

# MASTERING THE ART OF PROPER TRADING

Learn and understand price action from the lens  
of a proper experienced financial trader



AIR FOREX ONE LTD

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## PREFACE

This guide is dedicated to all traders and people who want to learn and improve their knowledge in forex trading using price action.

You have chosen a difficult path and we congratulate you for not having chosen the easy path taken by the majority. You have chosen a path that can lead you to independence and freedom as you are motivated and determined, especially if you are ready to apply what you have learned in this guide.

The information in this ebook is shared only for educational purpose. **We are not a financial investment advisor (CIF) and neither AIRFOREXONE is responsible for your actions on the markets. Trading involves risk and you assume full responsibility for your future investments.**

Our work has been constructed to provide any person with no experience in the Forex market, enough to effectively trade the forex market but also for those who are interested to sharpen their skills with our style

After reading this book you should have a system, have a strategy and you just will need to apply all you learnt from this book consistently in your trading.

### WHAT IS PRICE ACTION?

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It's a pure study of the price movements. The best traders can analyze the market on the basis of price movements without having to use any indicator. Indicators can add confluence to your trades, but in any way they will give you a trading edge.

### WHO ARE WE ?

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AIR ONE FOREX is a community created by two enthusiasts traders **Nelson and Javier** who aims to create relationships with their customers by providing long-term goals, create friendships and motivate them to achieve their personal goals.

"We dedicate this book to all the new and struggling traders out there. We hope you find in it a source of inspiration and motivation to help you develop into the kind of person and trader you need to become in order to build the trading career you want and deserve it." "We did not wanted to put the same information than the rest that's why this ebook is completely about to change your perspective. Enjoy it " NELSON AND JAVIER

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## INTRODUCTION

You've probably encountered the problem that you have no idea how to start or you come across the problem that you have tried many strategies and none seems you seem efficient, we understand, we have been in the same situation before.

Fortunately, you already have this guide in your hands. With this guide, you will find everything you need to properly trade.

Before you start, you will not become a profitable trader just by reading a few words. You must apply, let time do the work and build your own experience.

This guide is the result of an experience of time and an advanced technical knowledge. With this guide, you'll save time, money and avoid frustration given to learning extended confusion provided by the Internet and fake gurus.

At one point in your life, you have been interested in trading in Forex, especially when you do some research and you find that you can get as long term benefits.

But you never found a concrete and effective plan of action to properly trade.

This feeling should not worry anymore, because, among other things, 95% of those who enter in this world do not have many ideas about it, either ... they end up losing everything, We will not you hide the data.

They fall into the traps on the internet related to "trading schools" that are just Ponzi systems with no clue about trading.

The big key that we consider important trading to get results is:

***"First learn and then earn"***

To succeed, there is a basic rule: train *correctly with consistency*. In this way, this guide aims to show you the detailed key aspects related to the Price Action, and many other significant things in forex. You will learn proper trading principles but also life lessons .

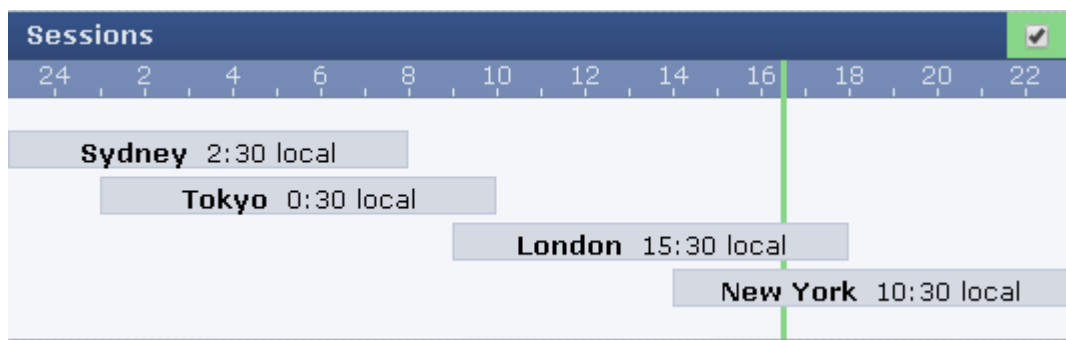
THE FOREX

When we talk about Forex (Foreign Exchange), we talk about the largest financial market in the world. This market moves more than 3 trillion dollars a day. Here, there are investors, banks, large institutions and individuals (like us) that trade every day. In this market, the exchange of one currency to another can be done but also you can speculate with their value.

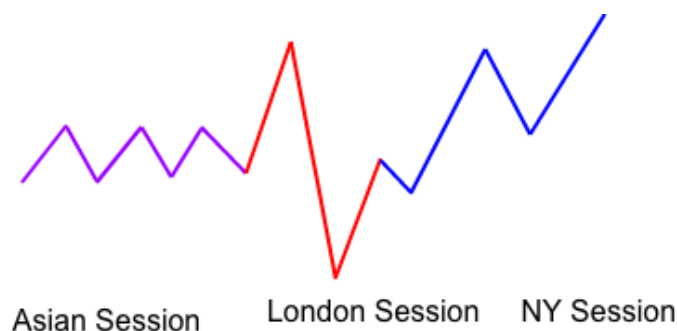
Forex trading is an active market ( 5 days a week 24 hours a day) and opens at 22 am (EST) on Sunday and closes at 22 pm (EST) on Friday.

Before mentioning the best moments of the day to trade, the main centers where Forex trading is done includes large grants investors such as London, New York, Frankfurt and Tokyo

The market is divided into 4 major time sessions: Sydney, Tokyo,London and New York.



We advise you to trade at the London and New York sessions, it is at these moments where liquidity is mostly injected. Asian session is well know to be a consolidated session (But that doesn't mean we can't find opportunities! Yes there are presents, although in **YEN , and AUD** pairs. The most volatile session is NY so we advise you to keep an eye on USD pairs such as **EURUSD** during that time.





### EURUSD : 30 MINS TF

What we want to make you understand with this is that , you must select few pairs to trade and understand their behaviour and volatility during the journey. You must know when your pairs tends to move. Every pair moves differently , every pair has its own behaviour.

For example when it comes to talk about his behaviour EURUSD, by years of experience and probabilities : We can say that we do not really find interesting to trade it during the asian sess , however during london, we have some volumes spikes and finally at the NY opening this pair creates abundant scenarios. Keep in mind that every pair has an specific volatility peak hour. It's up to you to know your own pairs.

Now, we invite you to chose few pairs and understand their own behaviours:

**-Asian session:** Strong volatility in pairs composed by AUD and JPY.

**-London session:** Strong volatility in pairs composed by GBP ,EUR

**-NY sess:** Strong volatility in pairs composed by USD, CAD

Now we invite you to open you charts , add the indicator “sessions separator” and then see how your chosen pair act during those sessions previously mentionned. Keep in mind that if the price is in a valid supply and demand area at a specific

volatility peak hour, the pair can create an interesting trade that's what we are going to explain later in this book.

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## THE BENEFITS OF FOREX AS A FINANCIAL MARKET

One big difference between the forex market and other financial markets, for example the stock market, is that since there are hundreds of companies, it is very difficult to find a profit above the 15-20% and it is completely impossible to know whether a company will disappear overnight.

The benefits of the FX is that it is relatively simple to understand. The sad fact is that only 15% of traders are able to consistently make money in this market.

We will provide everything you need to be profitable even if your psychology will determine whether you'll get there or not.

We as "traders" if we want to participate in forex, we will need the help of a broker (the intermediary that allows us to trade the forex, ( We will explain everything in detail in the next chapters).

On the other hand, the forex moves a lot more money in a day than what Wall-street moves in a month. In that way, you can enjoy a huge leverage, which means that we can trade up to 50% or even more money than we have in our accounts. This is not possible with stock trading/investing. This provides favorable and lucrative opportunities not to mention the dangerous side.

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## FOREX VS PENSION FUND INTEREST OR CONVENTIONAL BANK

Most of humans without financial education inject their money in a bank account or a long-term investment in order to get a miserable return of 3% each year. By other side ,they do not really understand that inflation will not help them build wealth.Specially in 2020-2021 I which they printed  $\frac{1}{4}$  of all the dollars in the history. What would happen if you learn to potentially earn 3% per day, week or month trading based on your skills as a trader? This would completely change your financial life specially with a huge capital. And it is possible but not easy. Specially if you trade big accounts.

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## FOREX TRADING VS REAL ESTATE INVESTMENT

Another popular investment is the acquisition of properties to compound fortune. It's is a very lucrative activity but depending on the location of the property, the average return is about 7%/year. Although we have discussed

earning 3% monthly, 7% is largely attainable if you learn to discipline yourself to treat forex as a longterm business.

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## BRIEFHISTORYABOUT THE FX MARKET

By the end of the middle ages, currencies begun being traded through the first network of international banks.

In the 15<sup>th</sup> century, Florence's Medici family opened banks in foreign locations to facilitate trade and exchange currencies on behalf of textile merchants.

And during the 17<sup>th</sup> and 18<sup>th</sup> centuries Amsterdam already maintained an active Forex market, with exchange taking place between agents from England and Holland.

But the roots of modern trading as we know it begun taking shape in the 19<sup>th</sup> century.

In the US, firms such as Alexander Brown & Sons became leading currency traders around the 1850s, with new participants beginning to engage in the business of foreign exchange trading by the 1880s.

But perhaps the single biggest event in the history of currency trading happened in the 1870s, when the Gold Standard Monetary System was created.

Before the First World War, there was much less control over international trade, and the consequences of the war caused countries to abandon the gold standard by this time.

In the period of 1899 to 1913 foreign exchange holdings increased by 10.8%, while holdings of gold increased by only 6.3%, marking the importance of the emerging Forex market.

By the end of 1913 nearly half of the world's foreign exchange was conducted using the pound sterling, but there were only two foreign exchange brokers operating in London. The most active trading centers instead were Paris, New York and Berlin.

But by 1928, foreign exchange trading was integral to the financial functioning of the city, and trade in London began to resemble its modern status.

In 1944, the famous Bretton Woods Accord was signed, which allowed currencies to fluctuate within a range of  $\pm 1\%$  from the currency's par exchange rate.

During President Nixon's tenure the Bretton Woods Accord was scrapped along with fixed rates of exchange, resulting in a free-floating currency system.

The ineffectiveness of the Bretton Woods Accord and the European Joint Float had caused the Forex markets to actually close from 1972 to March 1973.

1973 essentially marks the beginning of the modern Forex market, when the state control of foreign exchange ended and complete floating and relatively free market conditions began.

The same year Reuters introduced computer monitors that replaced the old methods of telephone and telex for obtaining trading quotes.

And in the mid-1980s Reuters developed a form of electronic Forex trading that preceded the advent of the Internet that served as a real-time closed network for traders.

Today between \$4 to 5 TRILLION are traded in the Forex market each day, making it the largest financial market in the world.

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## WHO IS BEHIND THE FOREX MANIPULATION?

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### BANKS: FINANCIAL INSTITUTIONS (BFI) (MARKET MAKERS)

Large banks such as HSBC, JP Morgan weigh at least 80% of daily forex transactions. Those are the market makers

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### INVESTMENT FUNDS AND PENSION FUNDS (MARKET MAKERS)

Investment funds are the second largest players in the forex. They move huge sums of money from investment portfolios. They are also market makers.

