

# THE ART OF TRADING REFINED

REF WAYNE

AndsM (Pty) Ltd

The Art of Trading Refined  
Published by AndsM (Pty) Ltd  
www.andsm.co.za  
andiswa@andsm.co.za  
Text: Ref Wayne ©  
Publication: AndsM (Pty) Ltd 2017 ©  
Printed and bound in South Africa by Ultra Litho Pty (Ltd)  
ISBN: 978 0 620 74634 2  
First Edition: November 2017

All rights reserved. Printed in South Africa. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owners.

Author's note: Although every effort has been made to avoid these, the author accepts full and sole responsibility for any errors of fact in this book.

Design & Art Direction: Renato Sabbioni 2017 ©

The Mothers, The Fathers, The Children  
The Passionate, The Thinkers, The Hustlers,  
The Shakers, The Movers, The Supporters,  
and The Haters.

It is these to whom this book is dedicated  
for contributing critical ingredients to my  
understanding of trading. Therefore, before  
you begin reading, I invite you to empty your  
cups, and relax your minds. What you are  
about to read has the potential to change your  
life for the better; so much so that you might  
decide to give up your career and sustain  
yourself with new abundance through the  
art of Forex trading.

And, for those who have traded before  
and met with unsatisfactory results,  
this book is for you too.

## CONTENTS

Preface

Introduction

### PART I

- |  |     |
|--|-----|
| 1. Financial Intelligence:<br>A Best Selling Author Speaks | 17  |
| 2. Forex Trading   | 31  |
| 3. Understanding the Game                                  | 49  |
| 4. Trading Styles  | 61  |
| 5. Dimension Analysis                                      | 81  |
| 6. Make Money Now!   | 101 |
| 7. A Special Chapter From<br>the Grandmaster               | 121 |
| 8. Magnetic Trends   | 129 |

### PART II

- |                                   |     |
|-----------------------------------|-----|
| 9. Authenticity & Vulnerabilities | 151 |
| 10. Forex Trading Risk            | 165 |
| 11. Financial Risk Tolerance      | 177 |

### PART III

- |                             |     |
|-----------------------------|-----|
| 12. Dollar in Your Pocket   | 193 |
| 13. Spending Predictions    | 203 |
| 14. Propensity to Save      | 211 |
| 15. Moderation by Black Tax | 225 |



## PREFACE

Refiloe 'Ref Wayne' Nkele (22) is a South African multi-millionaire in several currencies and the founder of AFI (African Forex Institute) as well as the mastermind behind the AMG (Armageddon System) and Pipcoin (Africa's first digital currency). Philanthropist, visionary and venture capitalist are just a few of the terms that describe him and for which he is known. An absolute genius!

Ref Wayne's goal is to help you achieve your personal and business goals faster and more easily than you ever imagined. He has consulted for many companies and addressed more than 250 000 people via television and seminars throughout South Africa and Botswana as a keynote speaker and seminar leader. He addresses more than 80 000 people every year in South Africa alone.

He has studied, researched, written and spoken in the fields of Forex Trading, Business, Philosophy and Psychology and is also the author of *The Art of Trading* and *Armageddon*. Furthermore, he has written and produced many articles on motivation and inspiration such as "How to overcome haters" and "How the internet of things affects us". This material has received tremendous acceptance in society.

His interests are in Leadership, Selling, Self-esteem, Goals, Strategy, Creativity and Success Psychology that bring about immediate changes and long-term results, and he offers introductory workshops and educational classes to the layman who is new to trading and crypto-currency.

It is impossible to deny the fact that Ref Wayne possesses unique traits and somewhat extraordinary insights into ordinary principles. The combination of his style and way of delivering content through imaginative means gives him an edge over many speakers, especially in his category. As time will tell – he is definitely a force to be reckoned with!

## INTRODUCTION

The author's intention in writing this book is not to point fingers at anyone by implying that he knows the material better, or can explain it best. Different systems work for different people and this book was written to set aside theoretical principles that do not work and to introduce simple tested methodologies that, with correct application, can create a paradigm shift as well as dramatically increase trading profit. Even though the main focus of the book is on explaining the technicalities and baby steps of currency trading, these methods can be applied to any type of instrument or derivatives – such as options, stocks, futures, and indices.

A note to the person holding this book: the content herein is not anything new or a revelation of some fancy secret tips. You will be pleased to find information about what currency trading is, and how you can go about getting started on a mission to make your computer/laptop an income generator.

I have tried to make sure that I stay away from too many technical terms and jargon that may only be understood by graduates as this would only reaffirm the false belief that trading is only for those who have acquired degrees and certain accolades for their achievements. Therefore, I have written this book exactly the way I would have liked someone to have taught me how to trade when I dropped out of 9th Grade to pursue my desire for Forex trading.

This book will speak mostly to the novice (beginner) and intermediate traders, but every type of trader will grab out of this pot that which he deems necessary for his own success and feels to be a critical ingredient to his understanding of trading. For those who have traded before and met with unsatisfactory results, do not despair, this book is just for you too.

Ref Wayne - **Forex Master**  
Johannesburg, South Africa



I AM NOT AN  
EXPERT TRADER  
NOR AM I A  
PROFESSIONAL  
TRADER. I AM AN  
AUTHORITY IN THE  
FIELD OF FOREX  
TRADING!

**REF WAYNE**



# PART I





# 1

FINANCIAL  
INTELLIGENCE:  
A BEST SELLING  
AUTHOR SPEAKS



## WHY AM I HERE?

That's not some philosophical question asked by a professor in some university. It's a question asked by an entrepreneur, one who decided to dedicate his life for a goal everyone around him said was 'impossible', a young businessman who figured out the answer to this question at a very young age and pursued his dreams regardless of his misfortunes. I had an opportunity to represent South Africa in China (Shanghai) back in 2013. I was studying my post-graduate qualification in Finance, Economics and Business Development at Shanghai Education and Training Centre of Commerce. Studying towards this kind of qualification changed the perception I had about money. I experienced what I call a paradigm shift. I began to understand that money is not just paper, but an idea. To fathom the fact that money is an idea, you need to possess what they call financial intelligence. When I acquired this knowledge, my life was forever changed. I came back to South Africa and I built a business that will sustain me for the next 50 years and more. I started building what I call 'sustainable wealth' for myself. In this chapter, I will share some of my principles on how you can build your own financial intelligence so that whatever amount of money you acquire using Forex will work for you and sustain you for the long run. If you learn what is in this chapter, and book, you will not suffer from 'too much month at the end of the money'.

