ACADEMY OF FINANCIAL TRADING

NOTES

Foundation Trading Programme

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Lesson Plan

Lesson 1: The Foundation of Your Foundation

a. Why Trade? The old buy and hold style of trading which made the inexperienced look like trading "experts" up until the advent of the global crisis in 2008 aren`t working now, as many who bought and sat on bank shares would now agree. CFD`s offer the trader the opportunity to go short as well as long. With the current state of the global markets, there are a huge amount of both buying and selling opportunities that are discussed.

b. What to Trade? Here we look at tradable instruments (forex, commodities, indices, individual stocks) and examine each individually to explain unique characteristics and inter-dependencies.

c. Who Else is Trading? In almost all other areas of business and trade, participants like to have an understanding of who the other participants are. In trading most traders don`t consider and don`t know who else is trading and who the most dominant parties are. With this in mind new traders learn how to swim with the tide and avoid trading against the market movers.

Lesson 2: The Mechanics of Trading

What is leverage? What are the benefits and risks associated with it? Here we will have a frank examination of leverage, how it makes the markets accessible to most and how to use it to our advantage. This is an area often overlooked and is especially important in times of high global market volatility. In short, without leverage most typical traders would not be able to physically trade. Whilst leverage gives individuals the opportunity to profit by giving them access to financial trading, it is also has an ever present risk. Inexperienced traders need to understand how to get leverage to work for them. All of the unnecessary jargon is also simplified and clear demonstrations are provided to work out trade sizes and individual trade risk relevant to markets being traded.

Lesson 3: Candlesticks - Shedding Light on Opportunities

Technical Analysis is all about seeing, accepting and trading. This is trading what is in front of you not what you or a pundit predicts. An introduction to price action, reading candlestick charts, dojis, engulfing pattern formations and counter retail trading are covered in this valuable lesson.

Lesson 4: Technical Charting 101

The previous lesson is expanded to develop technical channel and trend trading techniques highlighting breakouts, support and resistance, with counter retail strategic entry and exit techniques for each trade made.

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Lesson 5: Building Your Trading Toolkit

Building on the previous technical lessons this session focuses on descending/ascending triangles, volatile measuring indicators, oscillators and Fibonacci retracements with a particular emphasis on counter-retail trading techniques that both avoid making and exploit the mistakes that typical retail traders make - all very much opportunity focussed.

Lesson 6: Becoming a Counter Retail Trader

This lesson brings together all of the previous Technical Analysis lessons focussing on some very straightforward methods of finding Counter Retail Trading Opportunities - our speciality. Some of the methods include an examination of moving averages, cross -overs, simple, exponential and correct order MAs - all focussed on attempting to find that confirmation to trade that we need. This lesson is always one of the best received and is not to be missed.

Lesson 7: Practicalities of Real World Trading

There is no room for emotion or surprises in trading. Any trade entry or exit is pre-planned and logged in your trader`s journal. The reason you entered or exited a trade needs to have been planned in advance. If you make some winning trades and don`t know why, your capital is at risk! Real life explanations and examples of the difficulties which real traders face each day are discussed. Practical steps are illustrated to reduce the psychological difficulties faced by real traders. This is best done through an understanding of why these issues arose in the first place. With emotions in check, every profitable trader needs numeric trading targets and goals with a realistic plan that fits their lifestyle. Good and bad results are all part of the plan and if constructed correctly there should be no such thing as a bad trade.

Lesson 8: Risk Management - Protecting Your Capital

Trading like all other forms of investing carries risk. It is through that very risk that profits may flow. An understanding of the interconnected and inseparable nature of risk and return is fundamental to profitable trading. Here we will introduce traders to the concepts of risk management so they can minimise their losing trades and maximise their winners in a premeditated format.

4 KEY FACTS YOU MAY NOT KNOW ABOUT TRADING

1) *Trading does not require a large amount of capital.*

The first key fact that many people who we speak to don't know or are unsure about when it comes to trading is that they do not require a huge capital base in order to trade.

While it is true that some securities such as gold or oil may appear expensive to trade, the creation of leverage in financial trading has helped to facilitate access to these securities using small levels of capital.