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### COMPANIES AND CORPORATE IDENTITIES:

Large companies looking to trade currencies in order to maximize their profits and paying for favorable transactions in other countries, particularly large multinationals. Let's take an example: A British electronics manufacturer decides to import components from Germany and selling its goods to the United States. When the final transaction has been completed, the US dollar will be converted into sterling. The English company will exchange euros pounds to pay the German. In this way, the changes will have a positive impact on the direct benefit of the company

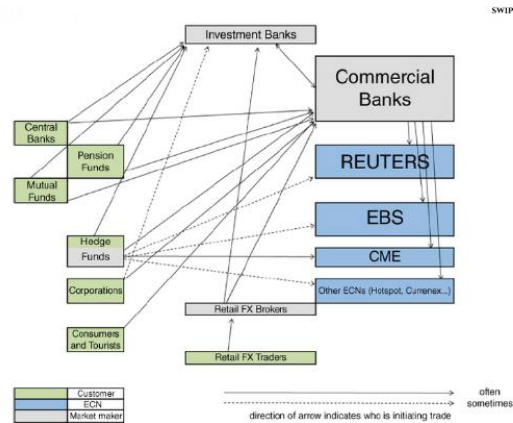
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### (RETAILERS)

Me and you, we enter in this category. Our trading volume is ridiculous compared to the big players. We trade the market with an online broker and use different factors to analyze the market as a technical analysis chart, fundamental and behavioral analysis. We will explain this later.

Technological advances have made the market more accessible to everyone. Today you can start trading with only \$ 200. Many brokers offer small commissions and make very easy access. But not because the minimum amount for most brokers is very low that you will be able to increase \$ 200 to \$ 100,000 easily. On the opposite, it is very difficult to increase a small account while maintaining adequate risk management.

Forex transactions are purely speculative, which means that all players who buy or sell currencies do not plan to buy and hold for a long time, transactions are executed in order and the intention to predict movement upward and downward from a combination of currencies in a limited time.



## HOW DOES THIS FINANCIAL MARKET WORKS?

No, in this market you don't own shares, you don't have a "portfolio of assets". We are dealing with a financial product that has the name of contract for difference. The Forex market consists of pair of currency's and you as a trader you have to speculate with their value and direction without the need of own it.

The currencies are presented by combined pairs: EURUSD for Euro-Dollar pair GBPJPY for Sterling-Yen pair and 24 other pairs of major and minor currencies combined excluding exotic pairs like USDMXN (Dollar/ Mexican Peso) etc ...

## HOW TO PROPERLY UNDERSTAND CURRENCY COMPOSITION

There are 3 groups of pairs: major pairs, minor pairs, crossed pairs that make up around 24 pairs. We will trade most of the time in major pairs because they are the most liquid pairs

### MAJOR PAIRS

EURUSD, AUDUSD, GBPUSD, USDJPY, USDCHF, USDCAD, NZDUSD

### CROSSED PAIRS

Example = AUDJPY = (AUDUSD value X USDJPY value).

This is very important because many gurus do not teach this. In fact, crossed pairs are not independent pairs such as major pairs. Crossed pairs are the result of a multiplication of major pairs.

For example, right now

$AUDJPY = 74.6731$  because  $= \text{audusd} (0.71332) \times \text{USDJPY} (104.684)$ . This means that you need to be aware of what happens in  $\text{audusd}$  or  $\text{usdjpy}$  will strongly affect  $\text{audjpy}$ . You're not just trading  $AUDJPY$  = you're indirectly trading the other pairs' values involved. This is very important to understand.

## MOST LIQUID FOREX PAIRS VS. LESS LIQUID PAIRS

@AirtForexone

ccy	Range/Spread
EURUSD	100
USDJPY	62
GBPUSD	52
AUDUSD	47
EURGBP	44
USDCAD	35
NZDUSD	28
USDCHF	22
EURCHF	16
EURNOK	11
EURSEK	9

volatile and highly liquid

If you are new trading the forex market, we advise to start trading in the most liquid pairs, avoid all those exotic pairs with a lack of volatility and liquidity such as  $\text{USDNOK}$ ,  $\text{USDMXN}$ ,  $\text{USDTRY}$  etc.... Keep it simple.

## SIMPLE FOREX FOUNDATION

<p>USD = US Dollar            EUR = Euro            JPY = Japanese Yen            GBP = British Pound            CHF = Swiss Franc            CAD = Canadian Dollar            AUD = Australian Dollar            NZD = New Zealand Dollar</p>	<p>EUR/USD = "Euro"            USD/JPY = "Dollar Yen"            GBP/USD = "Cable" or "Sterling"            USD/CHF = "Swissy"            USD/CAD = "Dollar Canada" (CAD referred to as the "Loonie")            AUD/USD = "Aussie Dollar"            NZD/USD = "Kiwi"</p>
--	--

Let's imagine we have the most famous pair in the forex EURUSD at an exchange rate of 1.0500. This means that to buy a base currency unit (the left one, in this case the euro) requires 1.0500 of the second currency, the US dollar. You will understand more easily this way: 1 euro equals 1.0500 dollar in a time T. If I want to buy 1 eur I need 1.0500 dollar.

You can trade in two sides: (buy / "long") upwards expectation or to the downside (sell / "short"). In these cases, we speculate that the value of the euro against the dollar will rise or fall.

### **Here's another example:**

Let's imagine we have the second most famous pair: GBPUSD at an exchange rate of 1,26782. This means that to buy a base currency unit (The left one, in this case the pound) is necessary 1, 26782 of the second currency, the US dollar. In other words it cost me 1.26782 dollars to get 1 pound.

Now let's imagine that we speculate to open a position assuming that the value will increase after a technical or fundamental analysis, in this case the type of position selected is the buy order or "long" because we speculate and assume that the value of the pound sterling against the US dollar will increase. This can be explained because GBP is getting stronger and USD value against GBP getting weak.



**Curiously:** Have you ever wondered why the stock market is represented with a bull and a bear? As the stock market/ forex market it's a battlefield between buyers and sellers, buyers attack by moving up the price, while sellers attack moving the price down. Similarly, a bear in the attack, he attacks moving his body down while the bull attack raising its horns to the upside. A seller is considered a bear and a buyer is a bull.

## CHAPTER 2 GLOSSARY

Before explaining more detail how the Fx trading works and how to trade it, it is important that you master the Forex trading vocabulary.

### VOCABULARY: FOREX FOUNDATION

#### CFD: CONTRACT FOR DIFFERENCE:

FX Currencies pairs are known as CFD, meaning **contract for difference**, they are the ideal products to talk about speculation in financial markets.

In other words, it is simply a "contract in which the difference in the price of a financial instrument is exchanged at the time of an opening position of the contract and the price at the time of a closing position of the contract."

This definition is also quite perfect for the term speculation, at least ,applied to the context in which we work.

CFDs reflect the exact prices which are trading various financial instruments such as stocks, commodities, indices and currencies.

Forex currencies are financial instruments type: CFD

#### LEVERAGE :

Leverage is the amount of capital that we can borrow from the broker to increase our trades. It is generally used as a tool to do more with less. It can allow us to increase our trading account faster, but we must never forget that this is a double-edged sword.

Just as you can make a lot of money, you can also lose a lot of money.

Thanks to leverage, we can negotiate in markets such as currencies with relatively small accounts.

The interesting application of leverage, is that we will use to open more than one trade at a time and to be able to diversify our portfolio and trade with more money that we have available in our account. The problem arises when leverage is used negligently.

Let's say that we have \$ 100 000 and we put it all in the stock APPLE. After a year, the company has grown and our shares are worth \$ 150,000. We get a 50% profit, excellent!

Now let's say we only have \$ 25,000 and we decide to borrow \$ 75,000 at 10% per year. In a year, we must return to the bank the \$ 75,000 and \$ 7,500 in commission. It's not much, because we are negotiating with a leverage of 3: 1. For every dollar in our possession, the bank lends us additional \$ 3 with a rate of 10%.

Going back to the example, if we invest the same \$ 100,000 with leverage and get the same profitability, one year we will get \$ 150 000, 75 000 and 7 500 \$, we have to go to the bank so we still have \$ 67 500.

But if the investment does not go as we hope and that our actions are devalued by 10% to \$ 90,000, after a year, we have to give back the money borrowed to the bank = total of \$ 82,500. We still having just \$ 7 500, a loss of 75% of our capital.

And if the actions would go down to \$ 80,000, we would not be able to repay the bank and we would have a debt of \$ 22,500 and we lose all our investment.

That is why we must be careful with leverage, money that easy comes easy goes.

If we take a leverage of 10: 1, a price move of 1% will cause a 10% movement in our account. If we use a leverage of 100: 1 instead, it means that we borrow up to 100 times our account. With a \$ 1,000 account, we are negotiating with \$ 100,000 of margin lending, and a 1% change in price means a change of 100% in our account, either positive or negative.

The example from above was just to illustrate how the market leverage works. It is important to know that the leverage by a broker in the forex can be up to 500: 1 or even more.

But listen, the broker forex we use does not give us that amount of money, he would lose a lot of money. In fact, it puts limits if it considers that we lose too much, brokers will be smart and they will never go into debt.

Brokers will automatically expel us from our trades to not lose more than our capital. This is called the margin call. If you still do not understand this concept, I will explain in a simple way.

Leverage is something that can be fixed by yourself on your trading account. For example, if you have a margin of \$ 1,000 (that means the broker lends you \$ 1,000) and you have \$ 10,000 in open positions, you have used your account 100 times or more than 100: 1 . For every dollar that the broker borrow you 100.

If we continue with the same example, if you have \$ 2,000 of margin (the broker lends you 2000), you will have benefited from your account 200:1.

Many beginners tend to use the maximum leverage and it is a huge mistake! You should avoid that if you do not want to lose your account.

### **How to calculate the leverage on my account?**

To calculate the leverage you need to divide the total value of your open trades by the total margin set in your account. For example, if you have \$ 20,000 in your account and you have open positions with standard lots (200,000 is the basic unit of currency) to \$ 200,000 your leverage is 10: 1 ( 200 000/20 000). If you have a leverage of 400: 1, you can control more positions (200,000) with only a small capital of 500.

If you still do not understand, do not you complicate, we do not want to give you a headache with mathematics, it is better when you start to set your leverage at least 100: 1.

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#### **MARGIN:**

The margin is the amount needed to open a new trade. Do not confuse with spreads , it is directly related to the leverage of your account. The higher your leverage, the higher you will have a margin. However, if you open many trades using big lot sizes and letting losing trades increase, your account may miss margin. If this happens, a "margin call" will occur. Your broker will automatically cut all your trades, that's why you should always observe management strict risk. We'll show you how. Anyway with what we will teach you in this book it's very difficult to have a margin call

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#### **BROKER:**

The term "Broker" refers to intangible intermediate actor between buyers and sellers. This term applies to all types of areas and sectors such as insurance, real estate, ...

In summary, a broker is an agent or company that is responsible for the execution of the purchase or sale of financial instruments at the request of its customers. Its main function is to act as an intermediary between its clients and the market by finding a seller when the client requests a purchase order or a buyer when your client asks a sell order.

Each broker will offer its customers a range of financial instruments to which they can trade, for example currency pairs in the case of forex, stocks, commodities, precious metals, energies, ...

To practice as a broker, it is necessary to comply with current regulations governing the financial markets and have supervision and licensing of relevant regulatory agencies.

Until a few years ago, a private investor could access to financial markets through major banks and certain financial institutions, but thanks to the advancement of new technologies and the Internet, have emerged online brokers that revolutionized the industry, popularizing and democratizing trading in forex.

Nowadays, anyone can trade from anywhere with just a computer, tablet or smartphone and an Internet connection. All this with much lower commissions than traditional banks.

To start trading, you must create an account in a regulated broker on the Internet.

First, you must create a demo account so you can train and you will lose and earn virtual money. Once you start winning more than you lose (start being profitable) in a long time, what you need is a credit card, an identity card, and you will also need housing justified to open and start trading with real money.

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## HOW TO CHOOSE A BROKER?

Choosing a Forex broker of confidence and safe is the most important step in the work of any Forex trader. It is the quality of services provided by the selected company determines part of the success. This aspect deserves special attention.

Choosing a broker is complex. You must be satisfied all the criteria: credibility and image of the broker market, experience, availability of training materials, and proper operation of the continuous trading platform, fast support team effective response and finally, rapid withdrawals, etc.

Unfortunately we don't have affiliate link of brokers because we will never recommend something that we don't know about. Anyway feel free to send us a message if you want to know what broker do we use. We are not here to recommend things and make money from it. We do not work with any broker because we are not here to enrich ourselves in the bad way like most of those mentors do. Hope you understand it.