I know why I am here, on this planet, and that realisation helped me through some of the roughest, cruellest times of my life, when it seemed like there was no more hope. In a position that

someone else might think there was nothing more to live for, I understood that it was all a part of the plan and there is a reason why things happen the way they do. This blind faith is the reason I could achieve the 'impossible' and regain wealth that I spent years building and only four months losing.

My own answer to the question 'why am I here?' at first was ambiguous: "To become a self-made millionaire." It wasn't until years later that I understood that this was not the reason I was here; nor the result I was after – it was only a means to achieve the results I was after. To become a millionaire is a very ambiguous goal; yet when you ask most entrepreneurs, the majority will respond in a similar vein, not understanding that it is ambiguous. You see, to become a millionaire simply means to be worth one million dollars or more. If that's your life goal, it is a pretty lousy goal, simply because one million dollars in net worth does not guarantee you'll be rich or wealthy.

Look at Michael Jackson, for example. He was a brilliant artist and probably one of the most talented pop stars of our time, and yet Michael spent most of his later years broke. Although he owned assets worth around one billion dollars, he did not have any liquid capital and was constantly in debt. Upon his passing, Michael left this world with over 500 million dollars in unpaid debt.

Look at people who win the lottery. Most of them become instant millionaires, only to find themselves broke after three or four years. By reading some of the financial books you may have already read, such as *Rich Dad, Poor Dad* by Robert Kiyosaki, *The One Minute Millionaire* by Mark Victor Henson and Robert Allen, or

### Chapter 1

*Financial  
Intelligence:  
A Best  
Selling  
Author  
Speaks*

any of the other many books on the subject, I quickly understood that money does not make you rich, and asking to become a millionaire was not a purpose for living. In fact, it is not even a goal. The reason I say money does not make you rich is because if you make three million dollars (a goal many people aspire to), and out of that three million dollars you spend five million, you are still poor – yes, poor, and extremely ignorant when it comes to money matters. More money will not change it. In fact, it will only make it worse.

The definition of 'poor', in my view, is someone who spends recklessly, who cannot control his finances, who cannot delay gratification, who spends more than he or she makes, and blames someone else for his or her stupidity. Most importantly, a poor person is someone who makes poor decisions, especially poor financial decisions. These decisions are the result of a lack of financial intelligence, not necessarily the lack of intelligence. You can be a genius and still be a poor money manager.

A rich man, on the other hand, is someone who makes rich financial decisions, someone who spends less than he or she makes and someone who invests the balance instead of spending it on nonessentials. For example, I once asked a friend a simple question: "if you won one million dollars, say, in the lottery, what would you do with it?" My friend responded, "I would buy a sports car, go back to school and graduate from college, then buy a house for my mom, the best gadgets I can afford, the best clothes, and I'd have every girl I would lay my eyes on. I would buy a mansion somewhere in Sandton or Umhlanga Rocks and spend months on the beach, celebrating my new fortune, then I'd invest or save some

of it. Oh – and I'd definitely quit my job." Sounds promising, right? The fact is, most people think in a similar fashion. This is the perfect example of a poor person with one million dollars in his pocket. If you do the math, you will soon realise that this guy will spend his million before he graduates from the new college he enrolled in and will end up being in tremendous debt because of a simple lack of financial intelligence.

Ask a 'temporarily broke' rich person the same question, and he or she will answer: "I will invest the money in an asset and let that asset pay for a sports car, a vacation on the beach and a house for my mom." Simple, in this case, is better. You see, poor people buy 'stuff'; rich people buy and invest in assets (real estate, businesses, stocks, royalty products, etc.) and these assets buy 'stuff' for them. But you can easily find this information out for yourself; there are countless books that explain this concept. Robert Kiyosaki's *Rich Dad, Poor Dad* is by far the best book on the subject in my opinion.

So as soon as I understood this concept, I decided to change my answer to, "**I want to become rich.**" I wanted to make large amounts of money and be able to double and triple these amounts, turn a simple million into five million, ten million into a billion and so forth. And so, I lived for a few years with one purpose in life – to be rich. When I was 25 years old, I became rich; however, my answer changed again after making and losing money, and spending my money and time with people who did not appreciate me, girls who did not care about me and friends who were not really my friends. My eyes were opened to the fact that although being rich is wonderful, being rich and lonely was not fun. Being rich and sick or

rich and hated by everyone was also something I did not want. So, I had to rethink and reformulate my answer to that question, and two years later, after 26 years of life on planet earth, I finally got it. The one answer I was searching for was not to become a millionaire, not to become rich – but to become wealthy.

What does it mean to become wealthy? Well, wealth is abundance, and abundance is love, abundance is money, abundance is health, abundance is happiness, abundance is everything you need – combined. Abundance is what I was after, and it was the one thing I was dedicated to achieving; it was my dream. Maybe you already have abundance, but the only thing you lack is money. Maybe your dream is to make a million dollars, to become rich or even a millionaire, for that matter – that's okay. This book is not written to tell you what you should aim for; that would be a waste of your time and money. This book is written to guide you on how to achieve that thing you want most, let it be a million, a billion or any other amount of money you may aspire to using Forex as your source of income.

So, why am I here? I was created for one purpose: to give and receive wealth. Wealth of money, education, love, happiness and success; to help myself and others achieve the things we want more than anything else in life – whether it's making more money, losing weight, being happier or building a business. I am here to make dreams come true, for myself and for those around me. That is my life's statement; that is **why** I am; that is the reason God decided to place me on this planet.