Financial contracts like Futures or Contracts for Difference (CFDs) provide us with the opportunity to trade the financial markets with only a small capital base. This is because they are leveraged contracts. Leverage is the 'risk factor' that allows us to marginalise our trade size so that we may create larger purchasing power relative to the trading capital we have. Leverage can effectively be viewed as a multiplier, we are able to access these markets as we can trade with larger levels of capital without owning that capital amount itself. For example if we were to have a capital base of $1,000 and wished to trade crude oil then the number of barrels of crude oil we can trade is determined by the price per barrel and our account size. If the price of crude oil is $50 per barrel, then we can trade 20 barrels of oil. However in the presence of leverage we can take a larger position. If we had leverage of 10:1 this means that we can effectively buy 200 barrels of oil with our $1,000 capital base.

One key element to trading with leverage that is highly beneficial to the diversified trader is the ability to de-leverage. The best example is to consider a government bond. In the real world, the principal cost of investing in a German government 10 year bond is €100,000. This bond also has a price in relation to yield, which moves each and every day according to market sentiment. By trading in the CFD market we can actively trade the price of this government bond, again without owning the asset itself. This ability to de-leverage also provides us with access to trading equity indices and the publicly traded equities

However, leveraged trades do assume more risk and must be managed well with effective risk management practice. If you leverage a trade and the market moves against you, you are liable to sustain a greater loss than a trade with little or no leverage. This brings us to our next key fact.

2) *The most important factor to trade successfully….*

Whilst many people believe that the most important factor to trade successfully is determining what security to trade or at what price to take a trade this is not correct. The most important factor to be able to trade successfully and to do so consistently is actually how to manage your risks. Risk management in trading can be segregated into multiple components, however to become a successful trader you must have a complete and comprehensive risk management system.

For anyone who has traded before they will understand just how important risk management is, especially if they were successful in their trading endeavours. If you were to ask the most successful traders why they are so confident in their trading ability, they would not tell you it is because they know their trade will be profitable, they would tell you it is because they know that their capital will not diminish to a level that they will have to worry should a trade go against them. We will cover risk management in much more detail later in the course.

3) Where you are in the world doesn't matter.

Another key fact that many people who are interested in or have just started trading do not know is that it is possible to trade securities from various regions around the globe. Trading is no longer local, it is global. No matter where we are in the world we can trade markets in other regions. This means that if we live in the UK we are not restricted to trading UK markets. Similarly; if we live in the US or any other country in the world, we are not restricted to trading only that markets.

This provide us with two important opportunities. Firstly, as we are now able to access markets from different regions we can effectively reduce the risks involved in trading. If the markets in one region are not performing well or are flat, we can simply trade the markets in another region. The second opportunity that this provides us, is that we no longer have the same time restrictions to trade. As we have to trade markets when they are open this could create a significant problem for many potential trades – what if the markets are closed during the only time available for me to trade?