I leave you this link that has a list of the most famous and secure Internet brokers. I hope you choose yours quickly and easily.

<https://topbrokers.es/brokers-forex>

## **Things to do in order to chose a good broker ?**

The next step is to create a DEMO account in your name.

In general, when you enter the website of a broker, there is a button that says create a demo account.

You will need your name, email and phone number.

Do not panic if you get a call on your cell phone from an unknown number. Brokers usually give a warm welcome to new customers by calling them and asking you what your goals are. Just answer them sincerely want to start trading in Forex.

We advise you to be realistic and choose an amount that you think is the one indicated when you will start trading with real money. Please make sure to choose a reputed broker , it does not make sense to create an account from a broker that has headquarters in the cayman island.

Once you have finished all you're asked to do, you will receive the information in your email or be available on the website of your broker.

They will give you a user name and password

## **What to do when we already have created a demo account?**

Perfect, you have a broker and you already have created demo account now what you need is a platform for open positions.

On your broker site, download the trading platform: MetaTrader 4 for Mac or Windows. All you have to do is once downloaded and installed like any other computer application, add the information to your demo account to the platform and you're ready to open positions in real time.

The image below shows an image similar to what will appear when you open the application for the first time.

As we can see what needs to be done is to go to connect to the trading account. (Click in login to a trade account as the image shown below)



## Once inside :

The account number you will be prompted with the respective password, including the server to choose.

After that, welcome! Now you can trade

On the other hand, on your Smartphone search an application called Metatrader 4.

Once inside, we go to settings, we connect to an existing account and do the same thing than on the computer: we add our account number, password and username.

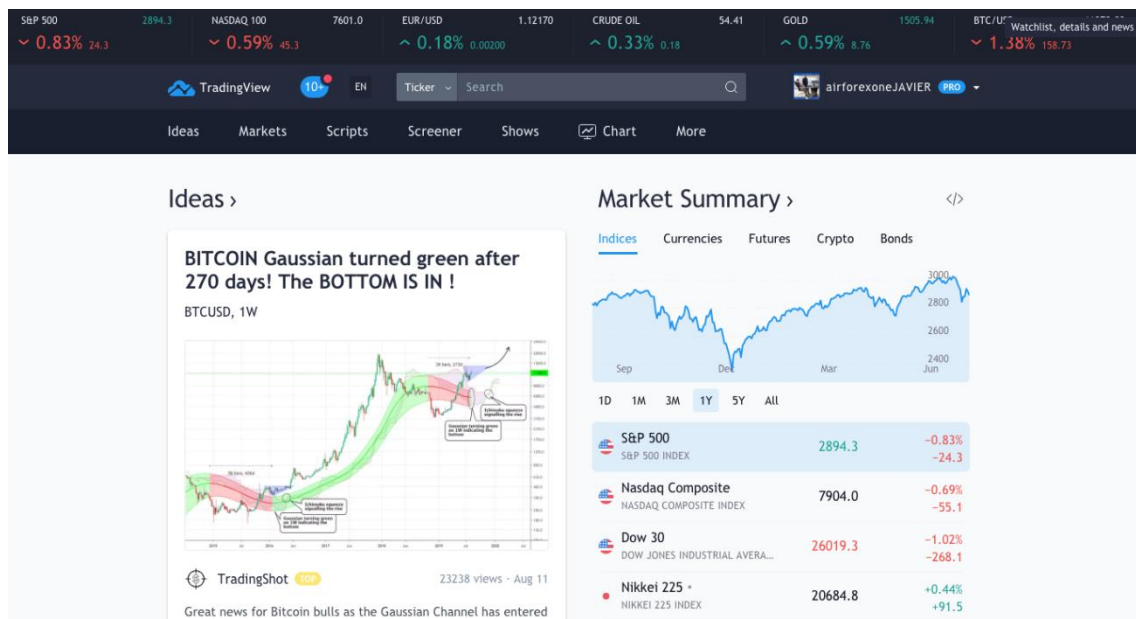
The password and username have been provided earlier in your e-mail by your broker and everything is ready for you to trade in your computer and phone.

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## WHERE TO START ANALYZING CHARTS TO TAKE A TRADE?

For this, we invite you to create an account on specialized platforms to do your technical analysis. One very famous is the next one:

<https://www.tradingview.com/>



Once inside, we invite you to look for currency pairs. When you open a graph, we invite you to experience all that you want, it will be very easy to find as indicators, moving averages, etc ...

**The following links are our tradingview profiles in which we daily share market rundowns : make sure to follow both accounts because we are constantly sharing value. By following you will have our trade setups on a daily basis and you will be able to directly be in contact with us.**

<https://www.tradingview.com/u/airforexone/>

<https://www.tradingview.com/u/AIRFOREXONE/>

## TYPE OF ORDERS

We have explained what CFD'S are. If you have already forgotten, We repeat again briefly because it is essential to properly understand in order to trade the fx market. If you still struggling go to babypips.com

*CFD is a contract in which the difference in the price of a financial instrument is exchanged at the time of opening of the contract and the price at the time of closing the contract. In other words, you open a position at a certain price by opting up or down, and you close it later. Either The price has gone to your direction you win money and if it's the opposite direction speculated you will lose money*

## Let's go in DETAIL:

The different pairs of the foreign exchange market are part of the CFD category "CFD" financial products

It is necessary to understand the cycle of a contract for difference.

CFD have two critical phases: **the time of entry and time of exit.**

- **Entry** : The exact moment in which we enter a trade: it might be buying or selling and there are different types of tickets that will be explained in later chapters.

-**Exit** :The price will have already moved, either in our favor or against us, our goal will be to close either with profits or losses. Forex is very different than stock we don't have a portfolio of shares.

## HOW TO UNDESTAND THE DIFFERENT TYPES OF ORDERS IN THE FOREX MARKET?

### ENTRY ORDERS

#### EXECUTION ORDERS

This type of entry allows us to get into a trade in the exact moment of the current price of the asset chosen. They are the most used. The instant execution will allow you to enter the market in one click.

#### PENDING ORDER: LIMIT ORDERS

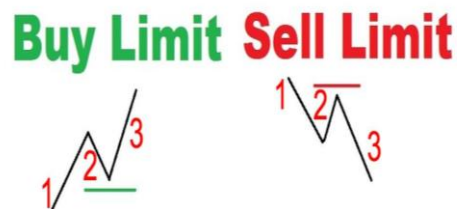
This entry order is excellent for those looking for a better price. Although it takes a little more experience in advance.

#### For example:

Lets say the market price is 1.50 and we want to buy in a even more attractive and cheap price , we will place a buy entry limit order below the current price at 1.40 (or whatever we want ). If the price reaches this price, the buy order will be properly activated.

If we want to sell, it works in the opposite way.

Let's say the market price is 1.50 and we want to sell at a even more attractive and expensive, we will place a sell limit order above the current price at 1.60 (or whatever we want ). If the price reaches this price, the sell limit order will be activated



### BUY LIMIT TRADE EXAMPLE

**Phase 1 :** In the image from above: let's say we want to use an entry limit order for EURUSD quoted at 1.50.

We consider that the price is very high. We decided that it is better to wait for a better entry price.

**Phase 2:** The price has decided to drop a little, we place our buy limit order at a lower price than 1.50.

The price reached 1.40 and our order is activated.

**Phase 3:** We are in profit, the price continues its upward trajectory as we had expected.

### SELL LIMIT TRADE EXAMPLE:

**Phase 1 :** in the draw from above: let's say we want to use a limit order to sell EURUSD quoted at 1.50.

We consider that the price is very low. We decided that it is better to wait for a better entry price.

**Phase 2:** The price has decided to go a little higher, we placed our sell limit order at a higher price than 1.50.

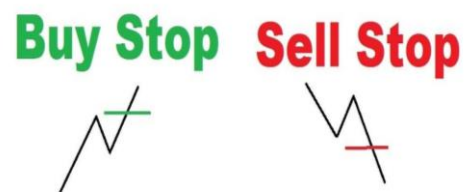
The price reached 1.60 and our order is activated.

**Phase 3:** we are in profit, the price continues its downward trajectory.

The benefits of these order types is that they allow us to set and forget However, we will need much more experience, and we do not know if the price will reach the desired price.

## STOP ORDERS

This type of entry order allows us to access in the direction we think the price will move.



### Buy stop example:

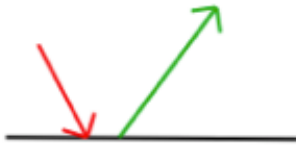
Let's say we want to use a buy stop order for EURUSD trading at 1.50. We believe that the price will continue with its upward direction. And we put our buy order above the current price at 1.60. Once the price reaches this level, the order is activated.

### Sell stop example:

Let's say we want to use an sell stop entry order for the same pair that is trading at 1.50. We believe that the price will continue with its downward direction. We place our sell order below the current price at 1.40. Once the price reaches this level, the order is activated.

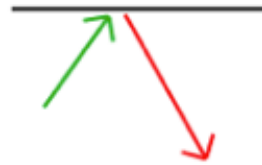
If you are a beginner you will probably find difficult to understand it , here's why in the next page you will find a summary of the different type of entry orders.

### BUY LIMIT



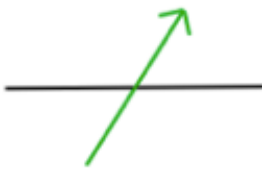
Order placed below price,  
Then price goes up

### SELL LIMIT



Order placed above price,  
Then price goes down

### BUY STOP



Order placed above price,  
Then price keeps going up

### SELL STOP



Order placed below price,  
Then price keeps going down

@Airforexone

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## EXIT ORDERS

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### STOP-LOSS:

The glorious stop loss is what saves our lives. It is neither more nor less than an order which automatically take us out from the markets if the price goes against us. In other words, we give the order to delimitate a loss limit to protect our capital. A useful tip is always to use a stop-loss. The stop-loss reduces the emotions of fear and stress of trading.

### BUY EXAMPLE:

Let's say we bought EURUSD quoted at a price of 1.50. We expect that the price continues to rise, we put our stop loss below our entry price at 1.30. If the price falls and reaches 1.30 and touches our stop-loss, our loss will be cut.

### SELL EXAMPLE:

Let's say we sold EURUSD at 1.50. We expect that the price continues down, we put our stop loss above our entry price at 1.60. If the prices go up knowing that we expected it to decrease. The price will touch our stop-loss and our loss will be cut.

---

### TAKE-PROFIT:

#### **The take-profit is the opposite of the Stop-loss**

It is nothing more and nothing less than an order which automatically take us out of the market if the price is going in our favor. In other words, we give the order to delineate a limit profit. This allows us to take profits automatically.

---

### PIP: (PERCENTAGE IN POINTS)

A pip is the minimum change in a financial instrument of in the Forex market.

All pairs present on the forex are evaluated with 5 digits, the only exception is for those of the Japanese yen.

For example for EUR / USD in the left image, quotations displayed is 1.1392 (1).

However, in the right image the value of EURUSD is 1.1381 (5).

Market Watch: 21:28:04			Symbol	Bid	Ask
Symbol	Bid	Ask	▲ AUDUSD	0.69713	0.69729
▼ EURUSD	1.13921	1.13939	▲ NZDUSD	0.66491	0.66509
▼ GBPUSD	1.27382	1.27404	▼ GBPUSD	1.27194	1.27216
▲ USDJPY	107.297	107.315	▲ CADCHF	0.73859	0.73882
▲ XAUUSD	1415.62	1415.88	▼ CHFJPY	109.961	109.985
			▼ EURUSD	1.13815	1.13834

The difference in the 1.1392 (1) - 1.13815= is around 10.5 PIPS.

The fifth decimal place does not always appear, according to the broker, it is not so important. Just keep in mind the 4 digits.

## HOW TO BETTER UNDERSTAND PIPS?

Let's say that EURUSD at a time X increased from 1.13900 to 1.12300. To speak of this action, we will do a simple subtraction  $1.13900 - 1.12300 = 16$  pips.

The importance behind the notion of pips is that according to the number of lots that we use to trade a pair, the result in terms of money will depend on changes in the PIP.

