618% (used for breakouts)

2. Trading the negative extensions - 27.20% -61.80% (used for pull backs)

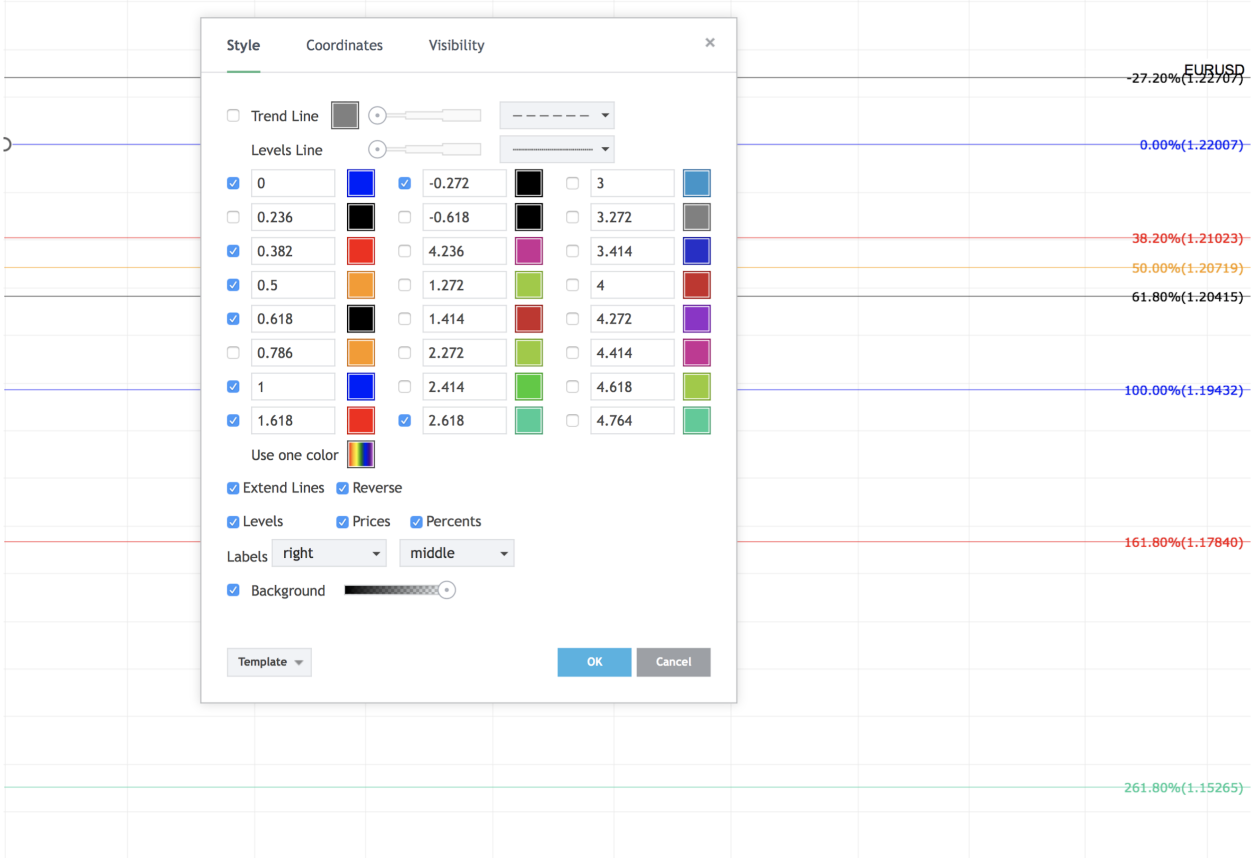
But before we get into that, we need to set up our fib retracement tool.

First we need to open our tradingview chart.





1. Draw from high to low then double click on any of the percentages to edit the tool
2. Now make sure you have the same settings as mine



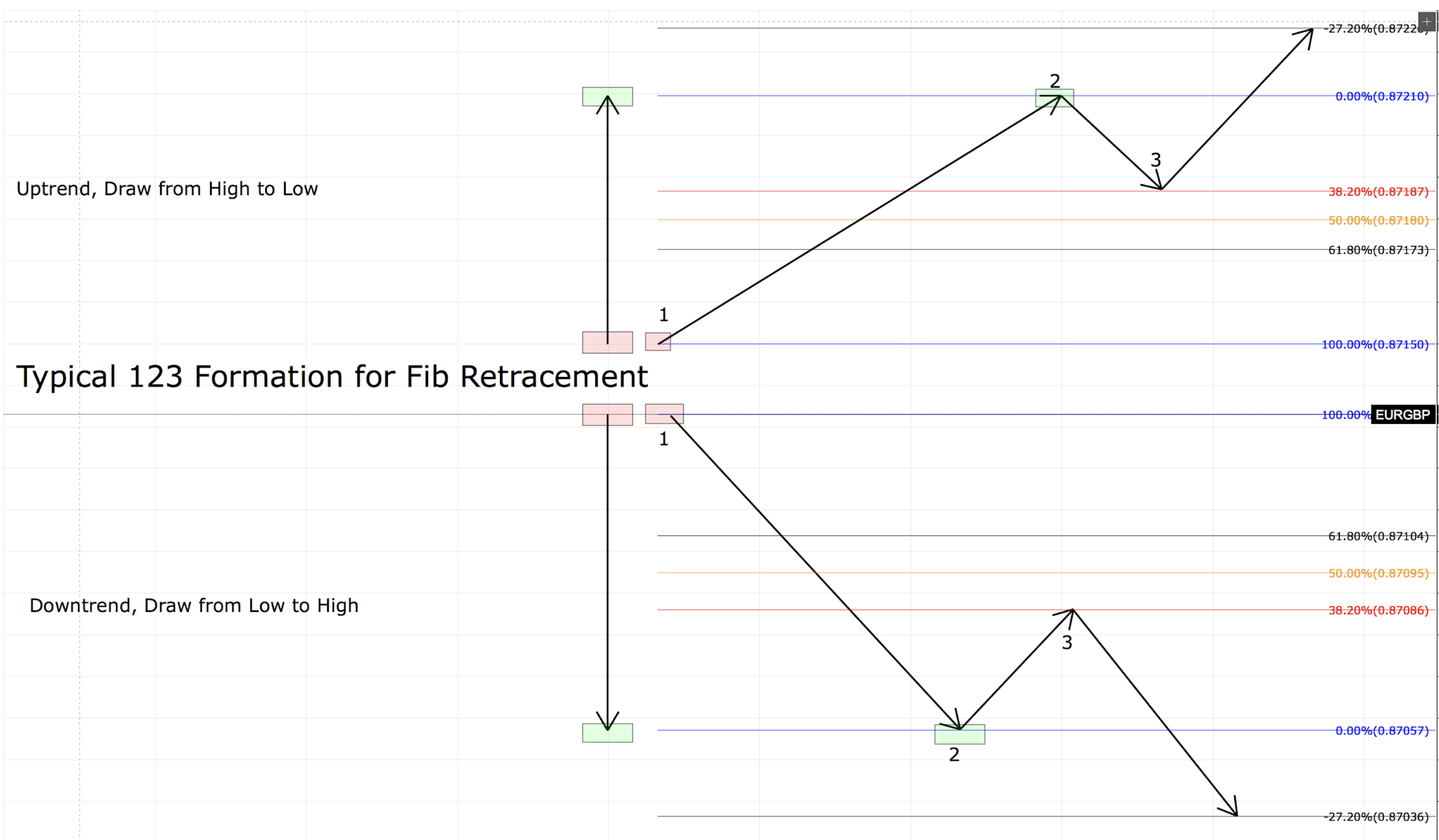
How to use the Fib Retracement tool

1. Identify which way the market is moving (**uptrend** or **downtrend**)

In a **Downtrend**

2. Click and drag the fib retracement tool from the most recent **swing low** up to the last most recent **swing high**
3. Enter on the pullback at **38.2%** (numbered 3 below) with a modest target of **-27%** giving us an average risk of 1 with a reward of 3

For example...



