

TradersSECRETLibrary

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1st Place Demo Trading Feb 2010 Challenge

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Personal Details



Name – Chong Kwang Chyen (Casey)
Position – 1st Demo
Percentage Gain –1969.59%
Age – 31
Country – Malaysia
Occupation – Warehouse Personnel

Bio – I finished the Dec '09 Trading Challenge as the 3rd placed finalist. The method I disclosed in that challenge is my live trading method. At this moment, I came out with this new trial and error version of "Fibo Basket Trading". Things are not yet finalized so it might be updated in future. The story started a few weeks before the Chinese New Year when my friends told me about basket trading which nailed thousands of pips a week! That really impressed me. So I investigated this method on the web. After some weeks of studying and understanding, I had an idea to use my knowledge of Fibonacci and to apply it to basket trading.

System Overview

<u>Markets Traded</u> – Forex - 14 pairs which will be described below Charts - H1

<u>Charting Software</u> - MT4 Brokers that allow hedging and leverage up to 1:200 or above

Indicators -

Multitimeframe Pivot Point (optional reference)

Buy All (optional assistance)

Sell All (optional assistance)

Close All (optional assistance)

Close in profit (optional assistance)

Trendlines and Fibonacci (95% of all my trades rely on this)

Retracement levels: 38.2%, 50.0%, 61.8%, 76.4%

Extension levels: 127.2%, 161.8%

<u>Lot Size</u> - I recommend USD 0.2 - USD 0.5 per lot on each pair with an account equity of \$1000, but you're welcome to choose a lot size that suits your risk tolerance and account balance.

FIBONACCI BASKET TRADING

This is a basket trading system. If you decide to trade long in an up trend, you will need to execute trades on 14 other currency pairs simultaneously. This is not a hedging system, when you go long, you need to trade all pairs in the same direction.

This trading method involves all pairs together according to overall market movement, to gain overall positive profits. It doesn't matter if 3-4 pairs have losses.

Make sure your trading platform has the following currencies pairs:

- 1. EURUSD
- 2. GBPUSD
- 3. USDCHF
- 4. USDJPY
- 5. EURJPY
- 6. GBPJPY
- 7. AUDJPY
- 8. CADJPY
- 9. CHFJPY
- 10. AUDUSD
- 11. USDCAD
- 12. EURCHF
- 13. EURGBP
- 14. GBPCHF

NOTE: There are 2 EA's to assist you to place orders on all 14 pairs in seconds. All you need is to decide on is in which direction you want to trade.

Some brokers do not have the CADJPY, so u can substitute this pair with either the USDCAD, NZDUSD or NZDJPY instead.

All the entry rules are guidelines, sometimes I trade in a discretionary way, where I use gut feeling that I have developed after trading on certain currencies for a long time. Just as you may be able to recognize some familiar chart patterns and movement behaviors.

In this system, you need to decide whether to go long or short by watching 4 different pairs i.e. the EURUSD, GBPUSD, USDJPY and EURJPY. I like to call these pairs my 'indicator' pairs. If 4 of these charts show a significant uptrend,

you will go Long on all 14 pairs, and vice-versa for going Short. You will need Fibonacci + Daily/Weekly Pivot, Support and Resistance levels as a guideline.

Sometimes 3 out the 4 pairs you are monitoring will show a significant trend in one direction but one pair will not. When trading in a conservative manner, you will need to wait for all of them move in the same direction, then only can you enter trades.

OR, as an alternative, you can refer to other pairs like the AUDJPY or GBPJPY for confirmation. If they are also trending in the same direction then you can consider entering a trade.

OR, for a more aggressive approach, if you are familiar with the price movements or chart patterns on your chart, and you're pretty sure that the 4th chart will finally follow the trend on the 3 stronger charts, you may then proceed to enter trades. Just remember to always consider your risk management before getting in to any trades.

Chart Setup

1. You can choose to open 1 hour charts for all 14 pairs but that is too complicated and can sometimes be too cluttered for some traders. I will only use 4 charts as indicator pairs and base my decisions to trade or not, on the movements on these charts.

EURUSD, GBPUSD, USDJPY and EURJPY

Of course you can open up more charts as desired. Some times if 4 currency pairs can't give me a clear direction, I will open up one more pair, the GBPJPY. This is optional and a rare occurence.