So, why are **you** here? Don't be discouraged if you cannot find the answer to this question yet. That is why you picked up this book;

you are searching, just like I did, and you will find the answers only if you keep searching. You may find different answers to that question, and it may take you a while to decide which one is the right one for you, but as long as you keep searching, you will find the answer, the most important answer to the most important question you can ask yourself.

This book is about more than just making money; it is about making a decision, taking a risk and finding the answer to that question, and then going after your dream. No second thoughts, no holding back, just going for it. Before this book ends, it is my hope that you will understand that if you don't follow your dreams, you are fighting your own creation, because you are denying that which God has given to you, something that is more important than anything else in life – your purpose.

Without a sense of purpose in life, why are you getting up in the morning? Why are you going to work? Why did you (or will you) have kids? Why are you reading this book? Why do you do anything if you have no strong sense of purpose in life? The only thing that makes us substantially different from animals is the power to be self-aware, to go beyond surviving and achieve something. I'm not talking about just making money or losing weight; I'm talking about a sense of purpose, something greater than yourself. Living just for the sake of being alive is a terrible purpose.

If you love real estate and your dream is to become a real estate tycoon, your purpose can be as great as changing the face of your favourite city, making life more affordable or changing the lives of the people who live in it. Donald J. Trump had a similar purpose, to

make a statement, to change the face of the New York skyline. If you love computers and your dream is to become a wealthy software programmer, and you dream of building a virtual world in which people from around the planet will be given a second chance of life, build software and turn it into an empire. Bill Gates, the founder of Microsoft, and Mark Zuckerberg, the creator of Facebook, made similar decisions. Bill Gates had a purpose that made him the wealthiest man in the world at the time – to be the link between man and the mind of the machine, for every computer sold in the world. Needless to say, it worked out perfectly.

If your dreams are not business related or world changing, that's okay. Look at Mother Teresa. Her purpose was to serve those who are poor, who had no resources and could not take care of themselves. The Dalai Lama has a great life purpose – to raise enough money and influence enough people so that the city of Tibet can once again be free. The NY1 Channel announces the New Yorker of the week, and every week, we see someone with a purpose. They are not billionaires, millionaires or people who change the face of the universe; they simply changed their own lives and the lives of those around them because they have a strong sense of purpose. You will never find these guys on the 'suicide list'.

You just need a dream, a goal big enough that every time you imagine it, your heart begins to beat rapidly. This is a gift of God; the word desire comes from the words "From the Father". Ignoring your gift and deciding to live without trying to accomplish your dreams just because you don't want to take the risk or because you think a family member would not approve will eventually cause

you to get into a state of mediocrity, and at the end of your life, it will be your biggest regret. This book will not magically turn you into a millionaire overnight; no book will. It will not teach you the secret formulas to wealth, simply because there are none. It's no secret that one can become wealthy by building a business, selling a product or investing in income-producing assets or products, whether they are real estate, toys, paper assets, TV repair, deodorants or drinking water. It's no secret that to lose weight you need to exercise and eat right; it's no secret that to be happy you need to get rid of negative thoughts; it's no secret that to be healthy you need to use your body and your mind in a healthy way.

There are countless books, seminars, self-help gurus and preachers who teach you how to accomplish these things, but didn't you already read the books? Didn't you read the "How to Get Rich" book that teaches you how to start a business or invest in real estate? Didn't you read the "How to Lose Weight" book that teaches you how to take better care of your body? Don't you know cigarettes will definitely kill you? Yes, you do, but you don't do anything about it. Maybe you want to, but you just can't bring yourself to take action. Maybe you are already trying but not getting any results. Maybe you are getting results but want to take it one step further. Regardless of where you are, I believe this book can help you.

This book is all about identifying your wildest dreams and doing whatever it takes to achieve them. Just like building wealth, it sounds simple, but it will be the hardest thing you will ever have to do. If you want to stay where you are, I advise that you do not read this book; it will only confuse you and may cause you to take risks



you would otherwise avoid, and then I'll get an angry letter from your lawyer threatening to sue me because I ruined your life. So, if you are happy, if you are satisfied, if you are filled with joy and abundance, I salute you, but I also advise that you give this book to a friend or someone who is unhappy. But I must warn you: if you decide to read this book and act upon the advice given to you, you will become temporarily unhappy. I can pretty much guarantee it.

This is real life. Anything truly worth doing will not be as easy as you think it is and will probably cause you a serious deal of stress and pain during the first few months until you can finally reap the rewards. Starting a business from nothing is easy, making it a success is hard; deciding to be an actor and living in the back of your truck with no money to buy food, and without going home to cry to mommy is hard; deciding to overcome people's judgments of you and climb the corporate ladder to be the first female executive in a billion-dollar company is easy, actually doing it is a totally different story; turning that sketch into reality is not. So, if you want an easy fix, buy a quick magic pill or a "get rich quick" book and see how that works out for you. But if you decide to follow the advice in this book, know that you will become frustrated, you will be unhappy and you will want to quit. You can bet your life on it. However, when you do achieve it, when you reach the peak, when you master the process, you will not only be happy, you'll be satisfied. You will wonder why you failed to act upon your dreams sooner, you will discover a new world and a new you in the process.

If you can really answer the question above, it will not be as bad; even if you lose the business, gain the money back, lose the

big client, get rejected by agents and get the door slammed in your face, even if you turn homeless in the process, if you are forced to sleep in the back of your car, or suffer a defeat, it will not be the end of the world. As long as you get up the next morning and try again, as long as you don't quit, as long as you stay focused, as long as you learn to use frustration to push yourself forward, if you let it fuel you and drive you forward – you will succeed. After all – you can't fail if you never quit.

A good example of the benefits of perseverance and refusing to quit is one of my personal heroes, Mr Donald Trump. Back in the early 1990s he was very close to bankruptcy, with nine hundred million dollars in personal guarantees and over eight billion dollars in business debt. It seemed to be all over for Trump; newspapers were writing nasty articles about him, and the media presented the 'fact' that Trump would never rise again. In a situation where most human beings would quit or run away, and some people might even commit suicide, Trump stood in the line of fire and negotiated with the banks, slept for three hours a night, fought, stayed optimistic and did what no one else in the world would do. He even managed to convince the banks he was too big to fail, and in the midst of all the debt and the problems, he managed to raise an additional sixty million dollars to save his empire. Today, he is still amongst the richest men on the planet, and that's just one example.