After understanding the concept of the fib retracement tool, it's time we draw it on a live chart…

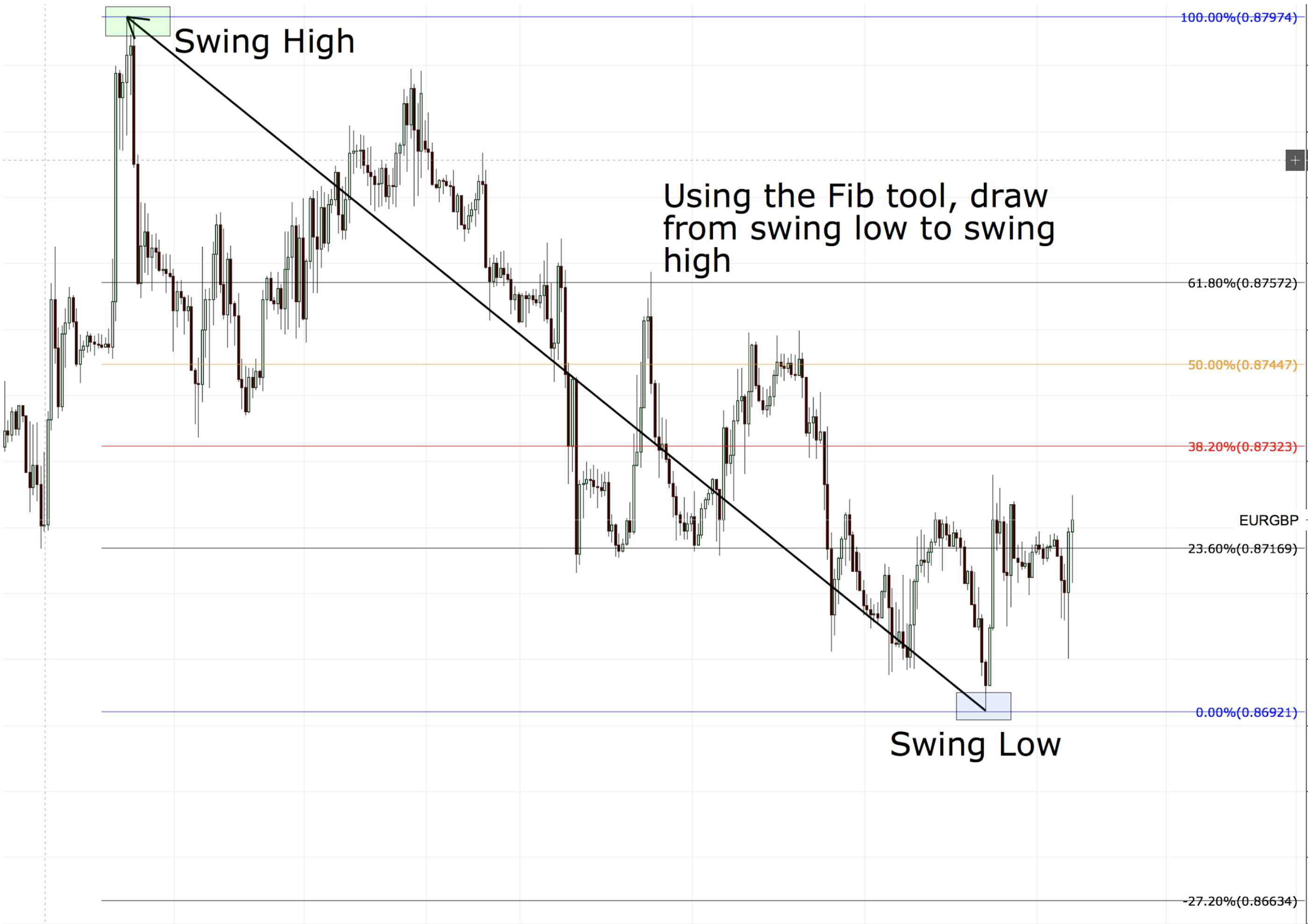
EUR/GBP - 1 Hour Time Frame - Example

1. Identify the trend (**Uptrend** = higher highs, higher lows - **Downtrend** = Lower lows, lower highs)
2. Find the most recent **swing low** / **swing high** depending on the trend
3. Using the Fib Retracement tool, draw from the recent high / lows (depending on trend direction as shown above)
4. **Stop loss** to be set between **50%** & **61.8**% with **Take Profit** set at **-27%**
5. **Await** for pullback for entry at **38.2%**
6. Once trade hits 0.00% move your stop loss to breakeven (risk free trade)

1. **EUR/GBP - 1Hour Time Frame = DOWNTREND**

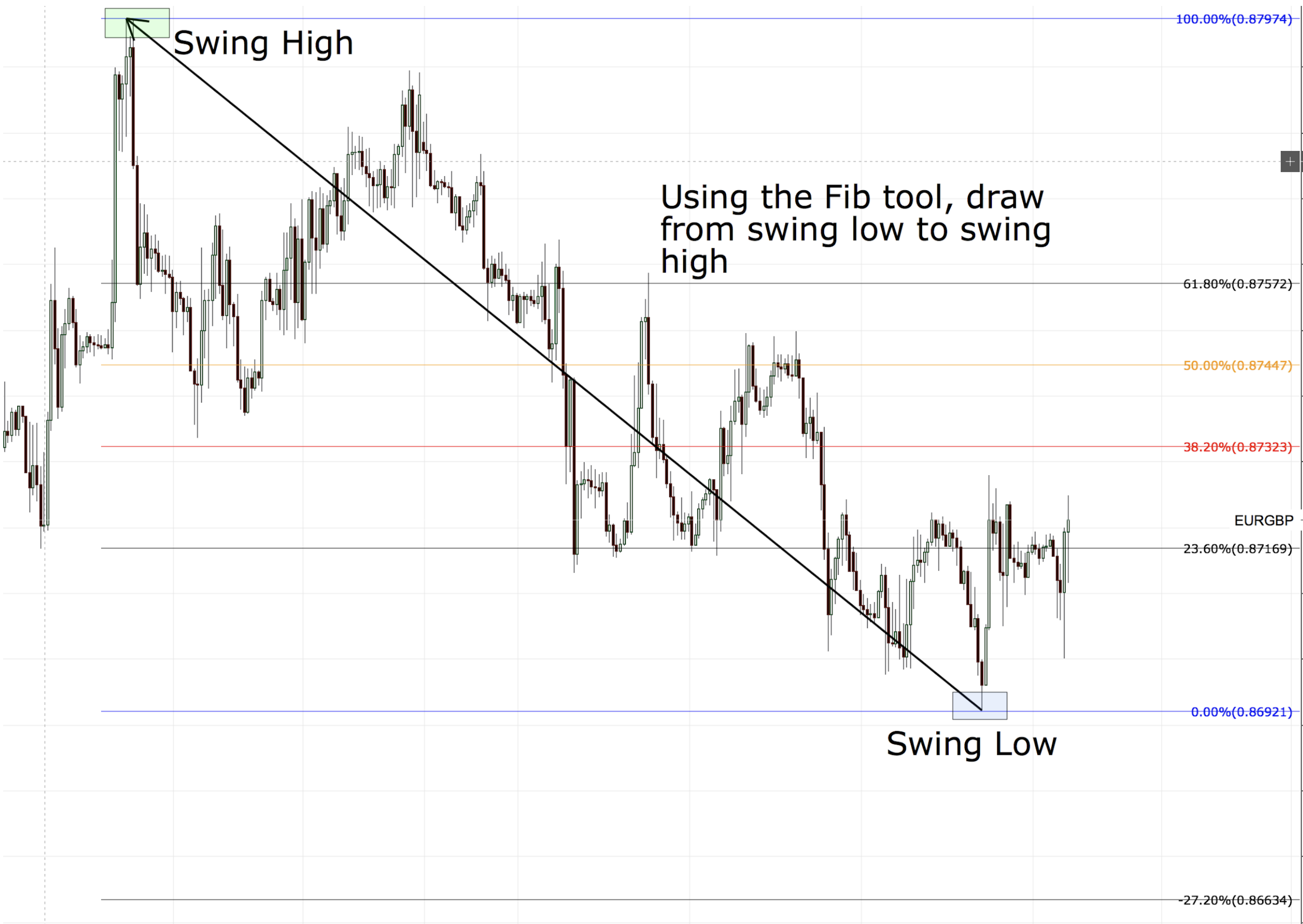
As we can see on this chart, lower highs with lower lows have been created, meaning **EUR/GBP** is in a downtrend.

2. Identifying the most recent swing high / swing low



The highs and lows are easy to spot due to the large wicks left behind, followed by big bearish / bullish candles.

3. Using the Fib Retracement tool, draw from the recent high / lows (depending on trend direction)



Downtrend identified meaning the fib is drawn from the most recent low, up to the most recent swing high.

4. **Stop loss** to be set between **50%** & **61.8**% with **Take Profit** set at **-27%**

As price is below our entry point, we anticipate a pull back to 38.2% before a short to our target of -27%. This generally results in a 3/1+ trade (risk 1% of equity for a 3%+ return) which is regarded to be a lot better than average.

5. Pullback to 38.2% occured, trade triggered

As anticipated, **EUR/GBP** has retraced to our entry zone which is 38.2%.

Our next target for a risk free trade is 0.00%, meaning we bring our stop loss to breakeven (entry point) so if the market does reverse, we won't lose any money nor will we make anything either. Alternatively, you can exit your trade at 0.00% and not ride the trade to -27%, although this means the reward is reduced by ⅓ .

6. Exiting the trade

As anticipated price has fallen to 0.00%, we now have two options.