For example, if we buy EURUSD with a standard lot (1.00), An increase of 1 pip will be a profit of \$ 10, while a decrease of a pip will be a loss of \$ 10.

### Another example :

If we execute a trade with a pip value of \$ 10 PIP in the pair EURUSD at 1.3500, ; For an increase of 55 PIPS to 1.3755 on your platform, you will see a profit of \$ 550.

Finally, it is worth mentioning that the value we associate with each PIP will depend on each currency but also on the lot size. This is something that we will see in the risk management section of this book. Your trading experience and your account balance will determine how much money you can afford in a trade.

Don't be afraid if you still having issues to understand few concepts, you will realize that with practical examples it's easier. By the way there is a misconception in the trading industry, so many fake gurus use them as a marketing sale speech, however pip ain't nothing. We will teach you later why

## SPREADS

When we trade the FOREX market , we need to get access to the market through a online broker. Obviously brokers do not work for free. In fact, the broker makes money on every trade we open is like a small commission every single time you open a trade.

Market Watch: 21:28:04		
Symbol	Bid	Ask
↓ EURUSD	1.13921	1.13939
↓ GBPUSD	1.27382	1.27404
↑ USDJPY	107.297	107.315
↑ XAUUSD	1415.62	1415.88

You probably wondered what the BID and ASK consist in with previous images.

The difference is that the broker earns the difference between these two prices.= is the commission PIPS that our broker wins every trade. Other important thing to mention is that the more you execute the more they make money that's why most of online gurus share affiliate links to brokers and they promote scalping as a sales speech. Of course they make money for everytime you execute a tradeThey They are not here to make you rich , they are here to make you poor if you don't understand how this industry works.

### FOR EXAMPLE :

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Let's imagine we buy / "long" eurUSD, the trade will be really executed at the price of the column of ASK.

If we sell / "short" the pair eurUSD, the trade will be executed at the price of the BID

In the case of the image from above above, if we take the example of eurUSD.

Subtracting 1 1392 (ASK) - 1 1393 (BID) gives a value of -1 PIP. This means that when you run a trade automatically, you will be -1 pip. The broker will have already charged his commission of 1 pip on your trade.

If you just start trading on the FOREX I recommend using pairs where SPREAD are lower

The most famous major pairs tend to have very small spreads and are very cheap for trading. By other side avoid trading

The following list shows the pairs with very accessible spreads.

1. **EURUSD**
2. **USDJPY**
3. **USDCAD**
4. **NZDUSD**
5. **AUDUSD**

Exotic pairs as USDMXN, USDZAR etc ... they have spreads by more than 5 pips and they are very expensive to trade.

Spreads are always in constant fluctuation. For example, about 15 minutes before the important news are published, they increase and during the night spreads are ridiculous higher. Brokers tend to manipulate spreads to make even more money.

### **Different types of analysis :**

Now that we know what we're going to trade, where we are going to trade , how we will get into the market and how our profit or loss will be generated, we need to know what will count to trade in this market.

It will be crucial in our career as traders to develop a set of rules in order to enter and exit, based on specific analysis. This is one of the keys to have success in the world of trading. To do this, we have two tools:

### **Fundamental analysis and technical analysis.**

But first, what distinguishes a professional trader and an amateur is that a professional has thoroughly earned its place at the top 5% because he is someone who is able to know how the market will potentially move because he combines two types of analysis mentioned above.

## **FUNDAMENTAL ANALYSIS**

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This type of analysis is based on the macroeconomic study of the market. This is a technique used by traders who assimilate the economic relationship and the high-impact news to determinate the market direction.

In the past, this type of analysis was the most important and used by traders.

Today , the economic and fundamental new datas are important for the direction of the markets of all the currencies available in the forex market but technical analysis has much more impact

## TECHNICAL ANALYSIS :

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This second type of analysis is the one we use to develop our trading system revealed in this book. We are 80% technicals 20% fundamentals.

Too many people think technical analysis is about recognizing patterns and candle formations but the true is that it is really about understanding the psychology of money flows and the market sentiment.

One thing that is very important to say is that each person builds their own personal trading system, some systems that work for others will not work for you.

What we want you to do after reading this ebook is to give you a “template” to build your own system based in supply and demand and price action.

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## HOW TO UNDERSTAND CHART STYLES

### Line Chart

On each session closing price is visually represented It is worth mentioning that according to the time frame selected the graphic update will be different.

In a 4 hours, time frame the graphic will be updated every 4 hours, while in one day, it will be updated once a day. This type of graph is helpful to easily find key points. In the following chapters, we show you how.



## Bar Charts

The bar chart presents much more information than the line chart. We can see the opening price, the maximum price, minimum and each session closing price.

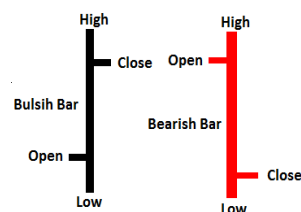
For example, let's say you set your charts to a one hour time frame each bar represents what has happened over an hour on the graph. If you study the charts in higher time frames as daily, each bar represents 24 hours.

The bars are made of an opening price, the highest price of the section, the lowest price and finally the closing price.

The bars are independent and none is linked to another.

The following chart is a 4 hours time frame(240 minutes). Therefore, each bar corresponds to what happened every 4 hours.

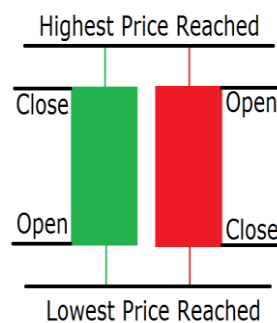
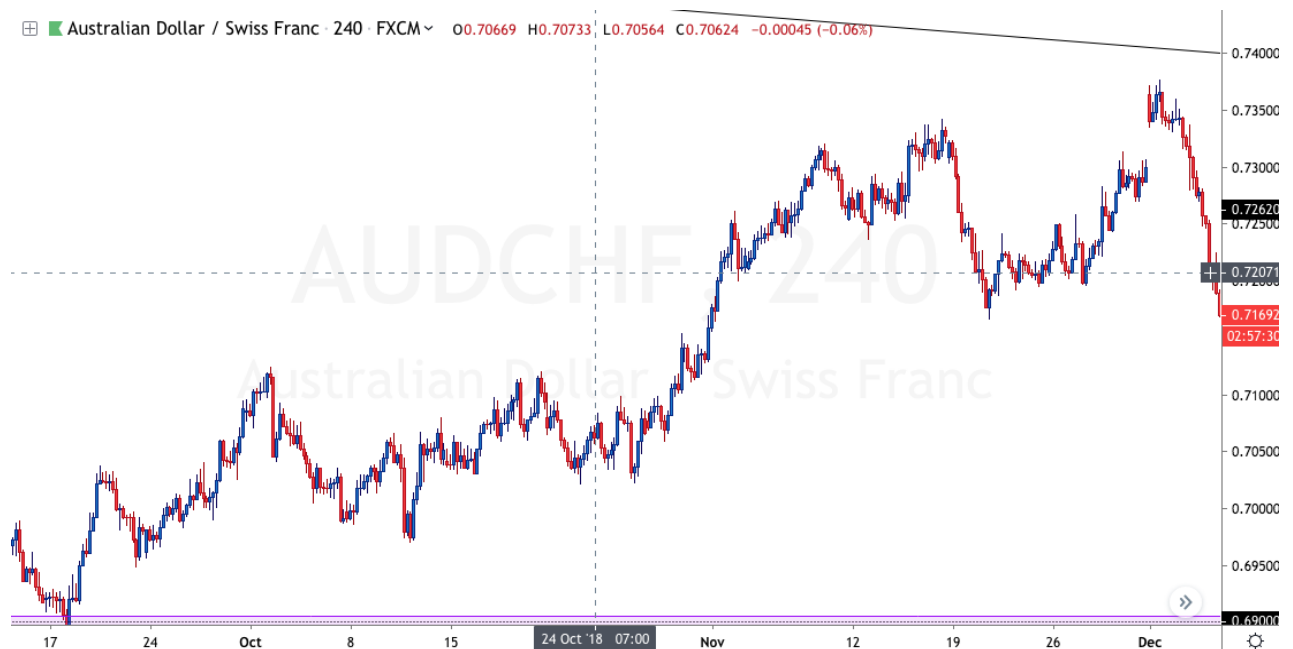
In this example, the red bar does not change but the black bar corresponds to the green bar.



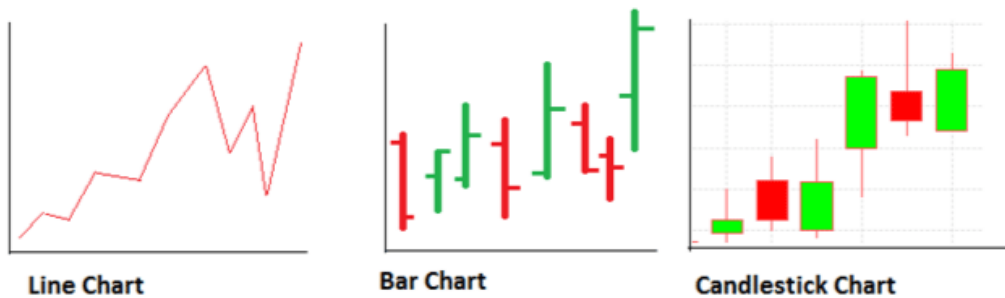
## Japanese Candlestick Chart

This type of chart shows exactly the same information as a bar chart, but in a more visual format. This type of chart is currently the most widely used and the one we will use to find opportunities. If you can not understand it, do not worry at the end of this book, you will understand. In the following chapters, we teach you how to interpret and master this type of chart.

The following chart is a 4 hours chart. Therefore, each "Japanese candle" shows what happened every 4 hours. In this example, the green candle is the candle blue and red will not change.



To summarize what we have seen on chart types, the next picture we made a simple comparison of our 3 different types of graphs.




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## TRADING STYLE:

Choosing a trading style based on our lives is very important. Everyone does not work the same way. Our lifestyle our personality and our daily obligations should dictate the style we adopt and never the reverse.

You cannot force something that has not a natural flow with your perception

## SWING TRADING:

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Swing trading is a trading style based on a execution-oriented by medium-term time frames. The swing trades are the ones that can be held for days, weeks or even months. They generally work on charts of 1h to 4 and daily and aim to capture a swing or a large market movement. This style of trading is ideal for people who have many responsibilities and limited time.

Usually swing traders are on the lookout for big profits.

Airforexone has a intraday strategy that can turn into a swing if the markets suits the condntions.

## DAY-TRADING / SCALPING:

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Day-traders open and close their positions all in one day or few days. They trade on time frames from a minute to an hour and are designed to capture market volatility. This makes them very busy in front of a computer, about 8-10 hours a day. They trade entire sessions, they are people that formed the mindset to work quickly.

This is the style of choice recommended for someone who wants to make money in a day, usually carrying even more than 3 trades per day.

However, this style of trading tends to create very bad habits among new traders. It usually generates impatience that tends to motivate you to increase the leverage making it very dangerous trading.

Usually scalpers hunt small profits: between 10 and 30 pips per trade.

Scalping is fast, if you like action and you like to focus on small time frames between 1 to 1 hours this style will suit you. However if you like control your thoughts and think with a cool head, it is best to stay away from that style.

Usually, when starting in trading, it's suitable to start with swing trading.

Scalping is for very advanced traders with advanced mentalities.

We advise you to start trading in big time frames : h4-h1 DAILY

We are not scalpers !

## POSITION TRADING:

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The position traders make trades from weeks to months. They work on big time frame charts and aim to capture the key trends that usually occur in the long term. This means that traders position must be in front of a screen for a few minutes a day, and trade a number of trades in the long term. Usually position traders are hedgefunds that held contrats,

Now that we have seen different styles of trading.

We must be honest with ourselves and choose a style that suits our lifestyle.

The tools we are going to show in the following chapters, will develop you a simple and effective trading system that potentially will save you money in the markets.