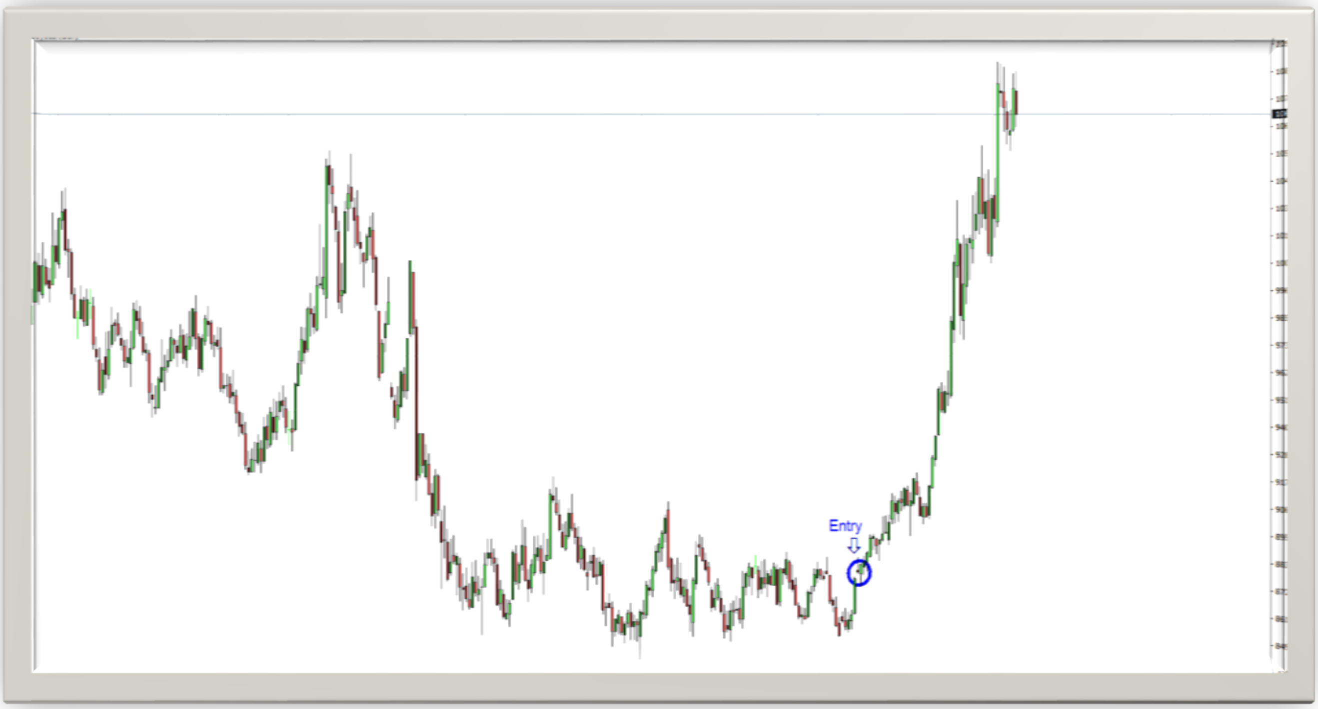
This is a question we have been asked many many times over the years, and it has been one of the fundamental barriers to people who wish to become traders. If you were not aware that you were able to access financial markets from across the globe then you may have created a barrier to trading which did not actually exist. In reality as you can access various markets there are no significant time limits that will prevent you from trading. Whether you only have time to trade at dawn in New York or dusk in Tokyo, there will be a market you can access.

4) <u>Learning to trade can be easier than people expect.</u>

The vast majority of the people we speak to about trading are always concerned about the vast quantities of information needed in order to take a trade. This is another barrier that has prevented individuals from trading the financial markets, as they are overwhelmed by the sheer number of variables that impact upon the price of a security. For instance, people believe that if you are trading Crude Oil you need to know almost every economic world-wide factor that can have an effect on the price of oil, in order to know whether to take a long or short position on Crude Oil and at what price. However what people don't know, is that we are not required to keep track of all of the various factors that affect the price of a security. We can successfully trade a security simply by analysing the charts – this method of security analysis is known as **Technical Analysis**.

Technical analysis is a method for forecasting the direction the price of a security is likely to take by statistically analysing the market activity of that security, such as past prices and volume. A fundamental principle of technical analysis is that a market's price reflects all relevant information. This means that we do not have to keep track of all of the variables which affect the price of a security instead we can statistically analyse the chart of a security in order to determine what position to take on the market and at the price level at which that position should be taken. This relieves us of the heavy burden of keeping track of the multitude of variables which affect the price of a security, as such technical analysis also provides us with a key opportunity. It allows us to trade various securities from different asset classes, as we are no longer required to keep track of all the information that affects the security price, we only need to know how to statistically analyse the charts.

The above and below charts are examples of trades we have taken here at the Academy using technical analysis alone. The first trade is on Gold, on which we realised a profit of just under $5,350. The second trade is on Soybean and is still open. At present the trade is currently $9,672 in profit. We will cover some of the various techniques and tools used in technical analysis later in the course.



Other points to note that we will address….

1) You can make large profits from a small trade size.
2) You can trade equities, bonds, commodities, as well as FOREX, using a trading platform.
3) You can take short or long term positions in the market.
4) You can speculate and profit when the markets move up **and** down.
5) You can generate consistent income through trading the financial markets.

THANK YOU

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