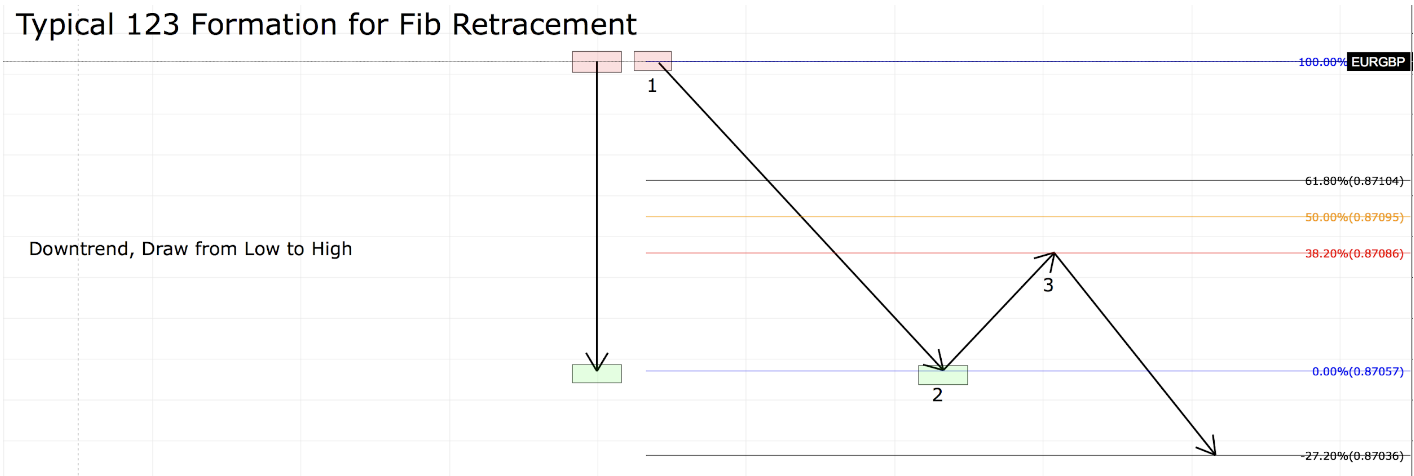
(Most traders choose option 1)

1. Move stop loss to breakeven at 0.00% fib (risk free trade) and leave trade to continue to target. (-27% has less probability of being achieved, however the reward makes up for this, stop loss at breakeven therefore no risk)
2. Once trade is in profit and has crossed and closed past 23.6% fib level, move stop loss to breakeven. Take profit at 0.00% (close trade entirely). Probability of hitting target is higher as it's a closer target but less of a reward.

7. Target achieved

As you can see, this was a risk free trade that achieved its target reasonably quickly (the power of fibonacci). Initially we risked 3% on this trade (18 pip / 69 pip target).

When the target was achieved of 69 pips, our return was 11.1% .



Structure & Pattern Analysis (Wedges / Breakouts, etc)

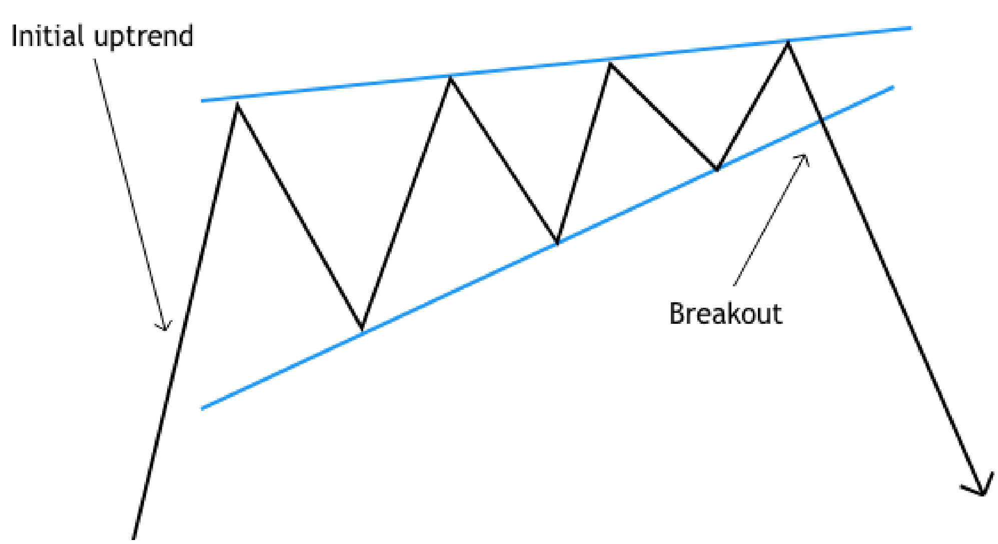
All of the below patterns develop by price action unfolding in certain ways. They are used for technical and strategic analysis for higher probability in technical pattern trading. It should be known that just because a pattern may indicate a decent probability of price moving in a certain direction at times it may not, numerous things may result in this; no fundamental analysis, market movers and stop hunts etc.

Wedges

Wedges, patterns traded by all traders, these patterns form on all timeframes so they're great to learn regardless of your style of trading. We have two kinds of wedges, 'Rising Wedge' and 'Falling Wedge'. Firstly, let's detail the Rising Wedge.

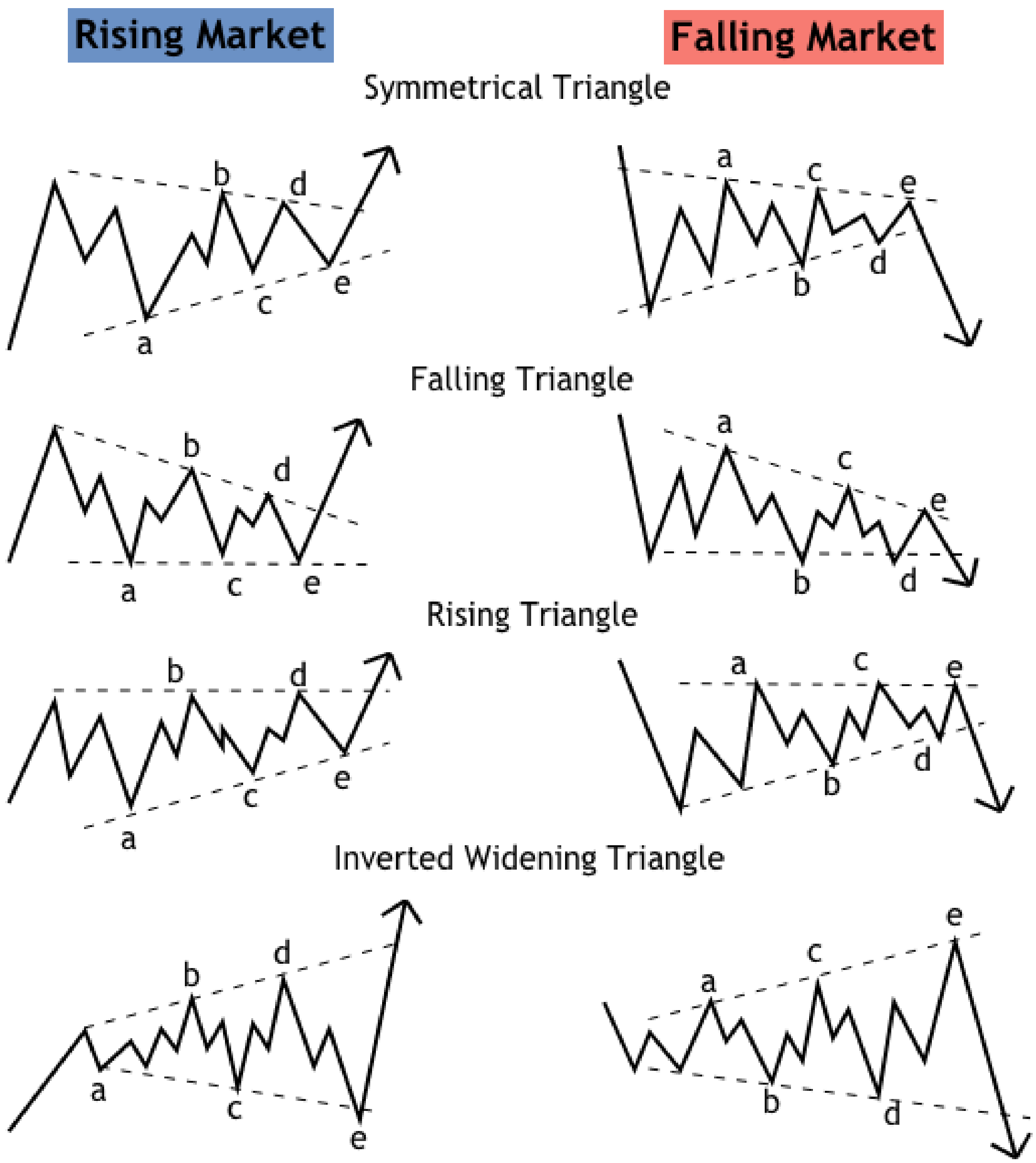
A rising wedge forms when price consolidates between upward trending support and resistance zones. So, in a rising wedge you would like to find a series of higher highs and higher lows which get tighter toward the end of the pattern awaiting a breakout.

Consider the prior movements of the Rising Wedge, this will provide more probability or indication as of where the market will likely follow the wedge. For example, if a rising wedge forms after and *upward* trend, it is likely a reversal of that trend. On the other hand, if the rising wedge forms after a *downward* trend, it could also indicate continuation of that downward trend & vice versus.