As mentioned in the first chapter, with this concludes the Introduction to trading. These concepts will not be enough to be able to make money in the markets. But I'm definitely say that these are basic and necessary concepts, they must be internalized.

Once they are familiar, we can move to the real content of this book

## WHAT AIRFOREXONE STYLE WILL TEACH YOU?

We have presented many styles of trading.

What motivated us to write this book is the fact that you bought time to prevent you from making mistakes that we made in the beginning. You are buying YEARS From our experience of trading, we have tried everything: indicators, systems, strategies ,time frames , algorithms etc ...

### **Do you want to know if it worked for us?**

Absolutely not ! We took some time to realize that we had to go back to basics to eliminate all these indicators that all they did was confuse us. We must focus on the price action. One strategy one style of execution and that's it, We are specialized traders

We decided to say goodbye to all this mountain of indicators and information that all they did was fill our screens with colors and make them look like a work and of Picasso. We keep things simple

Today AIRFOREXONE head traders are specialized in technical analysis of price action, study and interpretation of the different currencies and analysis of fundamental news.

We specialize intraday to swing trading

We are not interested in scalping simply because it takes a lot of time, led to the creation of bad habits and give commissions to brokers. Statistically its very hard to make more money trying to scalp. We have multiple studies that prove that m1 m5 scalping does not give results or you should be part of the top 1 % to make it, the rest is just selling you dream and eriching the piggy brokers.

The following image shows how much currencies moves on average on a daily basis :

EURU	•	1.1383	0.0060	0.53%
USDJf	•	115.09	0.057	0.05%
AUDC	•	0.6628	0.0009	0.14%
XAUU	•	1828.7	14.015	0.77%
PREP				
EURJf	•	131.01	0.741	0.57%
GBPJf	•	155.75	0.452	0.29%
AUDJf	•	83.67	0.319	0.38%
AUDU	•	0.7270	0.0021	0.30%
BTCUSD	•	47348.1	-429.2	-0.90%
CADJf	•	91.04	0.793	0.88%
DXU	•	95.670	-0.329	-0.34%
NOTHING				

As you can see , on average currencies moves less than 1 %per day Does it make sense to scalp a market with very little volatility ? I'll let you imagine how scalper try to catch money , in fact they are just trading noise in the markets...

Our trading style can give us 3-7 trades a week with the minimum target (1:3 RW). We are fully aware that one single trade properly stacked can bring us way more than multiple random executions. LESS IS MORE , EFFICIENCY IS THE HOLY GRAIL IN THIS GAME.

We focus on finding a style that offers freedom, and above all, which is less stressful for the balance of our personal lives.

AIRFOREXONE aims to deliberate experience in the most efficient manner. You will gain practical and psychological knowledge and you will avoid to experience hard times, some that times have dropped our morale multiple times, but this shared knowledge will prevent you from living the same as us.

Before continuing, we want to Welcome you to the family. You have taken the right path and decided to move away from those companies that call themselves "financial education companies". No fake gurus , no materialistic stuff , no idiotgram or social media only actions and proper trading from real traders.

You are about to lear from real and passionate traders and Therefore, you are very likely to get our mentality and trade like us.

## CHAPTER 2 CYCLE AND MARKET STRUCTURE

In order to understand the fx market, we need to understand the human behavior universal laws and economic cycles.

Our goal is to speculate and make money with the potential direction of certain prices.

This chapter will seem very basic, but it is very important if we want to really understand proper speculation and the further chapters

Sometimes ,there are things that are taken for granted because they are so simple that we end up not taking them into consideration. Let's not fall into this error.You must unlearn to learn

You need to unlearn what you have been taught about the market.

First of all we need to know the structure of the price . If we know the structure, we know what the price is doing at each moment and we will use this knowledge to apply different techniques and tools that will enable us to take advantage of the market in different circumstances.

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### HOW TO DEFINE A TREND USING THE MARKET STRUCUTRE?

The direction of the trend is the foundation of success in trading. It allow us to find HPT TRADES ( HIGH PROBABILITY TRADES)

Currency's gain value or lose value. There is a popular saying on Wall-Street that says **Do not trade against the trend**, the trend is your friend. Memorize this sentence because we are going to bother you with it throughout the book

It's proven that you have more chances to win money if you are trading with the same direction that the trend.and the market flow. Trading with the trend will allow you to find **HIGH PROBABILITY TRADES (HPT)**

When you trade against the trend, the risk increases considerably and the truth is that the risk reward is not very attractive.Yes it is possible but you will encounter **LOW PROBABILITY TRADES( LPT)**

#### **Market Phase Examples:**

Many traders overcomplicate when it comes to identify a trend, especially those who use indicators. Price action is a very simple and effective trading technique that is used to determine trends easily.

The following examples illustrate the famous Dow theory. As we say, sometimes simple is more effective.

**Market can JUST BE : Bullish , Bearish or consolidating.**

### UPTREND: STRONG BUY VOLUME > SELL VOLUME

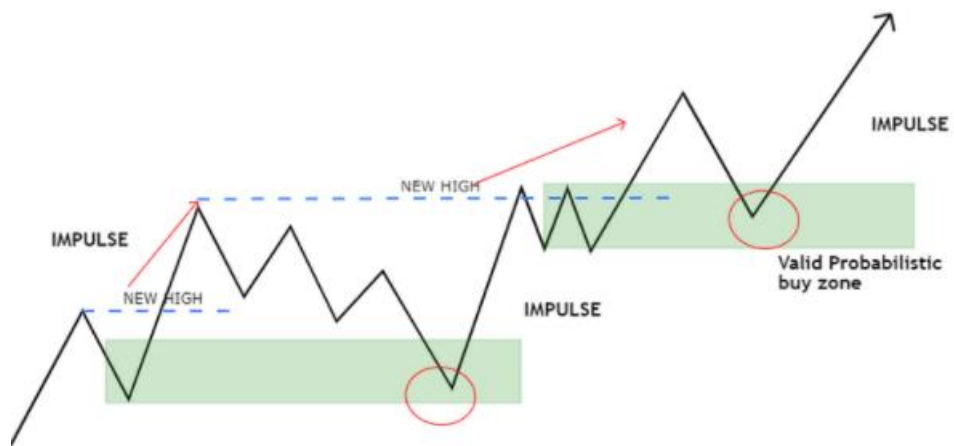
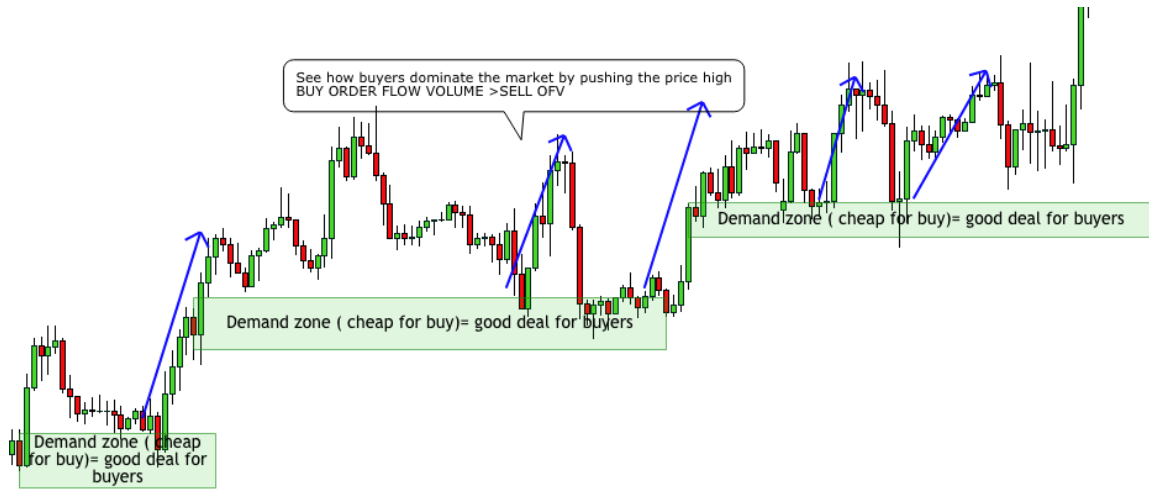
The uptrend is confirmed when there are higher highs and lower highs . Once identified, your goal will be to find entry points in Demand zones ( underpriced). This type of action is known as a bullish trend and is identified by a series of movements where the high points exceed previous highs.

This market phase shows a lot of buy order flow volume > sell order flow volume See how the green color of the candles dominate the situation. By other side , the impulsive moves are showing a strong rally and bullish pressure.

Bullish impulsive waves are way bigger than bearish corrective waves



We do not want to teach you the same than the others, let's show you how to define an uptrend , you just need to validate one criteria : **Buy order flow volume is superior than sell order flow volume**, how to we know that ? by just watching the price moving from demand levels. In those zones , buyers add to their positions and create an imbalance moving the price high. Don't worry if you don't know about supply and demand , we have many chapters that are going to teach you Everything to become consistent.



@airforexone

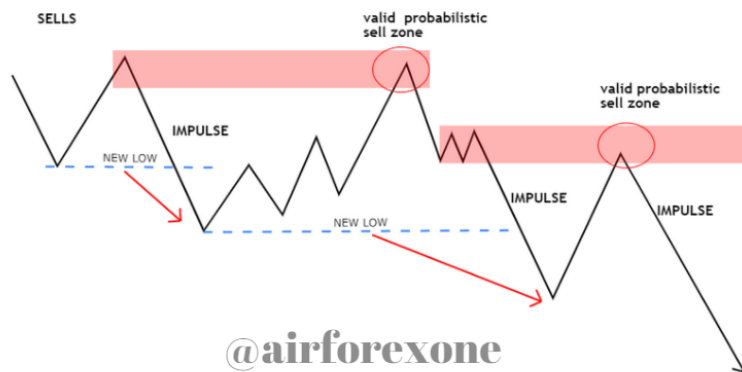


## DOWNTREND :

The down trend is confirmed when there are higher lows and and lower lows. Once determined, your goal will be to find entry points in lower highs to sell in Overpriced zones(supply levels). This type of act is known as a bearish trend and is identified by a series of movements where the Sell orderflow volume is stronger than buy order flow volume.

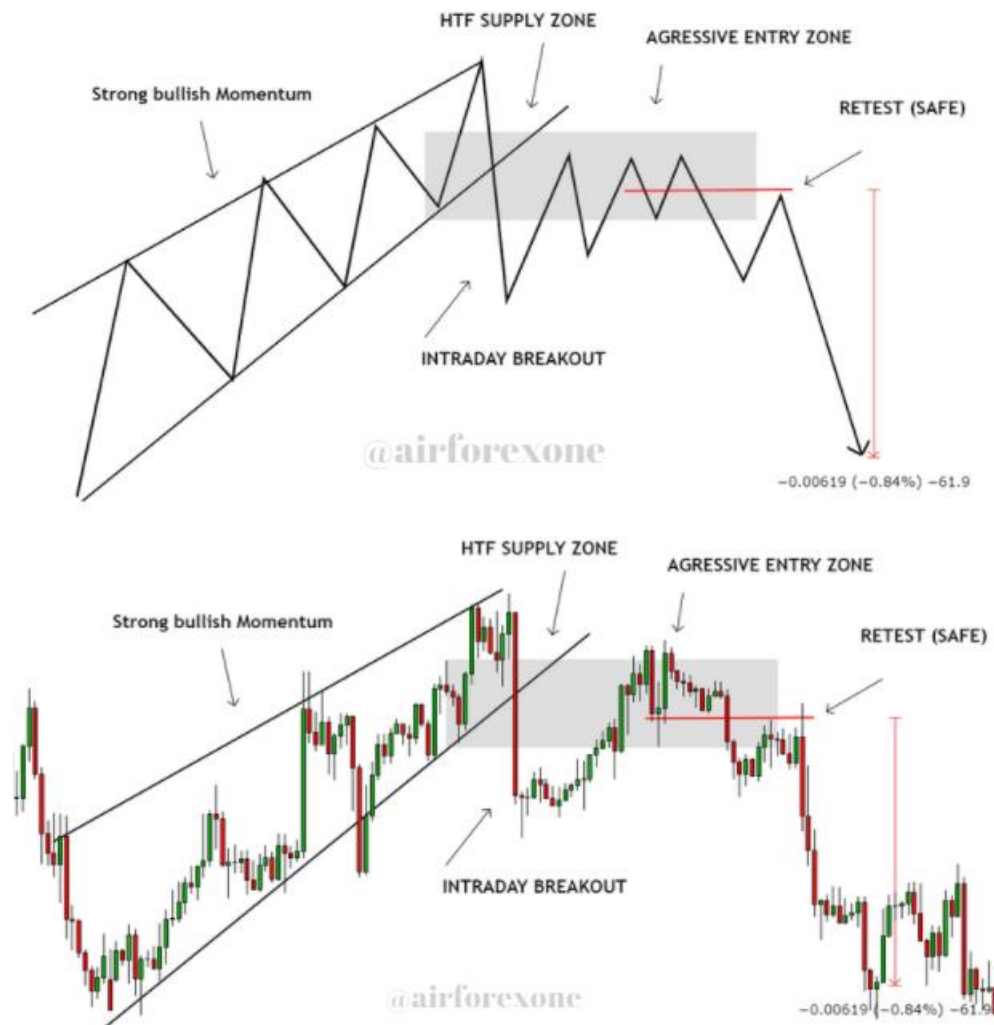


Let's show you how to define a downtrend with supply levels , you just need to validate one criteria : **sell order flow volume is stronger than buy order flow volume**, how do we know that ? by just watching the price moving from supply levels. In those zones , sellers add to their positions and create an imbalance moving the price low. You can simplify that by recognizing the majority of the candlestick colors.



