Title:
Forex Trading Profits fom Calendar Patterns

Word Count:
543

Summary:
The forex market has established patterns of behavior during the year. Currency traders can use them to improve their success and profitability.

Keywords:
forex, foreign exchange, currency, trading, trader

Article Body:
Most traders have heard of seasonal patterns, something which is mostly associated with commodities. The foreign exchange market also has calendar patterns which influence trading, and just like in commodities, traders can take advantage of them to improve their odds for success and profits.
Monthly Patterns
Nearly all currency pairs have one or more months during which they have a directional tendency. There are three pairs in particular which have traded in the same direction during a particular month at least seven years in a row. AUD/JPY has risen in January, while USD/CAD has fallen in June and USD/JPY has dropped in August. In each case, the moves have been significant. Let’s take a look at USD/JPY as an example.
On average, USD/JPY has declined over 325 points each year since 1999 in the month of August, which translates to 2.80%. While the percentage does not seem extraordinary, when one takes leverage in to consideration, it is a different story. Had one shorted 100,000 USD/JPY at the start of each August and closed that position out at the end of the month, the total profit would have been in excess of $20,000 (not taking in to account interest carry). That is an outstanding return considering the margin requirement for a position like that is only $2,000. And this does not even consider compounding!
Weekday Patterns
For the short-term trader, there are also patterns of behavior which are based on weekdays. It is a little more complicated, however, than just saying buy or sell on Monday, for example. A secondary condition must be applied, which can be accomplished using the month. The result is patterns which take place on certain weekdays during a given month.
An example of this kind of pattern is GBP/USD on Mondays in December. The pound has risen 73% of the time on Monday during the last month of the year since 1999

(31 observations). The average move has been 40 pips. Assuming a 5 pip spread, a trader who entered traded this pattern over the last seven years would have booked over 1000 pips in profits, which translates to more than $10,000 if one took positions of 100,000 GBP/USD each time.
Trading the Patterns
The examples outlined above are just a couple of the patterns which can be found in the forex market. There are many worth incorporating in to one’s trading. Obviously, one strategy which could be employed is a simple enter-and-hold based on the pattern for a given month or weekday. That, however, does leave one open to the both in-trade draw downs, some of which can be substantial, and the simple fact that patterns do not always repeat every time, and sometimes change.

An alternative to enter-and-hold is to use calendar patterns to bias one’s trading. For example, a day trader could look for opportunities to buy in to weakness in GBP/USD on Mondays in December. Similarly, a swing trader could use short-term breakdowns to enter in to short trades in USD/JPY during August.
The trader looking to employ forex calendar patterns must utilize the same good risk procedures as are always necessary. This applies regardless of the strategy employed.<p>