Triangles

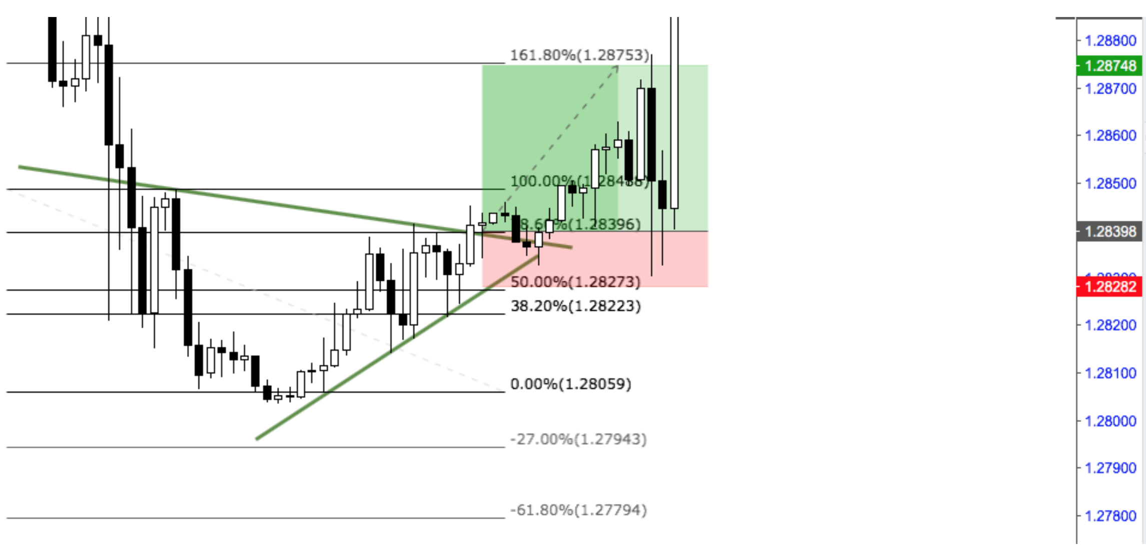
Triangles or Wedges, are possibly one of the easiest yet powerful patterns to find and analyse in the Forex market, or any market. Used by all types of traders these patterns are widely traded and become a core practice for those looking to master the art of technical analysis.



Looking at the image on the previous page you can see there are plenty of triangles to find and trade, you may also recognise from previous figures within the document I also use these patterns often, especially trading break and retests.

The way we analyse these patterns to find entries and targets becomes simple after finding several of these patterns yourself. Another great thing to point out about Triangles and Wedges within the market is that they can be used on any Time-Frame you're trading.

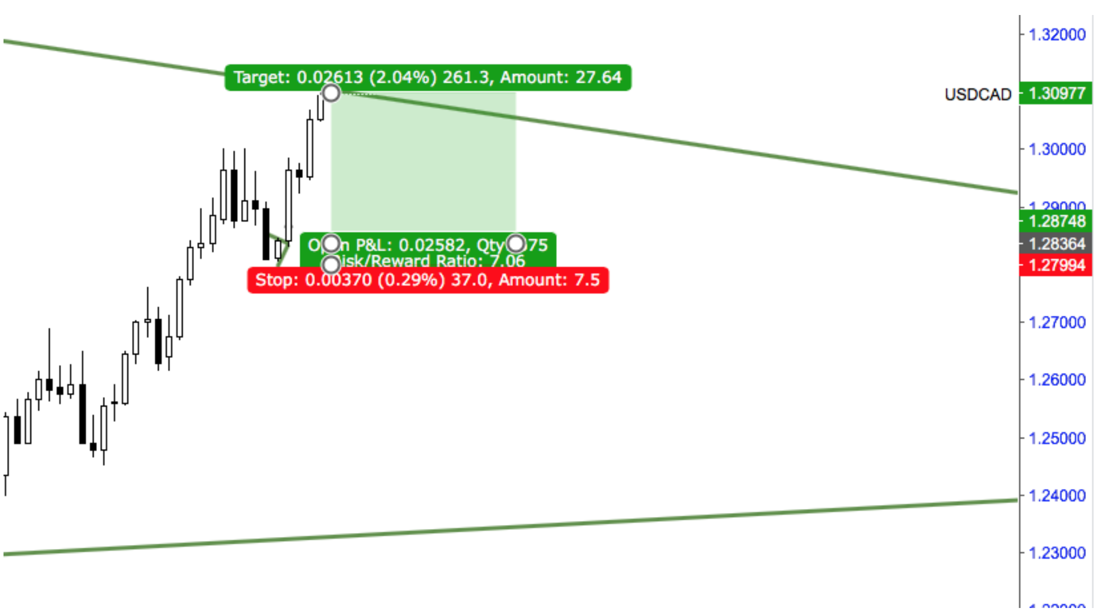
USD/CAD *before* example of near 'symmetrical triangle'. A clear descending trendline of resistance and an ascending trending of support has been plotted on the 1H chart. Anticipating a break and a retest to the upside.



As you can see this pattern unfolded successfully and reached the target of 1.28748. (161.8 Fib)

When we zoom out to the Daily Time Frame we find an even larger Wedge giving further evidence to the proof and power behind Fibonacci and ‘Fractal’ Trading. Why show this? That small smudge of green near where the current market price is, is where the 1H wedge shown earlier is.

As shown below as the market unfolds the price reaches the next level of resistance at the top of the Daily Descending Resistance Trendline.



A +261 pip gain from the initial entry point from the break and retest of the 1H Wedge.

Breakout targets A-Z (1.618%)

Trading breakouts can be extremely easy once you have the hang of it.

At first, the idea might seem too simple to be true, but it is the truth!

We like to Keep It Simple Stupid (KISS).

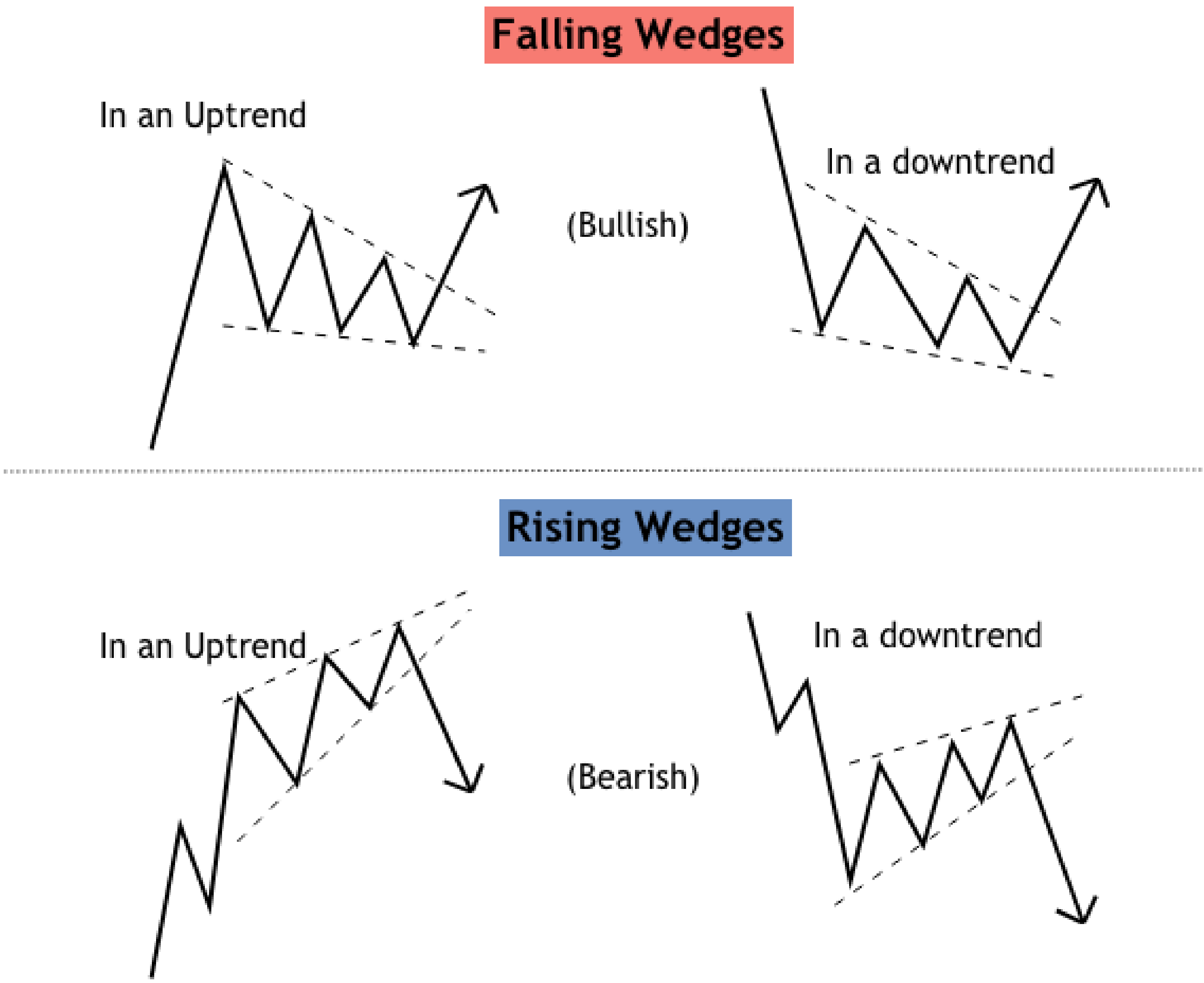
Entries are easy to find for a lot of traders, however exiting the trade is what most traders find to be the hardest part especially when your profit is increasing extensively due to the large volume of orders in a short period of time.