## HOW TO IDENTIFY A CHANGE OF THE TREND ?

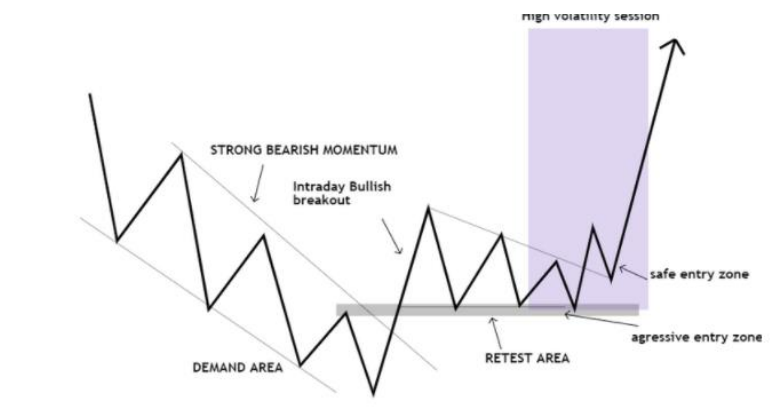
The end of an uptrend is marked by the failure to create a higher high points .Look at the image below: What you need to understand is that In that instance , price is no longer interesting for buyers and buyers are taking their profits and eventually price is now sitting in a strong longterm macro **supply area** interesting for sellers.



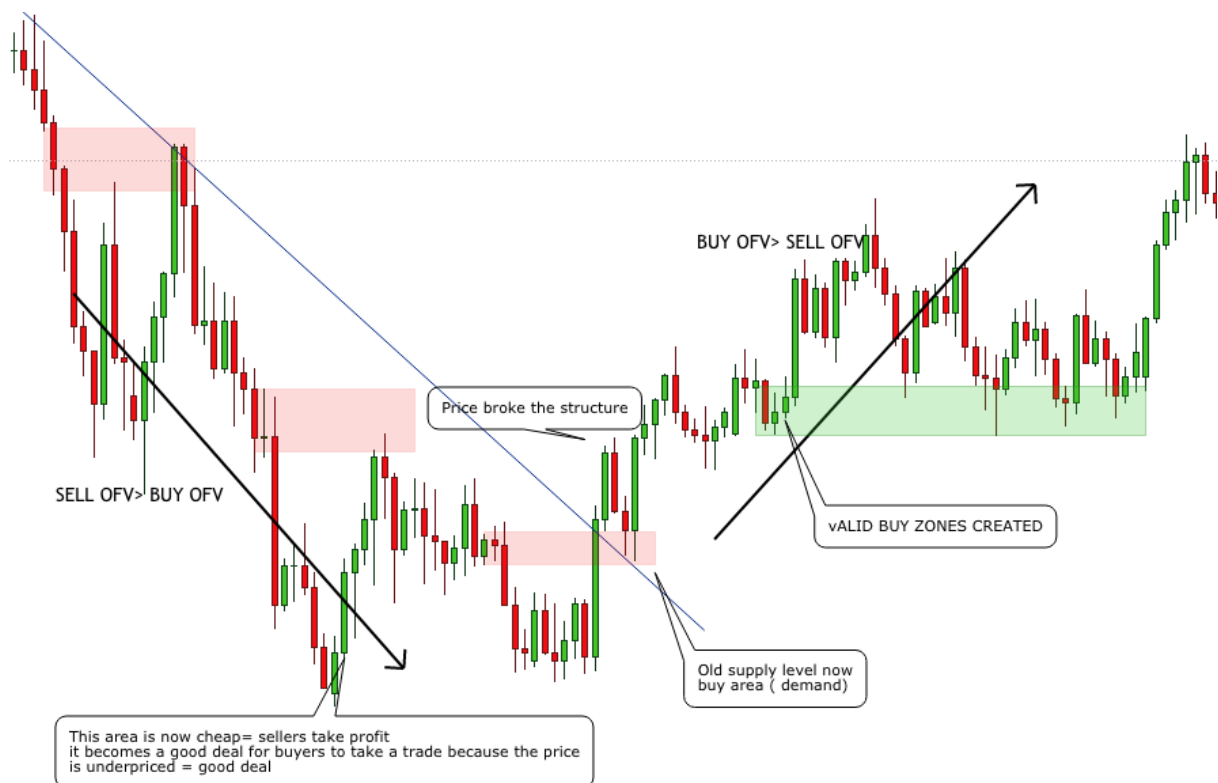
1. In a first instance price is making higher highs and low highs, we say that **BUY order flow volume (BOFV) > SELL order flow volume( OFV)**
2. However, The price does not create any other higher lows. **Price fail to respect the structure to the upside. Some external force drastically**

**changed the market behaviour** . Price is potentially around expensive areas= attractive for sellers: big supply levels

3. Finally price break to the downside creating an intraday breakout invalidating the structure. In other words demand levels are no longer interesting for buyers. In that case those zones will be absorbed or invalidated.



1. In the first instance , price makes lower lows and lower highs (downtrend structure)= **sell order flow volume > buy order flow volume**
2. The Price fail to follow the bearish structure and does not create lower lows. Inbalance between buyers and sellers : some external force drastically changed the market behaviour. Price is potentially around cheap areas : Big Demand levels
3. Finally , The price creates an intraday breakout to the upside and uses one higher point as a support to create new highs and higher lows (beginning of an uptrend)= buy order flow volume > sell order flow volume.

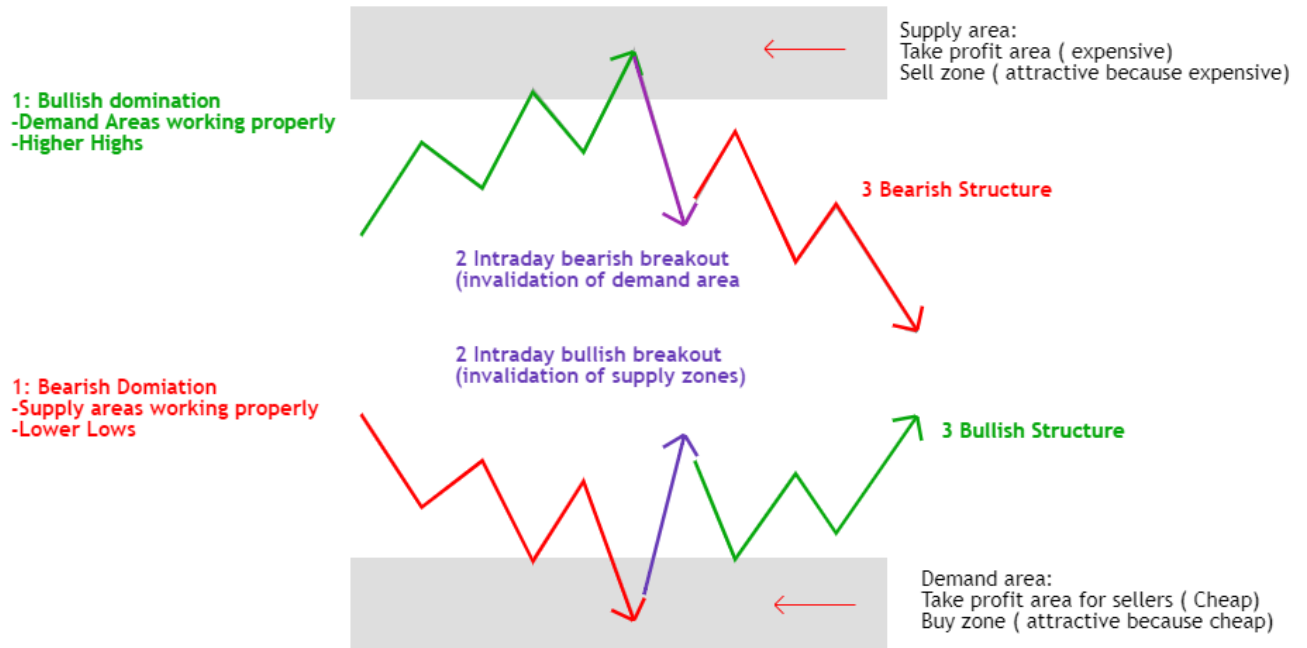


If we follow the previous steps, it is possible to objectively determine when the price is going to reverse. It's really important to understand that the rapid adaptation to market conditions will help us know what action to take.

Logically, the identification of these changes will not be easy at the beginning. We invite you to open your charts and train your eyes. You must train the brain to recognize the movements and the price structure, because experience and exposition to charts is the essence of trading.

Trading is based largely on the training of the eye. Every single time you analyze your charts start by doing that. Do not overcomplicate things Here is an example:

In order to summarize this section in one simple image make sure to take notes from the following illustration:



## HOW TO UNDERSTAND A RANGING MARKET

Trading in a sideways market is known under the name "trading Range" This market involves a series of movements that do not create new highs or new lows. It is also famous because it easy to spot supply and demand areas. The result is always high probability entries with a very attractive ratio "risk-reward". The goal is to buy in a Demand level and sell in the supply level. In this case, the market has no direction.Usually it happens at the end of the year or before a very strong fundamental announcement



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## THINGS THEY DON'T TEACH ABOUT CONSOLIDATED MARKETS

Unlike a range, market compressions or consolidations are small market breaks during a trend. They are called small phases of re-accumulation or re-distribution

It differs from a Range because it is smaller than a range

In other words market makers accumulate orders before moving again the price . When you see the price “boring” you must understand that market is just consolidating because there are orders being accumulated



As you can see in the previous image there is a huge amount of volume in that “boring phase” See how before we had a massive drop and the the drop continues.

---

## HOW TO TRADE A CONSOLIDATION OF THE MARKET ?



As we explained before this type of market can be found during a trending market . In other words it's just a pause of the market before a continuation.

- 1) Identify the previous trend
- 2) Wait a volatility peak : ( most of the time during the opening of the london or Ny sess
- 3) Set a stop loss behind the zone
- 4) Take a trade accordingly to the previous trend.