The EURUSD and the GBPUSD are the leading trending pairs compared to other pairs like the USDCHF, EURCHF, GBPCHF... and this is the reason why I will use these 2 pairs as my 'indicators'.

The USDJPY chart to show how the JPY responds to the US Dollar. The EURJPY is to show how the JPY responds to European currencies. And of course the GBPJPY chart serves the same purpose as the EURJPY.

2. Place the Multitimeframes Pivot Point 's file into your custom indicator folder. Depending on your broker, your custom indicator folder should look similar to this:

C:\Program Files\MetaTrader4\experts\indicators\

Note: Your MT4 folder may be different based on your broker so if you're not sure check with your broker's support team.

This is optional, most of the time I feel that Fibonacci will be more reliable. I use this indicator to back up Fibonacci levels. To double confirm the setup. It will show you the Monthly/Weekly/Daily Pivots, Resistance and Support levels. However, I will disable the Monthly variable on this indicator so that it only shows me Weekly and Daily levels. Once you have added the indicator your chart should look something like this:



3. Apply a Fibonacci retracement from the Swing Low to the Swing High (the example below refers to an uptrend), vice versa for a downtrend:





4. If possible, apply another Fibonacci retracement from a smaller Swing Low to Swing High. This is to make it easier to identify the price cluster area, check out the following example:



5. Those areas in which 2 Fibonacci levels meet or even Daily S&R points for that matter, will be an area where a bounce may occur with much higher probabilities.



- 1. I monitor the 4 'indicator' pairs i.e. the EURUSD, GBPUSD, USDJPY and EURJPY with the aid of the Multitimeframes Pivot Point indicator and Fibonacci studies. We are looking for areas where there is a high probability that price may either reverse or continue in its original direction.
- 2. Once I have determined that all pairs are trending or reversing in the same downward direction, I will open 14 Sell orders, one on each of the 14 different currency pairs that I am trading.
- I do not place a Stop Loss when trading this method but if you choose to use a Stop Loss I would recommend placing it a few pips away from the most recent higher high.
- 4. I also do not place a Take Profit as such but I usually keep in mind a mental target (usually around 100 pips).
- 5. At times I may choose to exit early based on the information I read off my charts and at other times I may choose to let my profits run. These decisions are based on my experience and the way I feel about the information I read off the 'indicator' pair charts. If it looks as if the trend will continue I will remain in the trade but, if not, I will look to exit.

Long Trade Rules

- 1. I monitor the 4 'indicator' pairs i.e. the EURUSD, GBPUSD, USDJPY and EURJPY with the aid of the Multitimeframes Pivot Point indicator and Fibonacci studies. We are looking for areas where there is a high probability that price may either reverse or continue in its original direction.
- 2. Once I have determined that all pairs are trending or reversing in the same upward direction I will open 14 Buy orders, one on each of the 14 different currency pairs that I am trading.
- 3. I do not place a Stop Loss when trading this method, but if you choose to use a Stop Loss, I would recommend placing it a few pips away from the most recent lower low.
- 4. I also do not place a Take Profit as such, but I usually keep in mind a mental target (usually around 100 pips).
- 5. At times I may choose to exit early based on the information I read off my charts and at other times I may choose to let my profits run. These decisions are based on my experience and the way I feel about the information I read off the 'indicator' pair charts. If it looks as if the trend will continue I will remain in the trade but if not I will look to exit.

Short Trade Example 1



Have a look at the chart image above. I've labeled the areas that helped me determine the direction of the trend.

When these charts are trending towards the short side and show winning probabilities on my system, I will place orders on the 14 pairs simultaneously (this is done automatically for me using the Sell All custom indicator). Take note that the USDCHF will always be traded in the opposite direction of the other pairs due to its correlated relationship with the EURUSD.

The EURUSD and USDCHF move in opposite directions. We are looking to trade all pairs in the same direction but given the EURUSD/USDCHF relationship, the

trade that we place on the USDCHF will have to be in the opposite direction to the EURUSD and vice-versa for buy trades.

A few minutes later and we nailed total profit of about 100 pips, I chose to close this trade and pocket these pips.



Short Trade Example 2



Have a look at the chart image above. I've labeled the areas that helped me determine the direction of the trend.