This can be traded with almost any pair, however, it’s good to keep in mind that some pairs are a lot choppier and price likes to swing back and forth on their way to target.

Traders tend to trade the major currency pairs due to large volume, meaning once a breakout has occurred buyers / sellers will flood the market depending on direction and push it toward the target (1.618%) as it is common knowledge that price will aim for that extension first.

In this section we will break down a chart from A-Z, explaining how to utilise this level which is overlooked almost all the time by retail traders! We will teach you how to identify exit points in breakout trading and how to enter / exit a trade on a breakout!

As we have covered breakout retest / patterns above, We won't go into too much detail, However I will mention the main patterns that I follow.



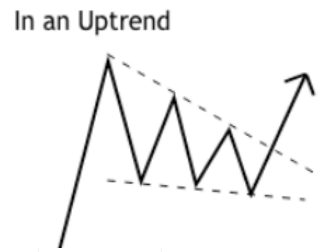
This system has proven to be very profitable if risk management and the rules are followed. For this example we will show you the step by step trades taken to bag £1,800 within 2 hours on **GBP/USD**.

1. Identifying the trend

We can clearly see that the pair **GBP/USD** is in an uptrend.

We have highs, followed by higher lows and higher highs, confirming we are in an uptrend.

2. Has a wedge formed?



Looking back at figure 1 on (page 55) we will only be looking for a falling wedge in an uptrend (top left) as we can see wicks are forming creating a slight downslope on the top side. This is indicating that a breakout is due.

Zooming in we begin to draw our trendlines. As we are looking for a breakout to the upside, we aren't too fussed about drawing a supporting trendline, the key trendline should be on the buy side (the top)

As

anticipated, a support line held, followed buy a bullish candle with a long wick, indicating that sellers are exiting. Followed by bullish engulfing.

3. Breakout occurred, awaiting retest of trendline

A breakout has occurred, we are now anticipating the trendline to be retested (touched) again before the momentum picks up on the pair and the buyers get in at a better price.

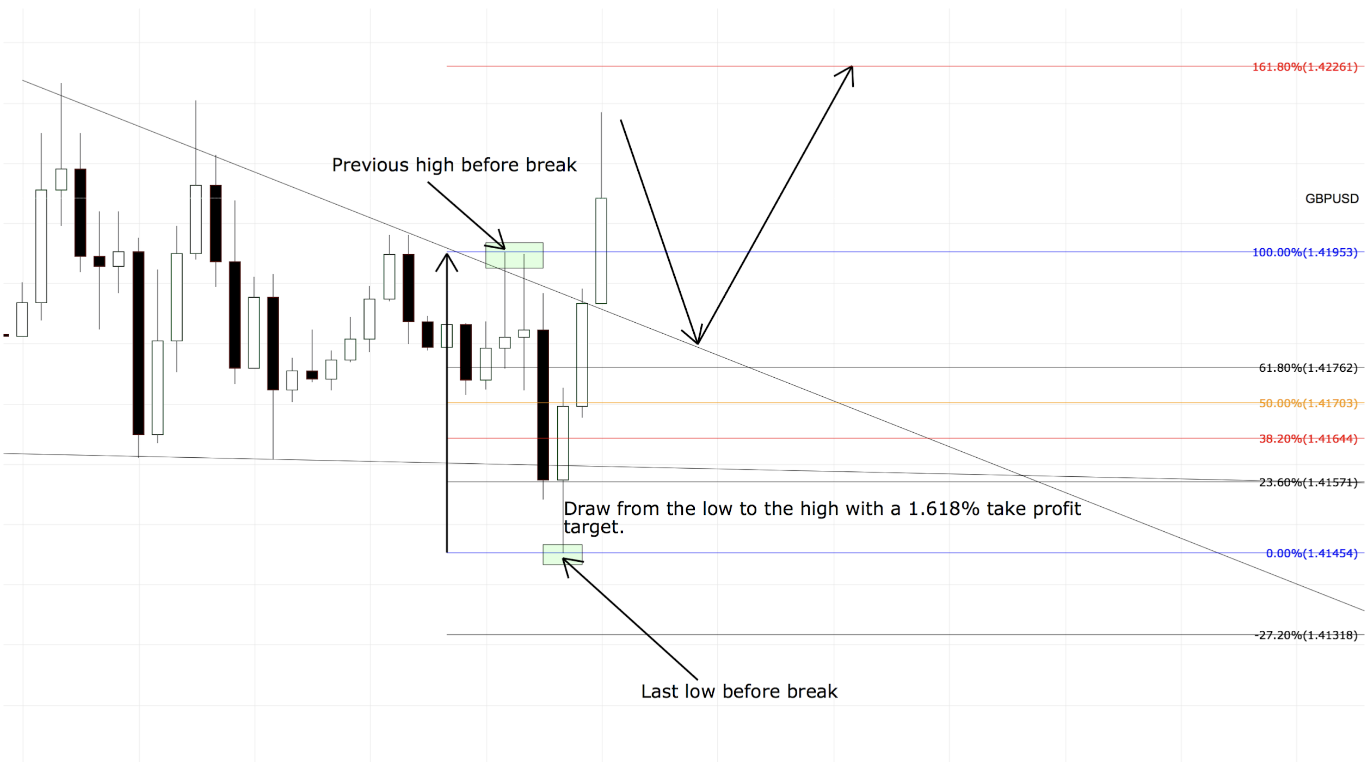
We are waiting to hunt the perfect entry price, like a trained marine waiting to pull the trigger.

In the meantime we can add in in our targets using our fibonacci extension tool which we have learned how to implement accordingly.

4. Our exit strategy

It is imperative that we use this tool correctly to achieve the right target. If not this could result in falling short and the trade reversing on us.

Once you have your fibonacci tool selected you will then need to identify the previous high and low before the breakout. We are using **1.618%** for breakouts so targets should **not be -27.20%** in this example.



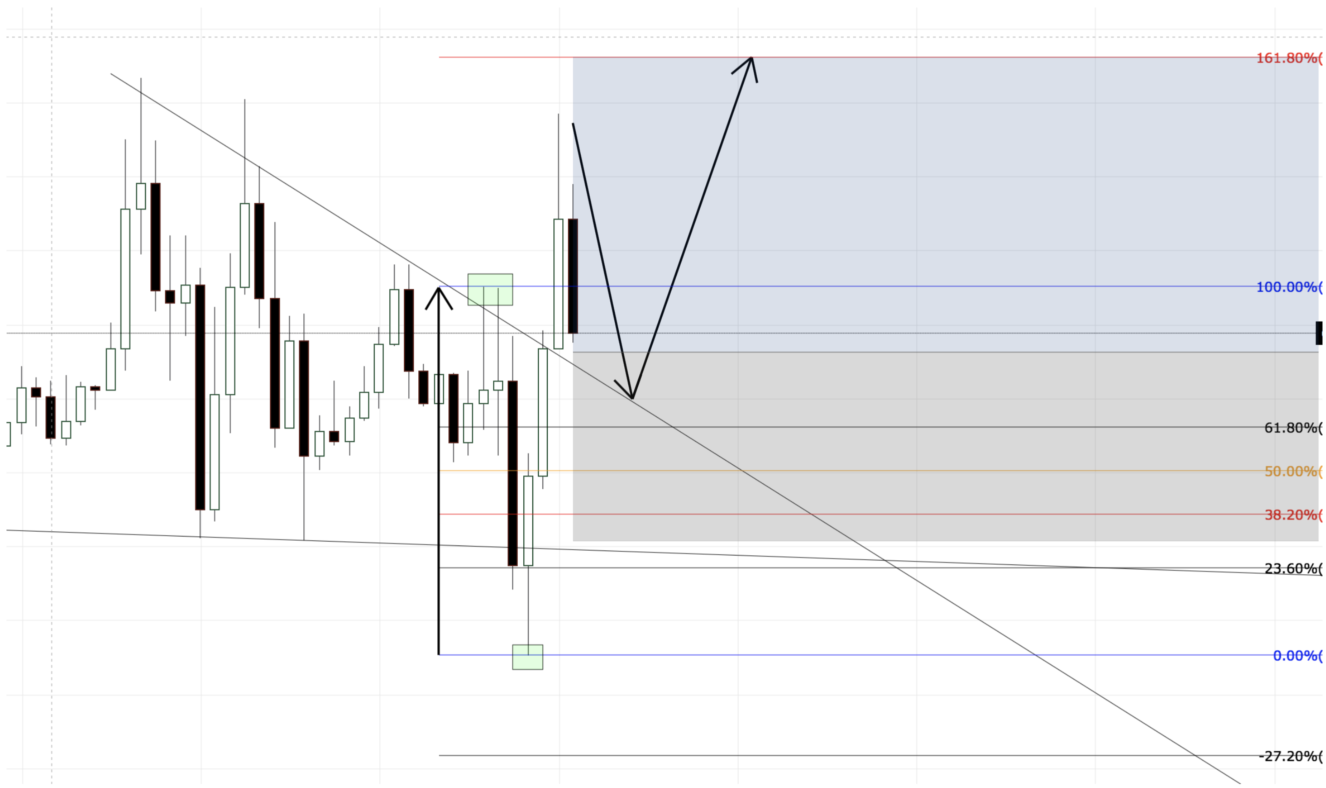
Once we have the break. Draw from the **last low to the previous high**, It's as simple as that! We now have our take profit which is 1.618% as seen above.