You may not like or adore Trump as I do, and if that's the case, look at Tim Blixseth, who refused to quit after going bankrupt. Today he is worth over a billion dollars in net worth. Look at Steve Jobs, who suffered through a severe bout of depression after losing his

job at Apple in 1985, or David Murdock, who almost lost everything he had when the real estate market crashed. T. Boone Pickens is a genius billionaire who had to 'start over' after losing everything when oil and gas prices tanked; Stephen Ross is a brilliant real estate developer who was on the verge of bankruptcy in the early 90s and went on to build a sixteen-billion-dollar empire in less than four years.

Be honest with yourself: if you wake up tomorrow and get a call from the bank telling you that you owe nine hundred million dollars, what would you do? Seriously, would you run away? Would you commit suicide? Would you get a job and try to repay it? What if you had a family? Three young kids? And what if, amid the mess, your wife files for divorce and decides to sue you for everything you have? Can you handle that amount of pressure? Can you handle such stress?

As mentioned before, this book does not make any promises, nor does it promise you that your life will change **instantly**. It can only educate you and help you better understand the process of going against the odds to achieve what you really want; how **not to quit** and hold on while everything around you seems to be collapsing; how to identify what you want and how to get it; how to handle enormous amounts of pressure and stress; how to go against the tide when everyone around you is saying 'no!'; how to ignore the remarks of sarcastic friends, how to go beyond defeat and be determined to achieve your dreams using Forex as your source of income. Yes, people like Ref Wayne have achieved their dream of becoming wealthy. They are abundant in money, health,

happiness and success. And yet, they still have a long way to go to get to where they want to be. My hope is that you follow some of the advice, and join others on this journey towards making a dream come true by using Forex as your source of income. If you decide to take the advice in this book and chase your dreams, you need to understand you will no longer be in the **'Safe Zone'**.

When you make that decision, to exit the 'Safe Zone', you will enter the jungle of life; and for a lion cub that has lived in the safety of his zoo cage, moving into the jungle is a frightening experience; the chances of failure are great, and you can lose everything. But if you are **determined** enough, if you work hard and refuse to let your fear of failure dictate your life, and most importantly, if you love what you do – you will succeed! The ability to take action is what separates the winners from the losers. You must understand that you will soon be in a position in which you will be forced to act or waste the money you spent on this book and let it sit on the shelf and collect dust. I wish you luck on your journey and hope you enjoy this book.

**Ntokozo Hlongwane**

Best-selling author, professional speaker,  
life coach and entrepreneur



# 2

FOREX  
TRADING

I have noticed that many people think that currency trading is still operating as it used to in the days of physical trading floors with noisy machines and runners rushing around placing orders, acting as brokers on behalf of their clients. I also remember trying to explain to someone a few years ago about trading and he thought that the only way to trade Forex was by having physical cash in dollars/rands/pounds and taking it to the exchange bureau for profit (sometimes even loss). To a degree, that is true but that is only one element of it. If, for example, you travel from South Africa to China, you will need to go to the Forex exchange bureau to change your rands to yuan which would be the only way you would purchase or transact in that country. However, it is important that the reader understands that what is referred to here as trading in this book is ONLINE trading whereby all the transactions are completed based upon speculation, nothing is tangible, there is no physical location, and there are no queues. That is why it is called the SPOT market, meaning we are trading and exchanging rates on the spot!

## CAN MY STORY INSPIRE YOU?

I have a very powerful story to tell you. At the time of completing this book, I am 21 years old and I come from a background of poverty. I grew up in one of the world's most dangerous cities, Soweto. You know, there are some people who are just 'guaranteed' success in life, so to speak, because of their background; they might have grown up in the suburbs and gone to 'Model C' schools, speak English fluently and may be knowledgeable about art and literature.

I believe that these sorts of people are almost guaranteed success because things have already been handed to them on a plate. That is why it is so sad for me when I see or hear people saying, "That guy is a Law graduate, his parents took him to the best schools, but look, today he stays in slums and is broke." People who have the opportunity to become successful and then play with it by taking it for granted or squandering it, really hurt me badly because I, coming from a negative and a hungry background, was able to succeed in life purely on the strength of my own determination, hard work and focus.

I didn't say "my parents can't afford" and all the other excuses we hear every day from people who live by excuses as to why they are not where they want to be. Instead, I said to myself, "I am going to make it, regardless of whatever the circumstance" and lo and behold! – I made it at the age of 16.

Yes, I have been a Forex trader **from the age of 16**. If you can recall what I said earlier on the book – that you might not even want to continue with your career – you may fall in love with trading and even forget about your stressful work. Not that trading is not stressful, but the difference here is that if you stress, you will be stressing yourself because there is no, absolutely little to zero stress, in trading, especially if you know what you are doing.

I was driven by my vision at a young age; so much so that I couldn't wait to just finish school and start my own business. Honestly, I have NEVER dreamt of working for someone else in my life. I learnt by watching my own dad that working for someone is hard. I remember the day when I decided to just quit school and



start working. I ran into many obstacles because of my age; there is/ was no company that was willing to hire a teenager even though I could show them my natural skills behind the computer. I was only able to secure some 'piece jobs' here and there, where I would at least gain experience and I also did some acting! (I still see some of the commercials where I was an extra or played a leading role – for example adverts for Coca-Cola and Nivea for Men which are still being aired today.)

I didn't get much from doing those jobs but what was important to me was that I knew that there was HOPE as I had unwavering faith that success and prosperity were imminent. This belief and hope led me to a small lesson called the LAW OF ATTRACTION. It is true that what you think about a lot will manifest in reality whether you like it or not!