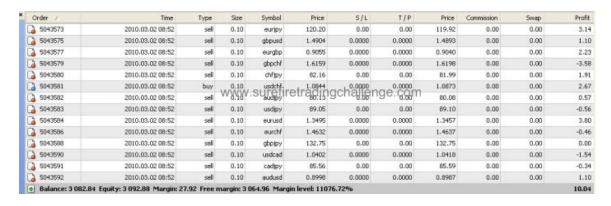
When these charts are trending towards the short side and show winning probabilities on my system, I will place orders on the 14 pairs simultaneously

(this is done automatically for me using the Sell All custom indicator). Take note that the USDCHF will always be traded in the opposite direction of the other pairs due to its correlated relationship with the EURUSD.

The EURUSD and USDCHF move in opposite directions. We are looking to trade all pairs in the same direction but given the EURUSD/USDCHF relationship, the trade that we place on the USDCHF will have to be in the opposite direction to the EURUSD and vice-versa for buy trades.



After about half hour later, all pairs have moved down and we nailed 100 pips.





Short Trade Example 3



Have a look at the chart image above. I've labeled the areas that helped me determine the direction of the trend.

When these charts are trending towards the short side and show winning probabilities on my system, I will place orders on the 14 pairs simultaneously (this is done automatically for me using the Sell All custom indicator). Take note that the USDCHF will always be traded in the opposite direction of the other pairs due to its correlated relationship with the EURUSD.

After about 1 hour, we nailed about 250 pips and I thought I had better close all position so I did.

Dvofit /Loce: Bd	1.73 Credit: 0.00 Deposit: 1	nnn nn w	Athdrau	ust n nn							1 084.73
3 5116725	2010.03.04 15:28	sell	0.30	audusd	0.9004	0.0000	0.0000	2010.03.04 16:42	0.8993	0.00	3.30
3 5116724	2010.03.04 15:28	sell	0.30	cadjpy	86.34	0.00	0.00	2010.03.04 16:42	86.32	0.00	0.68
3 5116723	2010.03.04 15:28	sell	0.30	usdcad	1.0315	0.0000	0.0000	2010.03.04 16:42	1.0315	0.00	0.00
3 5116722	2010.03.04 15:28	sell	0.30	gbptpy	134.20	0.00	0.00	2010.03.04 16:42	133.76	0.00	14.84
3 5116721	2010.03.04 15:28	sell	0.30	eurchf	1,4632	0.0000	0.0000	2010.03.04 16:42	1.4634	0.00	-0.56
3 5116720	2010.03.04 15:28	sell	0.30	eurusd	1,3598	0.0000	0.0000	2010.03.04 16:42	1.3558	0.00	12.00
3 5116719	2010.03.04 15:28	sell	0.30	usdjpy	89.10	0.00	0.00	2010.03.04 16:42	89.00	0.00	3,37
3 5116718	2010.03.04 15:28	sell	0.30	Mapping A A A	refirett	adin	hallema	e.cor@910.03.04 16:42	80.05	0.00	6.75
3 5116717	2010.03.04 15:28	buy	0.30	usdchf	1.0761	0.0000	0.0000	2010.03.04 16:42	1.0788	0.00	7.51
3 5116716	2010.03.04 15:28	sell	0.30	chfjpy	82.83	0,00	0.00	2010.03.04 16:42	82.51	0.00	10.78
3 5116715	2010.03.04 15:28	sell	0.30	gbpchf	1,6204	0.0000	0.0000	2010.03.04 16:42	1.6217	0.00	-3,61
3 5116714	2010.03.04 15:28	sell	0.30	eurgbp	0.9031	0.0000	0.0000	2010.03.04 16:42	0.9028	0.00	1.35
3 5116713	2010.03.04 15:28	sell	0.30	gbpusd	1.5060	0.0000	0.0000	2010.03.04 16:42	1.5024	0.00	10.80
3 5116712	2010.03.04 15:28	sell	0.30	eurjpy	121.23	0.00	0.00	2010.03.04 16:42	120.71	0.00	17.52

Long Trade Example 1



All charts are showing that price is approaching exhaustion of the downtrend. At certain points I noticed price reaching the Daily Resistance 2 or 3 and overlapping with Fibonacci clusters.

At this point I am looking to Buy on all 14 pairs (this is done automatically for me using the Sell All custom indicator). Take note that the USDCHF will always be traded in the opposite direction of the other pairs due to its correlated relationship with the EURUSD.

This trade lasted much longer and nearly 14 hours later, I closed all positions with more than 440 pips.