Exact method applies for shorting (selling) just flip the method!

5. Placing Stop Loss

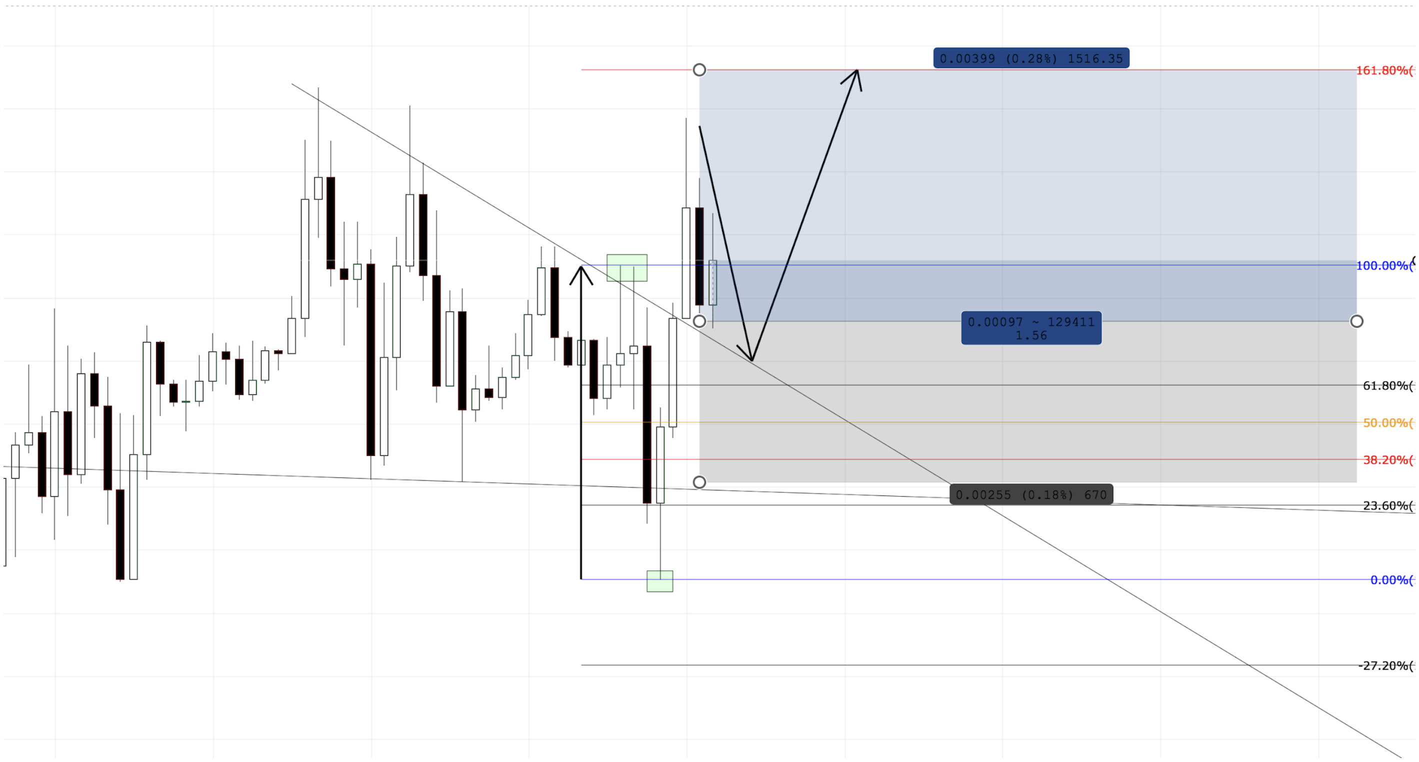
I like to place the stop loss a couple of pips below the 38.2% in an uptrend, In a downtrend you would place the stop above the 38.2%

The risk to reward usually works out to be Risk 1 Reward 2, The reward is lower but we justify this by the frequency of these trades happening / the high win rate.



As you can see, take profit and stop loss set. We will now wait to see how this trade plays out…

6. Retest Occured, Entry Made

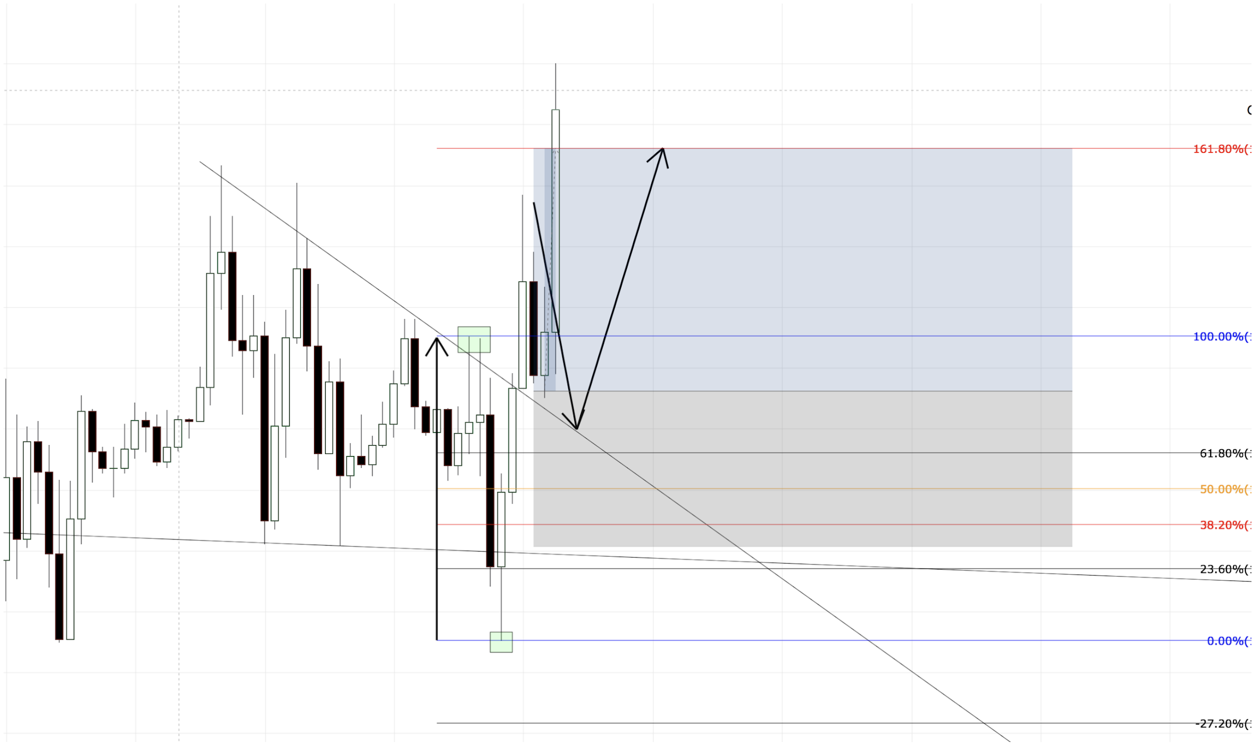


As you can see, Price has respected the trendline (old resistance becomes new support) Order has been filled.

We have entered on the restes of this trendline and expect a rapid flood of bulls entering this trade near this price.

Furthermore, our fibonacci is drawn and our targets are identified, stops set and now we expect 1.618% to be achieved as a result of the bullish momentum.

7. Target Achieved!



As simple as that! Target achieved.

To recap….