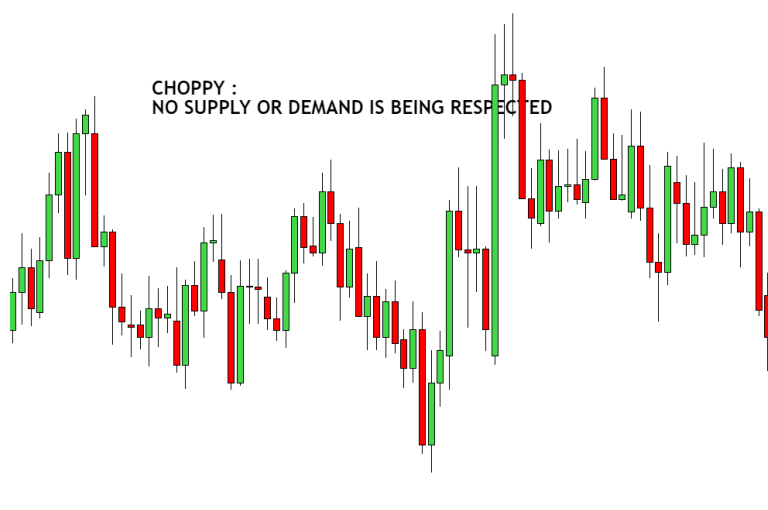
What you need to understand about market consolidations is that market makers accumulate orders , so in other words = the calm before the storm, when you see the market quiet is because orders are being accumulated. You must forget what you have learn about it.

In the image below see how during the drop we have a little volume and meanwhile during the accumulation of orders we have huge volume.

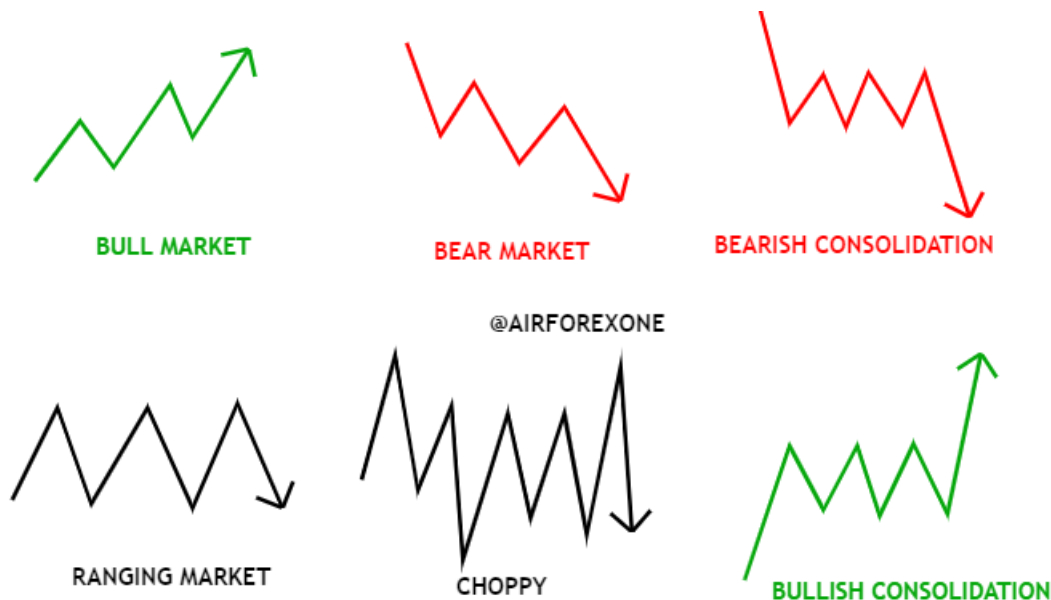


## CHOPPY MARKET CHARACTERISTICS

Unlike a range and a consolidation of the market by re-accumulation or redistribution, this market is the most difficult to trade. In fact, we advise to avoid to trade it because supply and demand are not 100% respected. The COVID period was the clear example to show a choppy market.



Here's an image that summarize what we have been talking about :



## THE REAL PSYCHOLOGY BEHIND THE TRENDS

### HOW TO UNDERSTAND THE MARKET PHASES

The Forex market moves through cycles that are constantly repeated.

“Fear and hope remain the same; therefore the study of the psychology of speculators is as valuable as it ever was. Weapons change, but strategy remains strategy, In the financial markets as on the battlefield. I think the clearest summing up of the whole thing was expressed by Thomas F. Woodlock when he declared: "The principles of successful speculation are based on the supposition

that people will continue in the future to make the mistakes that they have made in the past

Let's talk more about it

The price cycle begins with the accumulation of order better known as the phase of accumulation. In practice, there is a consolidation, but it acquires its name from the psychology behind

### **Uptrend example:**

At this time, large buyers (market makers) consider that the price of a certain pair like eurUSD is optimal for buy entries (underpriced) = good deal for buy, they begin to accumulate orders until the price rises. This is the origin of the word, the accumulation of orders.

The fact that a large number of buyers accumulate orders will cause an imbalance between supply and demand.

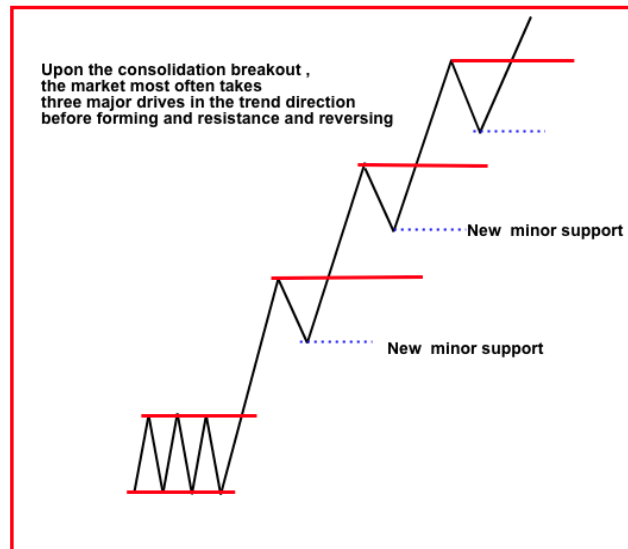
As there is more volume of buy than sell orders, demand increases and the price starts to rise rapidly. At this stage, we enter the second state of the cycle: the upward trend. The Range breaks up. We have a rally

A small phase re-accumulation is generally followed. We'll explain later.

Then, during the uptrend in the price buyers will want to liquidate their positions by taking profits. This will cause the offer starts to balance with demand gradually. Technically, this part of the cycle is called distribution phase (which is technically known as a consolidation but at the end of a trend).

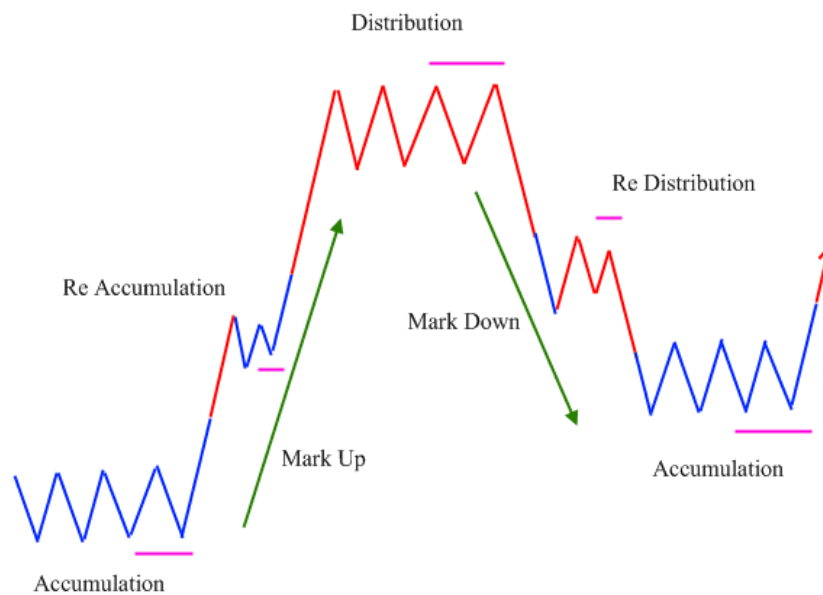
This phase is characterized by profit taken from traders who bought in the first phase and the execution traders who want to enter the market at any price. Two things can happen at this point:

1. Buyers are more aggressive than sellers, which will drive the price higher.
2. Or just sellers have exceeded buyers in terms of volume. If that happens, a downtrend starts. In this case, the price direction will show the fragility and another sign of change of the trend.

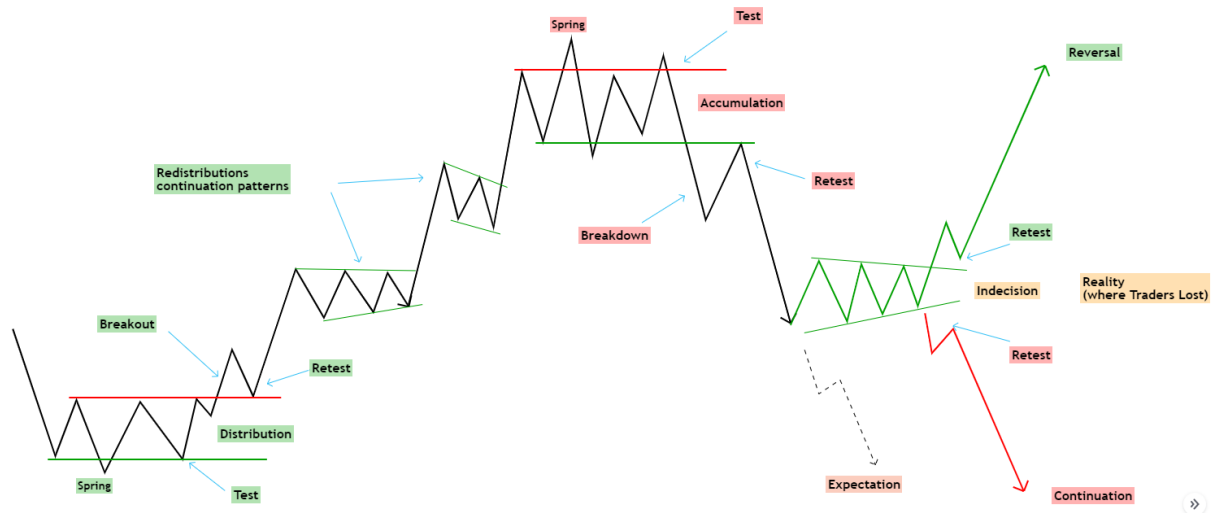


In summary, the market has three main phases:

- 1) **Accumulation:** Steady markets , Smart money buying
- 2) **The trend:** Public participation
- 3) **The distribution:** Smart money sell off - reversal trend



Here is a much more detailed view:



## HOW MARKET MAKERS MOVE THE PRICE ?

If you have been led to believe that the prices move depending on the number of buyers and the number of sellers; if the number of buyers is greater than the number of sellers, prices go up, & if the number of sellers is greater than the number of buyers, prices go down. Then you would be wrong... There is a lot of fake information in the retail industry!

The number of sellers or buyers is not what moves the price. What if one seller is doing all the selling to thousands of buyers? The price will go down. The answer to our question is that it is the degree of aggression of the buyers or the sellers and the volume submit is what really moves the price.

That's what creates the imbalance between buyers and sellers. Your goal as a trader is not to try to catch tops and bottoms that would be absolutely crazy. Your goal as a trader is to find optimal zones or in other word good deals.