There were days when I didn't have a plan, the piece jobs that I was getting were not coming through any more and the auditions were not doing it for me any longer. I remember saying to myself: "You know what? I will get into sales because there are so many companies that want me to sell products and don't care about my age." It took me a long time to accept a job in sales because I didn't think I had it in me to face rejections and objections but I said to myself, "I will do it." If I fail, I will at least have tried. Little did I know that the job of selling Vodacom SIM cards in the streets would one day lead me to a man called David Schwartz who later became my mentor in this field of trading. In sales, they teach you an important concept which is to 'never prejudge a client'; and this concept worked well for me. I was No 1 in the sales bulletins, doing door-to-door and

business-to-business (b2b) direct marketing. I rose through the multi-level structures and quickly became a trainer and an assistant manager – ALL within six months of joining the business.

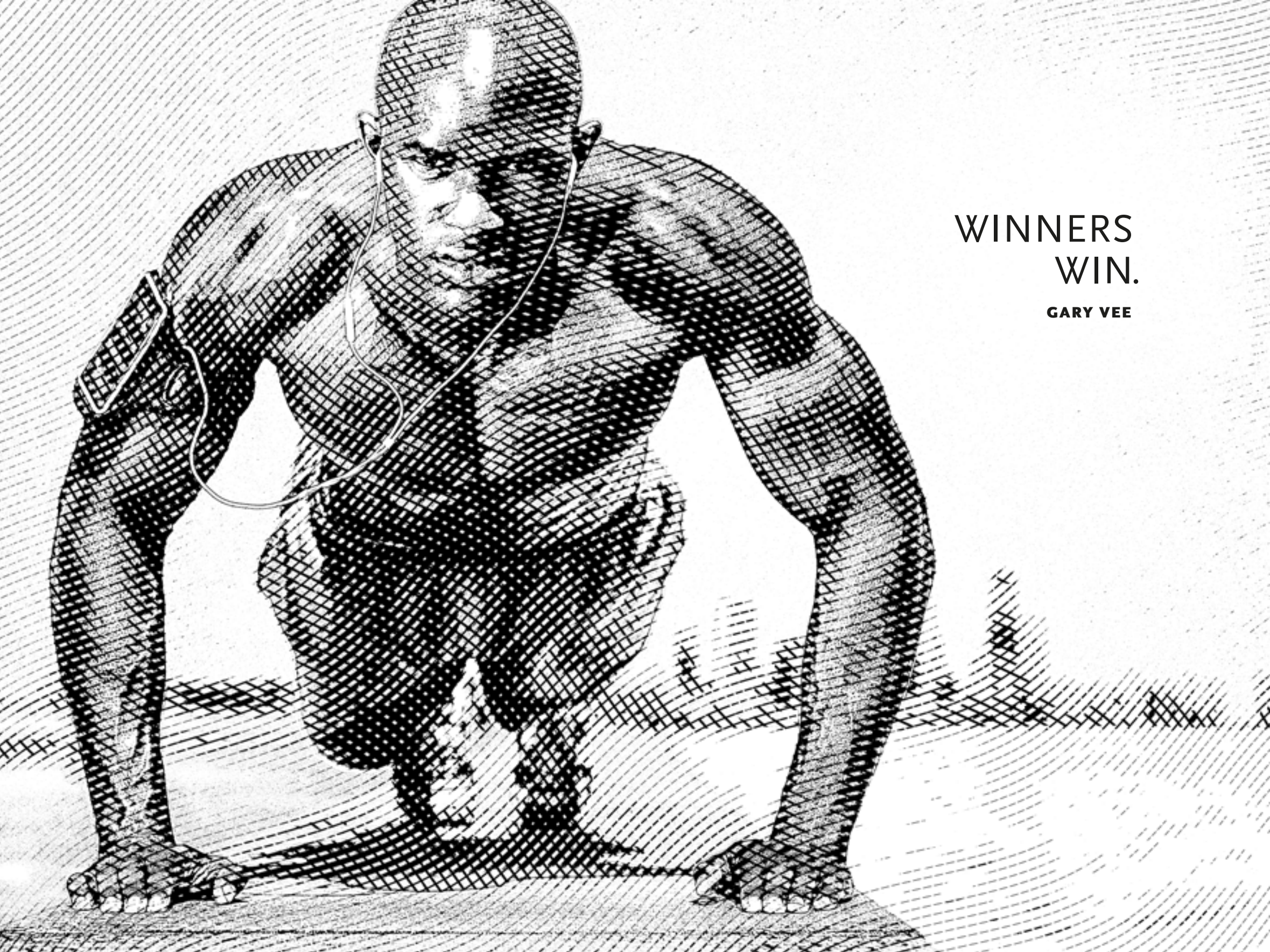
On the day that I met my mentor, I was on fire! I remember it well; I was in a good mood. I approached a random old white man and sold him a SIM card and, as if by some Divine Providence, he looked at me and said, "There is something better for you, you are mine, I want to sign you." I didn't fully understand what he meant at that time because I was just focusing on selling my SIM cards and getting out immediately. Fortunately, he had given me his business card.

I say 'fortunately' because if it were not for the business card, I would have forgotten about him but something said to me, 'Call now!' so I went to the public phone, literally minutes after meeting him, and he answered and told me that he wanted to see me the next day! And, as the saying goes, the rest is history.

Mr Schwartz taught me everything about trading that I needed to know, from A to Z. I have become a master of even the most 'absurd' and controversial techniques of trading such as astro-cycle and Fibonacci trading – the former being the theory that the market is ruled by divine intelligence and follows the stars, but this is possibly too deep for the layman to understand. I believe that I will cover more of these types of strategies in my second book, as the purpose of this book is basically to create awareness in society that there is something called Forex trading and it is changing people's lives.

I can never stress enough that Forex trading is powerful and it is





WINNERS  
WIN.

GARY VEE



the future because everyone is now going to digital, and the times of hard work and labour are coming to an end. Artificial Intelligence (AI) is taking over and for one to understand Forex trading they must first visualise its power; how it is currently the epitome of capitalism and thereafter, the only thing left to convey will be creating a bridge over the hurdle of understanding how to apply the learned knowledge and put it fully into practice. It is one thing to understand the jargon of how to trade and become knowledgeable about trading, but it is quite another to be able to apply this understanding to trade and make profit.