Order /	Time	Type	Size	Symbol	Price	5/L	T/P	Price	Commission	Swap	Profit
5186014	2010.03.09 10:11	buy	0.50	eurjpy	122.01	0.00	0.00	122,52	0.00	0.03	28.33
5186015	2010.03.09 10:11	buy	0.50	gbpusd	1.4967	0.0000	0.0000	1.5012	0.00	-0.03	22.50
5186016	2010.03.09 10:11	buy	0.50	eurgbp	0.9085	0.0000	0.0000	0.9067	0.00	-0.05	-13.51
5186017	2010.03.09 10:11	buy	0.50	gbpchf	1.6112	0.0000	0.0000	1.6126	0.00	0.03	6.51
5186018	2010.03.09 10:11	buy	0.50	chfjpy	83.42	0.00	0.00	83.78	0.00	-0.13	20.00
5186019	2010.03.09 10:11	500	WW.58	ure firef	tradimen	halleme	e.cg(9990	1.0746	0.00	-0.13	8.38
5186020	2010.03.09 10:11	buy	0.50	audjpy	81.54	0.00	0.00	82.46	0.00	0.15	51.12
5186021	2010.03.09 10:11	buy	0.50	usdjpy	89.78	0.00	0.00	89.99	0.00	-0.03	11.67
5186022	2010.03.09 10:11	buy	0.50	eurusd	1.3592	0.0000	0.0000	1.3610	0.00	0.03	9.00
5186023	2010.03.09 10:11	buy	0.50	eurchf	1.4630	0.0000	0.0000	1.4618	0.00	0.05	-5.58
5186024	2010.03.09 10:11	buy	0.50	gbptpy	134.35	0.00	0.00	135.10	0.00	-0.05	41.67
5186025	2010.03.09 10:11	buy	0.50	usdcad	1.0289	0.0000	0.0000	1.0266	0.00	-0.10	-11.20
5186026	2010.03.09 10:11	buy	0,50	cadjpy	87.26	0.00	0.00	87,63	0.00	0,02	20.55
5186027	2010.03.09 10:11	buy	0.50	audusd	0.9086	0.0000	0.0000	0.9163	0.00	0.15	38,50
Balance: 2 130.69	Equity: 2 358.57 Margin: 13	9.72 Fre	e margin:	2 218.85 M	argin level: 16	88.06%					227.88

Long Trade Example 2



Have a look at the labels on the chart image above. As you can see, the currency pairs show retracement upward, which gives us a good probability of winning if we go long.

At this point I am looking to Buy on all 14 pairs (this is done automatically for me using the Sell All custom indicator). Take note that the USDCHF will always be traded in the opposite direction of the other pairs due to its correlated relationship with the EURUSD.



A few minutes later, we achieved overall profit of almost 100 pips. So we closed all orders and pocketed the pips which were in our favor.



Long Trade Example 3



Have a look at the labels on the chart image above. As you can see, the currency pairs show retracement upward, which gives us a good probability of winning if we go long.

At this point I am looking to Buy on all 14 pairs (this is done automatically for me using the Sell All custom indicator). Take note that the USDCHF will always be

traded in the opposite direction of the other pairs due to its correlated relationship with the EURUSD.



After 2 hours, the overall profit reaches 200 pips and I closed the trade.



Comments

Trading Time

I recommend using this system after the London Open. The Asian session trend might be totally reversed during the European trading session.

Beware of the New York session as well, all profiting open trades at that time might turn into losses. Keep watching on that session, in case the trend changes close all orders immediately.

During the New York Session is the best time to open new positions. It might take few minutes or few days to make over 100 pips, so be patient when you open new positions.

Always remember the 4-D's

- 1. **DON'T** use extreme lot sizes, it will easily cause a margin call.
- 2. **DON'T** trade near/during/right after high impact NEWS releases.

- 3. **DON'T** trade 1 hour before/during markets open, such as the Tokyo, Europe, London and New York opens. Volatility at such times will cause false signals. This is extremely dangerous when trading this method so make sure that you only trade after the market open.
- 4. **DON'T** forget to use the Close Profit EA to help closing positions at a certain amount, this can avoid your positive floating balance turning to the negative. Basket trading is not suitable for newbies. Taking the wrong direction when trend trading will cause huge drawdowns on your account. This system is simple and only requires you to have a basic understanding of Fibonacci, trendlines, support/resistance, chart patterns. Money management is of utmost importance in this system.