1. Identify trend
2. Identify the pattern (wedge triangle)
3. Wait for breakout
4. Draw fibs. (downtrend high to low) (Uptrend low to high)
5. Set stop loss below 38.2% in an uptrend vice versa, take profit at 1.618%
6. Enter on retest

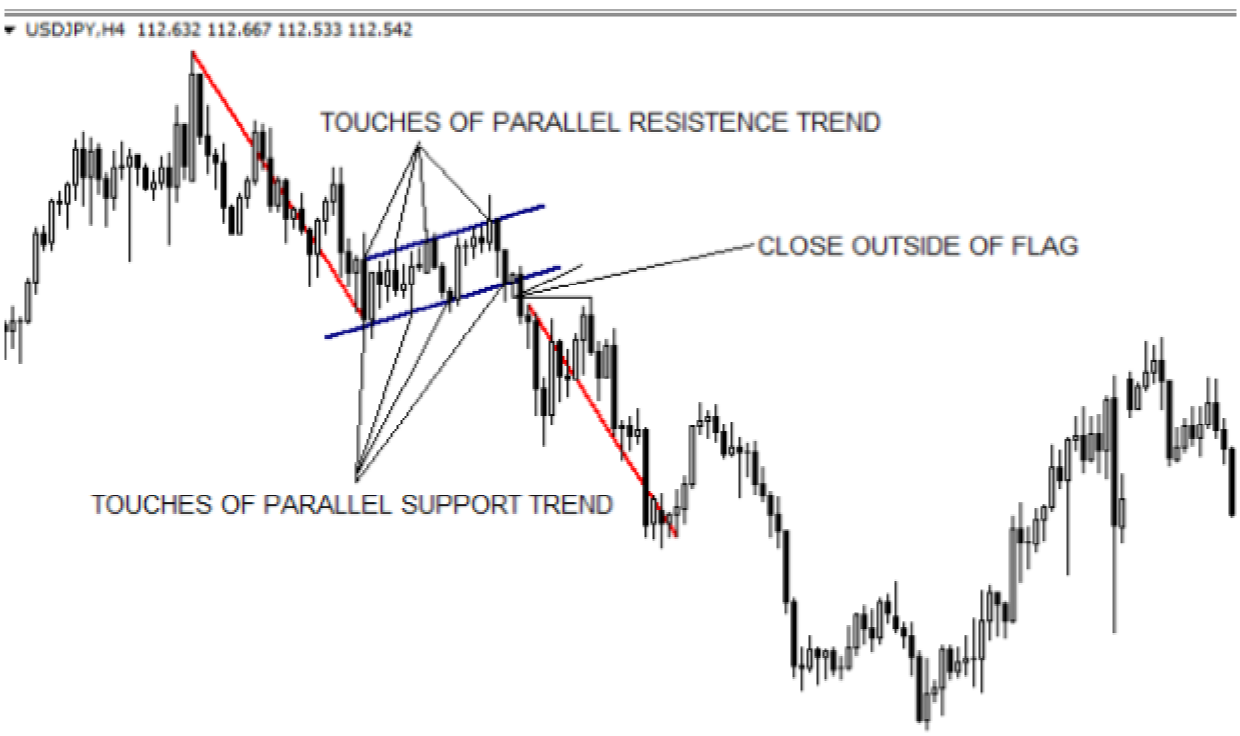
It's as simple as that!

Flags

A pattern of consolidation of which may either ascend or descend, the difference between flags and the other patterns is the price will touch two parallel trends creating the flag. I'll break this down further in the 'Bearish' and 'Bullish' Flags. The difference is vice versa so to save space and your reading time I'll explain one 'Bearish Flag Pattern'.

Bearish flags are slightly ascending, this encourages the flag to unfold as we expect, followed with a break (& potential retest) of the supporting trendline, to the downside resulting in continuation of the initial descent.

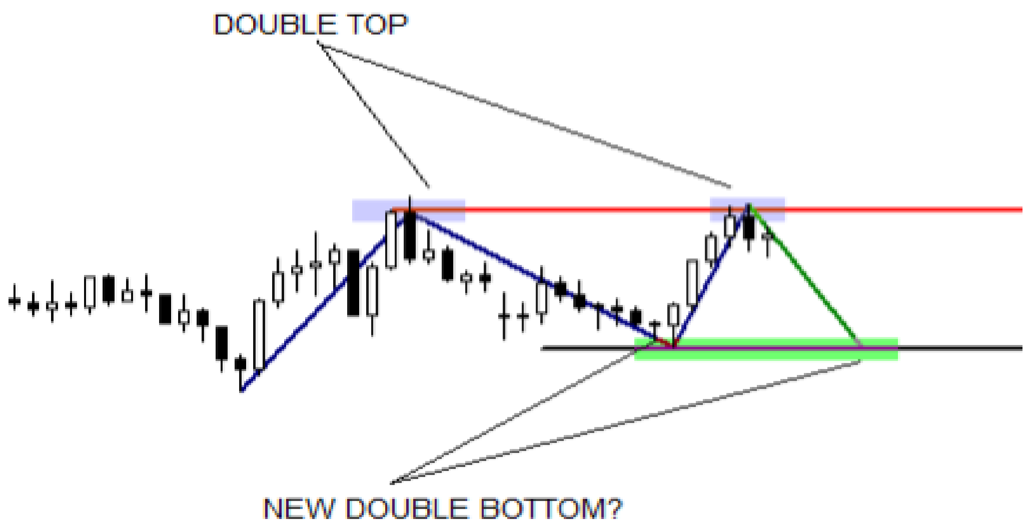
Exactly the opposite with Bullish Flags. 1, Slightly descending 2, multiple touches of parallel trend lines 3, break to the upside following with continuation of initial upward trend.



Each red line showing the amount price has moved is equally important, you can see before the flag developed the market had a descent toward that temporary consolidation, we measure that initial descent to predict how far the market will potentially fall after the flag is broken.

Double Tops & Double Bottoms

There are a number of different ways to trade DT's and DB's, some with higher probability than others, so backtest them to see which ways you find most profitable for you.



The
entry would be a result of the bearish engulfing candle and a close 'BELOW' the red line (double top resistance zone). The target will be a support zone indicated with a black horizontal line.

Another way to trade this would be to await a break of this green support zone, perhaps a retest and to enter short. Try to get as many confirmations as possible indicating it is going down; trend retests, bearish candlesticks, Fibonacci targets etc.

Top Down Analysis

Definitely something I recommend every single person looking to trade forex should take the time to learn. Top Down Analysis, it is exactly how it sounds, analysing from top to bottom (timeframe). There are a lot of ways to do Top Down Analysis but here is the most common. Use the line chart when plotting Support & Resistance lines.

The idea of top down analysis is to get an idea of the ‘sentiment’ or ‘attitude’ of the currency pair being analysed. It can also be used to find certain targets where a currency pair could potentially reach.

Monthly, **Weekly**, **Daily**, **4 Hour** and **1 Hour** charts, in that order.

Technical analysts work with candle sticks so it is important to know that when they say for example “4 Hour chart”, They mean they are looking at a candlestick chart where each individual candle displayed represents 4 Hours time.

Top down analysis comes in 4 Main blocks 5 or 6 at a maximum. At the end of each analysis (each time frame) within top down, traders may find it useful to take notes of what each chart is showing.

1.

Starting off with **The Monthly Chart** we will see how this month's candle is turning out in regards to last months. At times we will see how this time of year has played out last year and perhaps the year before. Looking at the monthly chart is all about finding a 'general direction', at times a trend. We recommend switching to the monthly line chart to mark up significant key levels of Support & Resistance as shown below.

Let’s continue onto the next stage of Top Down Analysis.

2.