For those who don't know, Forex is an acronym for Foreign Exchange and it is the bearer of globalisation. Without foreign exchange there would literally be no business. It is the biggest market in the world and is said to have a daily trading volume of over \$5.3 trillion. Now, your job is not to understand the technicalities or the complexities of the Forex market; it is just to comprehend the basic steps of its movement and learn how it can be used to your advantage as a trader to tap into an unlimited force of wealth.

Online Forex trading is a decentralised marketplace where we buy and sell currencies to one another for profit, a zero-sum game, when you click 'buy'. It is so quick! So quick that when you click 'buy' there is someone else over the counter clicking 'sell'; a buyer is always matched with a seller.

Forex trading has existed for as long as currency and globalisation have existed – that is when countries started exchanging goods and services with each other. The only difference about foreign exchange now is that it has become much more liquid since it

became free and open to everyone anywhere – regardless of their background. Anyone can go online, download a platform, register his or her account and trade using just their laptops. Today, you can even monitor and open trades using your cell phone and tablet.

The financial/spot markets are open 24 hours a day from Monday to Friday and traders around the world can participate in the exchange after work, during dinner, when waking up – even at midnight you will see some fluctuations on the currency pairs.

## WHO TRADES FOREX?

There are different types of traders who participate in the financial markets and it is very important to know and be able to identify who they are and, in the process, perhaps, learn from their failures and emulate their successes. Remember that Forex trading was never meant for the public and was designed solely for countries, banks and financial institutions to trade in. It only became public just over a decade ago with the help of the internet and that is when it was adapted to become accessible to everyone who has a decent internet connection, laptop and a small amount of funds.

There are two types of commercial traders and another two types of key players in Forex – they are named 'key players' because they determine the future of the market price and have the financial account to move the market to wherever they seek. Some call them the 'market makers', which I speak about further in Chapter 8, Magnetic Trends.

The two types of commercial trading are:

## 1. RETAIL TRADING

Retail traders make up only a piece of the Forex population, and this is where you and I would be classified. Retail traders trade for themselves and generate enough profit to sustain their living. Some also create wealth as short-term system followers. However, only a few retail traders have a wide range of skills, knowledge and resources, and are committed risk takers.

The advantages of this type of trading are that:

1. Retail traders use their own money to generate their own income, unlike in other types of trading where you generate income for a different entity.
2. Retail traders have the most convenient and rewarding profession in the world as they have more family time and more opportunity to explore other ventures while trading in their own capacity.
3. Retail traders work highly flexible hours, which, in a way can also enhance their health as most stressors seed from the workplace which the retail trader can completely avoid if trading is taken on as a full-time occupation.

There are not many disadvantages with this type of trading, but it is possibly more exciting if you've been given the capital, been mentored psychologically and professionally and have a guaranteed

base salary – in the way that some other types of traders benefit from their organisations.

## 2. CORPORATION TRADING

Corporation trading is done by learned employed financial traders who trade the companies' profits to increase its bottom line for investors and widen their margin for additional inventories. They also seek profit protection through treasury management.

The two types of key players are:

### INSTITUTIONAL TRADING

Institutional traders are the major financial houses and banks. They have influence on the financial markets and generate massive profit as they can shift market price through supplying credit to the corporations and retail traders.

The advantages of this type of trading are that:

1. Institutional traders need not worry about start-up capital to invest as this is supplied to them by the firm.
2. It's less risky and very unlikely that the institutional trader will blow/lose their account as there are strict trading conditions and regulations that they need to adhere to in comparison to the retail trader who is limitless and exposed to risk.
3. Serious resources (computer algorithms and lightning-speed feed time) are available to this type of trader.



4. Institutional traders have a guaranteed base salary and perks which make them happier, more productive and more efficient in task execution. The disadvantages of this type of trading are not dissimilar from the retail traders' advantages, more especially when it comes to convenience. I know of some institutional traders who even complain about strenuous hours that stem from analysing and compiling business models.

## HIGH FREQUENCY TRADING

High frequency traders (HFT) are mostly the hedge funds. They are the long-term trend followers and not so different from the institutional traders mentioned above who shift the market. They have high levels of skill, resources, knowledge, very serious commitment and are trained to mitigate risk in all cases.

Enough research and experience can attract you to any of the above. You just need to duplicate the level of thinking and sophistication they possess as they have an array of risk-management techniques, research skills and enormous amounts of discipline.

## WHY TRADE FOREX?

The question of why it makes sense to trade Forex is critical. Not only is Forex the largest market in the world with over \$5.3 trillion traded daily, it also has great potential to transform your life. I mean, out of that \$5 trillion dollars that is being traded daily on the market, how much would you say you need to change your life and live the life of

your dreams? Under one percent! The **four main reasons** why you should trade Forex:

### 1. LIQUIDITY

Forex has unmatched liquidity. There is also a very high degree of transparency when there is massive liquidity such as in the Forex market where over a billion transactions are made daily.

### 2. LEVERAGE

Forex has great leverage and some traders join only because of this advantage. Most brokers offer competitive leverage. Now you can start to trade with as little as \$100 whereas in the beginning it was very difficult to participate as you would need to have over \$100k to join. Leverage also magnifies your profits significantly.

### 3. COST

Forex trading introduces no commission orders counter to other tradable derivatives/instruments, although a transaction cost is paid to the broker through the dynamic bid-ask spread.

### 4. CONVENIENCE

Nothing beats the convenience of trading when trading full-time. You can enjoy a traffic-less and non-stressful work situation and since the market is open 24 hours, 5 days a week you can choose to trade in the morning, afternoon or at night. Family time is another benefit, and you will learn in this book how to set pending orders

such as 'take profit' and 'stop' levels so you don't even need to monitor the trades all the time.

The aim of this book is not only to teach you about trading, but also to teach you about making money from trading.

## FOREX TRADING SESSIONS

What is so exciting about the Forex markets is that they operate 24 hours a day, 5 days a week, and this provides the trader great convenience in choosing when they want to trade as they can do so at any time of the day or night.

There are four major trading sessions that you can choose to participate in although in some cases, as seasons change, the opening and closing times vary as some countries shift to daylight saving which is when certain countries advance the clocks one hour ahead to match with the sunrise and sunset.

	SUMMER		WINTER	
TIME ZONE	EDI	GMT	EST	GMT
Sydney Open	6:00	10:00	4:00	9:00
Sydney Close	3:00	7:00	1:00	6:00
Tokyo Open	7:00	11:00	6:00	11:00
Tokyo Close	4:00	8:00	3:00	8:00
London Open	3:00	7:00	3:00	8:00
London Close	12:00	4:00	12:00	5:00
New York Open	8:00	12:00	8:00	1:00
New York Close	5:00	9:00	5:00	10:00

- SYDNEY: 10 PM – 7 AM (GMT)
- TOKYO: 11 pm – 8 AM (GMT)
- LONDON: 7 AM – 4 PM (GMT)
- NEW YORK: 12 PM – 9 PM (GMT)

### Recommended times to trade:

- During overlapping sessions
- European session as it is the busiest session out of all three
- Tuesday to Thursday – a lot of activity is expected during these days.

### Not so good days to trade:

- Sundays – everyone is sleeping or enjoying their weekend!
- Fridays
- Holidays
- Major news event (if you are a beginner)

Even though there are recommended days to trade you will still find traders making money on the non-recommended days. As these are not set in stone, the following guidelines can just enhance your overall trading strategy to maybe work better on that specific day. The aim is to be a trader who can make profit on any day, even during the worst economic times.

## NOTES



# 3

## UNDERSTANDING THE GAME



The Forex world has its own language and jargon and I will try to cover the most used terminology by Forex traders.

### Forex Components:

A Forex transaction is an agreement between the trader and the broker. The agreement comprises the following:

- Investment amount (starting capital)
- The currency pairs (BID currency; ASK currency)
- The agreed exchange rate between the two currencies

## BUYING & SELLING

In trading, when you are buying or selling, you are speculating the direction of the whole currency pair. For example, if you believe the EUR/USD is going to do well, you would take a LONG, which is a buy. If you think that the EUR/USD won't do well, then you would take a SHORT, which is a sell. Bear in mind that you are not necessarily expecting physical delivery of the currency you are buying, or physical collection of the currency you are selling. It is mere speculation – hence an agreement between the trader and the market maker (in this case being the broker/trading platform).

An open trade (also called an 'open position') is one in which a trader has bought or sold a certain currency pair and has not yet closed the trade. Once you understand the concept of buying (long) and selling (short) then you can move to the most frequently asked question.

## WHAT IS A PIP?

PIP is an acronym for Price Interest Point. To explain what it is, we will take one currency pair to illustrate:

**EUR / USD 1.1235**

The PIP would be the (5) as it is the fourth digit to the right of the decimal which is 1/100 of 1%.

Another example is:

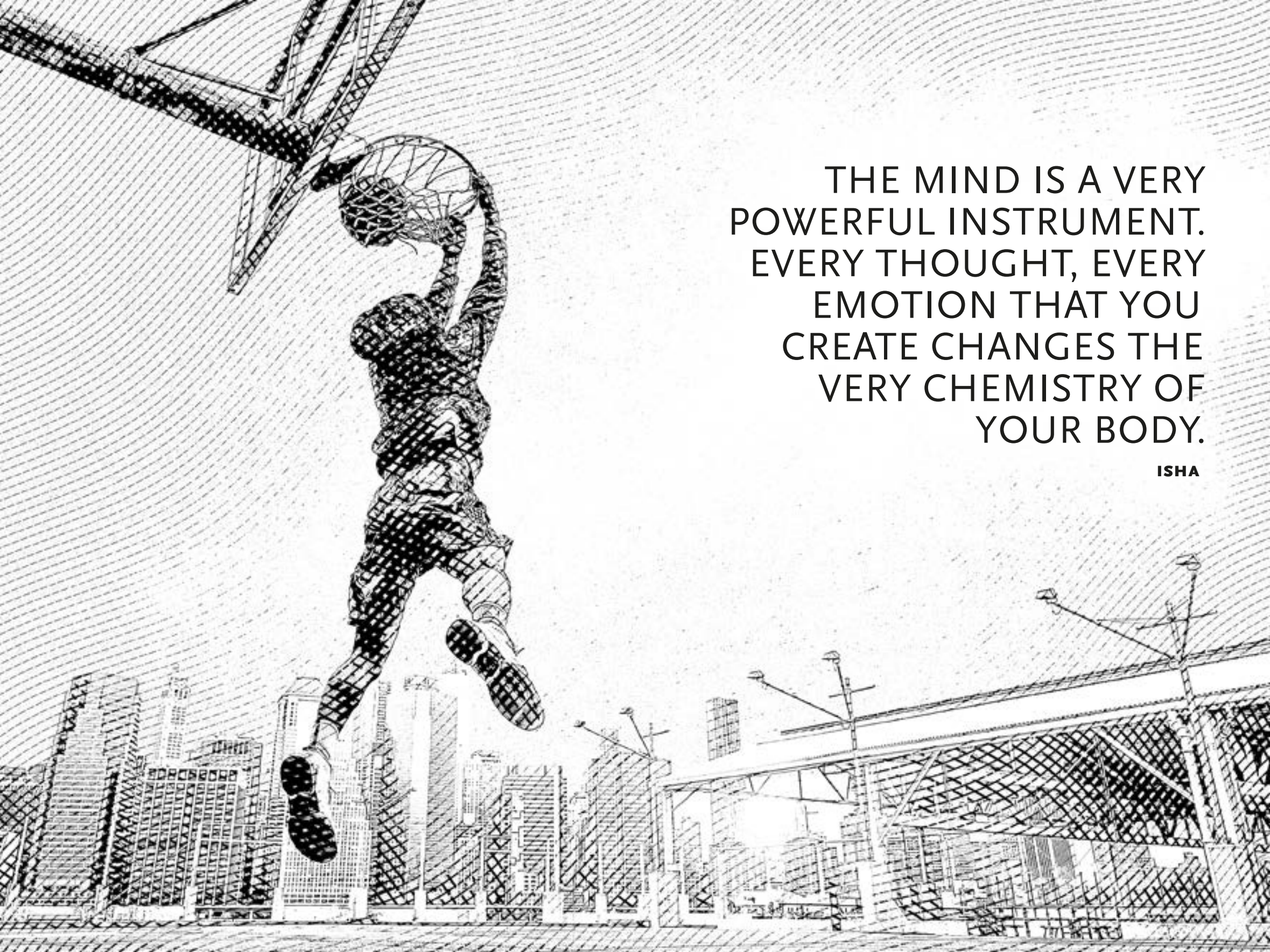
EUR/USD 1.1235 moves to 1.1242. If you took a long that would be a benefit of 13 PIPS as that is the difference between 1.1235 and 1.1242.