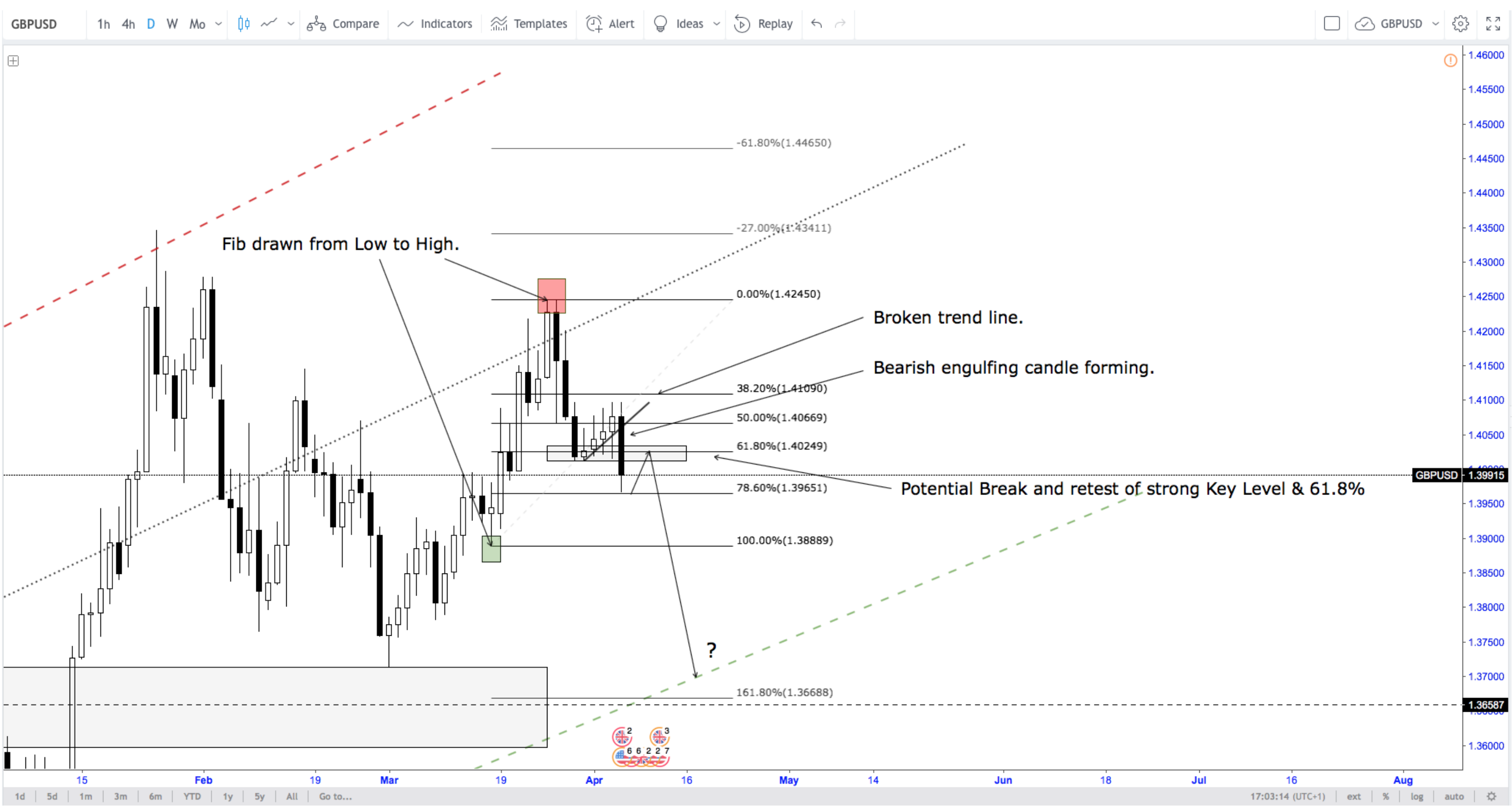
The next time frame offered by most platforms is **The Weekly Chart**, a clearer view of how the month is acting and where the market may be going by the end of the current week. How? The weekly chart presents more detail to act upon, here traders will search for Key Levels, Support and Resistance, plot down trend lines and channels if they are to present themselves. On the weekly our main focus is *structure* & *patterns*.

3.

On **The Daily Chart** things become more interesting but not necessarily more 'complex'. Check the notes taken from structure found on the Monthly and Weekly charts and refer to this when looking at The Daily. Traders will focus on plotting some more (if possible) *Key Levels, Support & Resistance* etc, and also heavily regarding *candlestick formations*. Whether it be a singular reversal candlestick or a series of them consolidation and creating a sideways market or some kind of wedge. This is where weekly chart notes come into play.

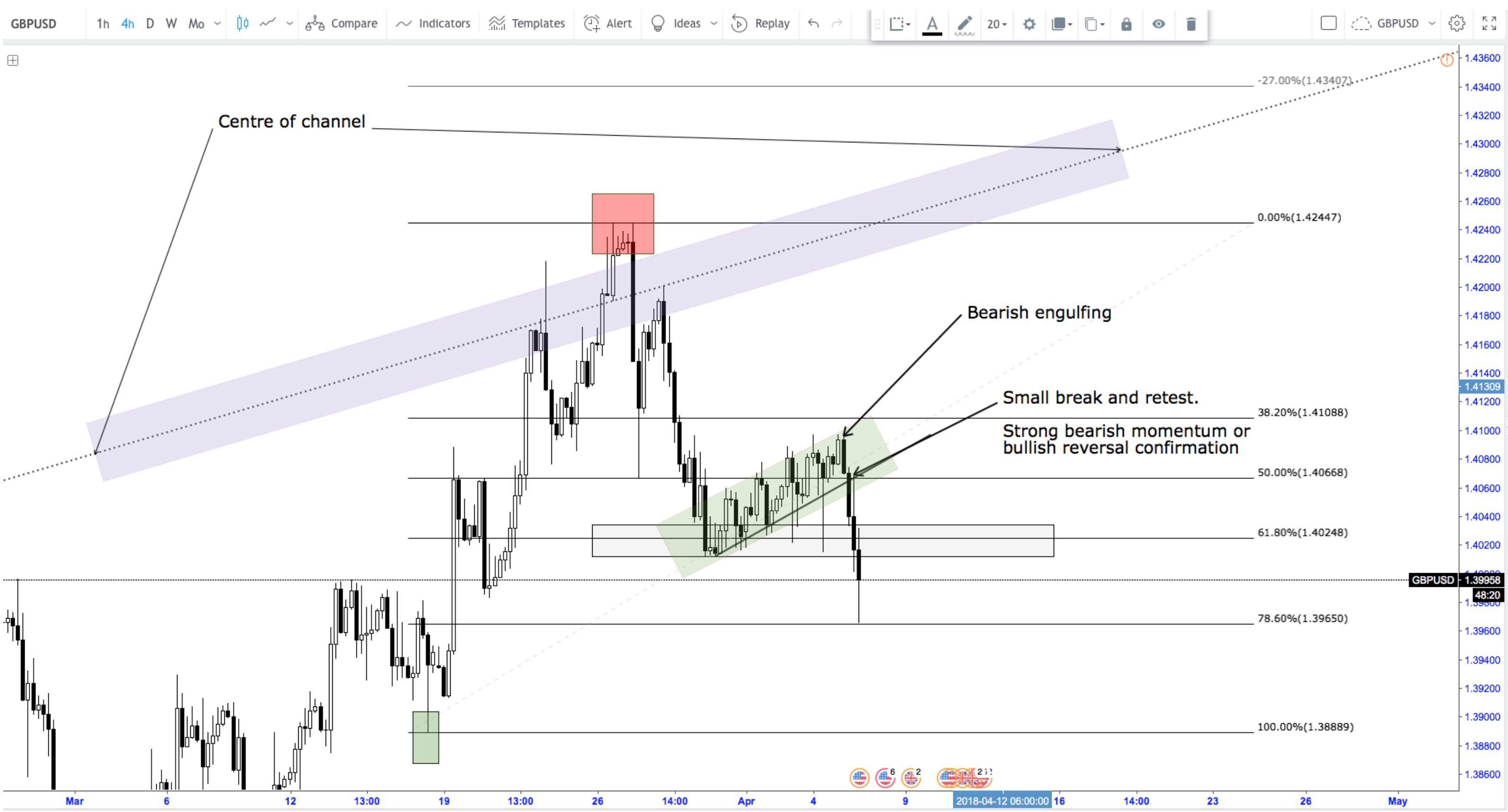
- Have I found a Reversal Candle at a Key Level of Resistance?
- Or have I seen prices struggle to break beyond a Key Support Zone?

These are the questions you should be asking yourself when on the 3rd stage of Top Down Analysis , **The Daily Chart**.



4.

Step four, **The 4 Hour Chart**. When analysing the 4 Hour chart, frequently refer to the notes taken from the previous step (daily notes). Here Top Down Traders break down candlestick formations into further depth. Watch to see how the 4 hour candles have been forming within the daily candles. Also, look to find true Reversal Candles, Stop Hunts, Large Wick Doji Candles and also significant Candlesticks resting on or breaking Key Levels.



My Personal Lessons

These are lessons I have learned from trading for eleven years in the forex and commodities markets. These lessons won't be found on any YouTube video, Internet Blogs, or books. These are lessons taught by being hands-on with the markets. I want to help prevent my traders from making the same mistakes.

1. As a beginner, avoid finding the best entries.

I know this may sound contradicting to what we try to do at Market Makers FX, but please, hear what I have to say. As an inexperienced trader, finding perfect entries will result in plenty of unrealized pips. The markets won't move in a perfect theoretical motion. It will not bounce off every support line or hold every resistance level. It also wouldn't follow through with every breakout.

Finding perfect entries will result in two scenarios: your entry wasn't filled, or your stop loss will be too narrow—both costing you unrealized profits and losses.

2. Psychology is the 1# factor!

It does not matter what strategy you use; you will never be profitable without good psychology in trading. Have you ever wondered why it is so easy to grow a demo account but not a real account? There, you have your answer. Get rid of the mental blockage with your trading and stick to your analysis.

3. The overall markets move by fundamentals.

If you have not already, trade by a forex calendar. There are weeks with NFP, FOMC, Conferences, etc. This will determine whether the week will be choppy, trendy, difficult, etc. If you have traded big news before, you would know of the sudden dips/spikes. Before such movements, there will be plenty of uncertainties. These uncertainties will result in a choppy and challenging market.

4. Who is the enemy?

This is the way the market works. When we make a buy entry and profit, there will be a body making a sell entry and making losses. This may be another retail trader or financial institution, but most of the time, it's a financial institution. I can get deeper into Big Bank trading some other time, but the main point is, look for movements made by financial institutions and follow. That is what trading is all about.