### Exercise:

- If the EUR/USD price is 1.1230
- And the EUR/USD price rises to 1.1239
- $1.12393 - 1.12300 = ??$  PIPS
- 9.3 PIPS

There is only one exception and that is with the Japanese Yen. For the yen-related pairs a pip would refer to the second decimal point to the right. If EURO/JPY is 112.95 then moves to 112.30 that would be a difference of 65 pips.

**MICRO-PIP:** A micro-pip is the tenth of a pip and is the fifth decimal point to the right and is mostly shown as a small number on the top right corner of an exchange rate. If a pip is 10 then a micro-pip is 1. Again, if a pip is 25 then the micro-pip would be 2.5.



THE MIND IS A VERY  
POWERFUL INSTRUMENT.  
EVERY THOUGHT, EVERY  
EMOTION THAT YOU  
CREATE CHANGES THE  
VERY CHEMISTRY OF  
YOUR BODY.

ISHA



## MAJOR & MINOR CURRENCY PAIRS

Currency pairs can be very tricky at times and one needs to approach them with great care in order to be happy with their trading portfolio. You cannot just trade any pair you wish because they are so sensitive and you can get your fingers burnt if you don't follow the right currency pair principles.

Currency pairs are divided into two categories: Major and Minor. Major pairs are the most frequently traded pairs and are considered to have very high trading volume and a lot more liquidity, making them less likely to always consolidate/range. Ranging always appears in directionless pairs where there is no trend or clear direction of a chart.

Safe-haven is another term coined for this type of a pair. It's called 'safe' because of the strength of the countries' economic back-up.

### The Six Major Currencies:

1. EURO
2. AMERICAN DOLLAR
3. JAPANESE YEN
4. BRITISH POUND
5. SWISS FRANC
6. CANADIAN DOLLAR

### The Six Minor Currency Pairs:

1. EUR/GBP
2. EUR/CHF
3. EUR/AUD
4. NZD/JPY
5. GBP/CAD
6. AUD/JPY

## VALUE OF A PIP

The next important lesson is how to calculate the value of a pip. Before you can take a trade, you must set a lot size or volume considering your risk appetite and the principal amount.

Lot sizes are sometimes called volume and they are the determining factors of what creates a pip. A lot size essentially gives meaning and value to the pip.

If the standard lot size is 1.00, this means at 1 lot size 1 pip is \$10. So if 1 pip is \$10 at standard lot size that means a profit of 3 pips will amount to \$30.

### 1) Example:

EUR/USD is at 1.1235 and you take a long (buy). That means you believe it will go up. Then it rises to 1.1241 which will mean you have made (1.1241 - 1.1235) 6 pips. If you were trading at 1.00 lot size, that is \$60.

**Standard Lot size:** 100 000 units

**Mini Lot size:** 10 000 units

**Micro Lot size:** 1 000 units

The lot size is flexible and can be changed according to your liking and settings. Some even trade with a 0.01 lot which means with 6 pips profit they would make 0.60 cents. Risk mitigation can be one reason to lower the volume and also the capital. Some financial institutions trade with over 1 000 lot size.

The same goes for a loss. If you take a short when EUR/USD is at 1.1235 and it goes to 1.1241, that means you are losing 6 pips (until closed), which is \$60 at 1.00 lot size.

### 2) Example:

EUR/USD: If you buy at 1.14350 and exit at 1.14360, the profit is the difference between the Entry Price (1.14350) and Exit (1.14360).

**Profit** = 10 pips if you are trading at:

- Standard Lot size which is 1.00 = \$10 per pip, then profit is \$100
- Mini Lot size which is 0.10 = \$1 per pip, then profit is \$10
- Micro Lot size which is 0.01 = \$0.10 per pip, then profit is \$1

### 3) Example:

USD/JPY: If you sell at 119.640 and exit at 119.685, the profit is the difference between the Entry Price (119.640) and Exit (119.685).

**Profit** = 45 pips if you are trading at:

- Standard Lot size which is 1.00 = \$10 per pip, then profit is \$450
- Mini Lot size which is 0.10 = \$1 per pip, then profit is \$45
- Micro Lot size which is 0.01 = \$0.10 per pip, then profit is \$4.50

## WHAT IS A SPREAD?

The brokers charge a certain fee which is known to online traders as a 'spread' – this fee is the difference between the buy (bid) and sell (ask) price. The spread differs per broker as each broker has different liquidity providers and it is through the spread that the

brokers get their money. The spread is essentially the broker's commission as they don't charge direct transaction fees for trading or a monthly premium for operations.

There are two types of spreads:

1. **Fixed spread:** These are static and the brokerage updates you when there's a change or dynamic change in it.
2. **Variable spread:** These don't have a fixed value, are always fluctuating and lessen/widen per market conditions and liquidity changes.

When you open a trade, the trade will start in a (-) which is to first pay for the spread, and then it is only when it breaks even (0.00) that you would start realising profit as the trade moves towards your direction.

It is always better to open a paper account first to test the spread and execution speed of the broker before opening a live account and looking for a broker with a better spread as it will also help with the overall good standing of your account.



## NOTES