### *What is an Optimal Zone?*

A zone in which price has already a trend defined by a rally or drop. Most of the time it is a breakout and pullback structure close to a very strong macro supply or demand level

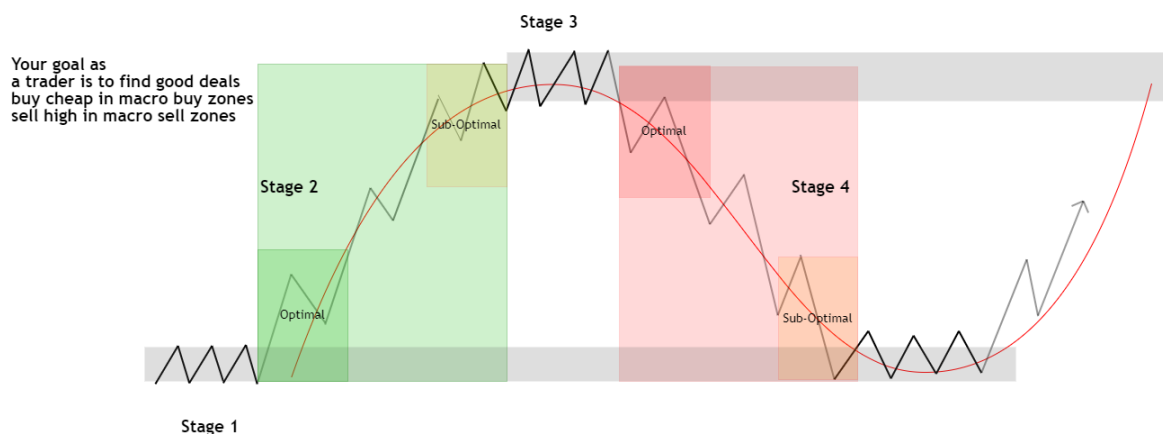
Buy optimal zones are close to a macro buy zone ( weekly or daily demand levels ) In other words price is cheap = good deal to buy.(High Probability Trade)

Sell optimal zones are close to a macro sell zone. In other words price is expensive= good deal to sell.=Good deal to sell (High Probability Trade)

## What is a Sub-optimal Zone?

Buy sub-optimal zones are close to a macro sell zone. In other words price is expensive = **bad deal to buy (Low Probability Trade)**

Sell sub-optimal zones are close to a macro buy zone. In other words price is cheap = **bad deal to sell. (Low Probability Trade)**



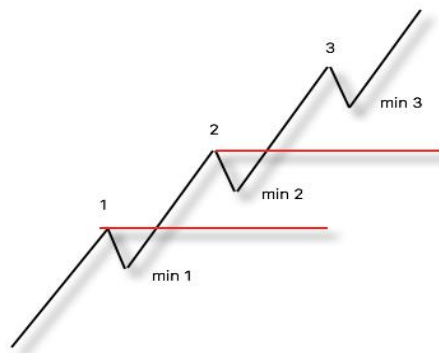
## HOW TO DEFINE THE SPEED OF A TREND:

Our work to achieve our goal to be profitable is to capture the major trends, therefore, one of our obligations as a trader is to recognize the speed of a trend to learn to position ourselves correctly. This with Fibonacci retracements will be of great help, we explain in the next chapter.

What distinguishes a trend in the other is its speed. And as always, study the Price Action is able to show us the speed of each. Let's see how

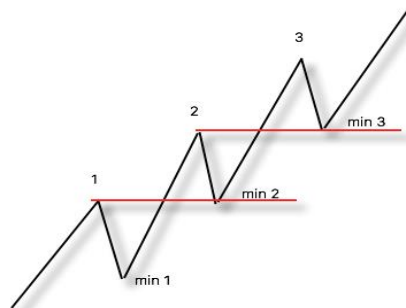
### **Strong Trends:**

These are the ones where the retracements do not reach the previous peak. In other words, the new low does not even touch the head of previous higher. This trend is most sought after by traders because the benefits can arrive very quickly and there is no stress of nervous when we see the price turning against us.



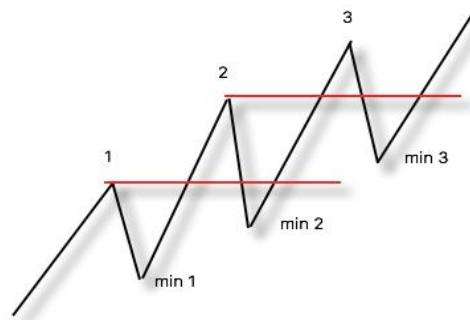
### **Medium trends:**

These trends are identified whenever new higher peaks touch the head of the previous high in a retracement and then continue their trajectory.



### **Weak Trends:**

In this case, the dips touch and exceed the previous higher levels.



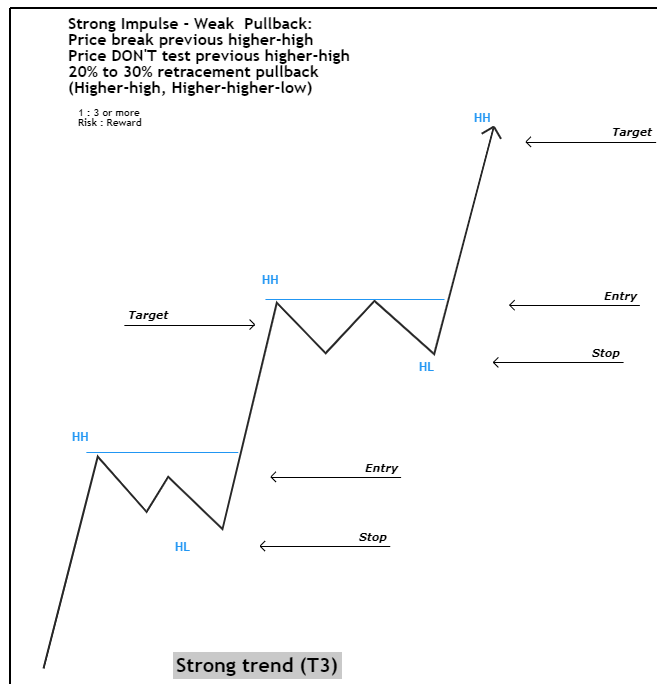
## HOW MARKET MAKERS EXECUTE THEIR ORDERS?

We don't need to know how they move the market , market makers are everywhere , there is no right or wrong either they use algorithms , or human force , We don't care. They either Add , or they weren't there in the first place , they either protect or attack. Worry about what your eyes can perceive As a humans as a traders all we care is about finding good deals in the markets , the same applies for institutions , they want to BUY HIGH AND SELL LOW , so be worried about understanding the basic principles and act accordingly

## PROPRIETIES OF DIFFERENT TYPE OF TRENDS :

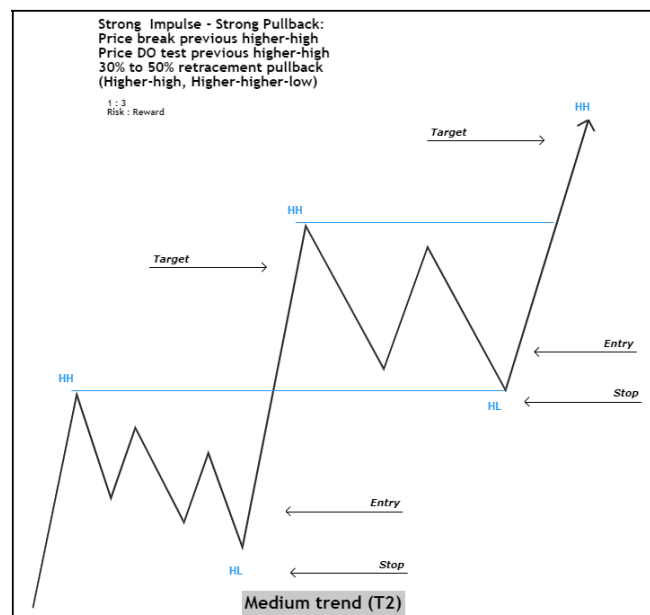
### STRONG TREND (T3): CHARACTERISTICS DEEP EXPLANATION

Strong Impulse - Weak Pullback  
Price break previous higher-high  
Price DON'T test previous higher-high  
20% to 30% retracement pullback  
(Higher-high, Higher-higher-low)



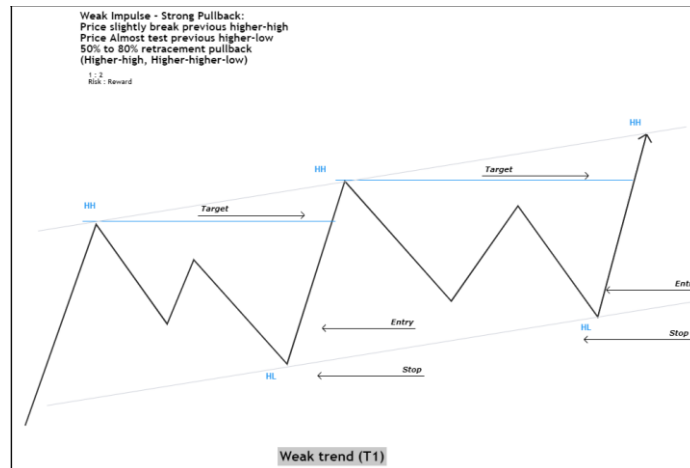
## MEDIUM TREND (T2): CHARACTERISTICS DEEP EXPLANATION

**Strong Impulse - Strong Pullback**  
 Price break previous higher-high  
 Price DO test previous higher-high  
 30% to 50% retracement pullback  
 (Higher-high, Higher-higher-low)



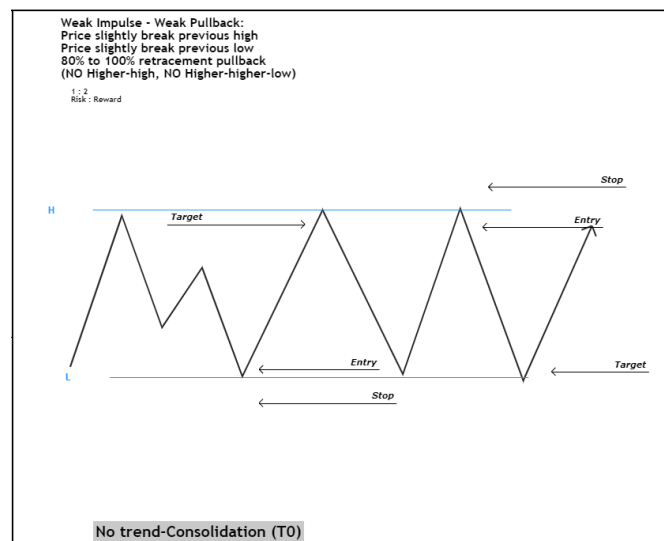
## WEAK TREND (T1): CHARACTERISTICS DEEP EXPLANATION

Weak Impulse - Strong Pullback  
Price slightly break previous higher-high  
Price Almost test previous higher-low  
50% to 80% retracement pullback  
(Higher-high, Higher-higher-low)



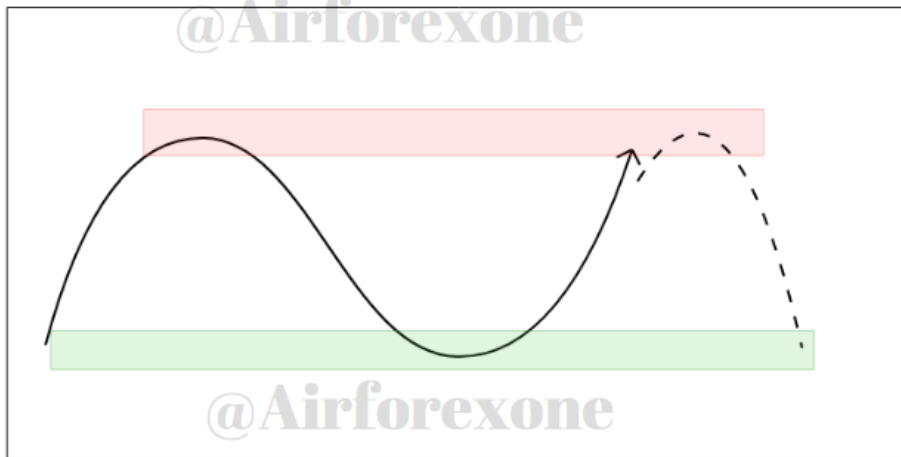
## NO TREND-CONSOLIDATION (T0): CHARACTERISTICS DEEP EXPLANATION

Weak Impulse - Weak Pullback  
Price slightly break previous high  
Price slightly break previous low  
80% to 100% retracement pullback  
(NO Higher-high, NO Higher-higher-low)



BEHIND THE MARKET MARKER PSYCHOLOGY = TRY TO TAKE GOOD DEALS:

## MARKET CYCLE

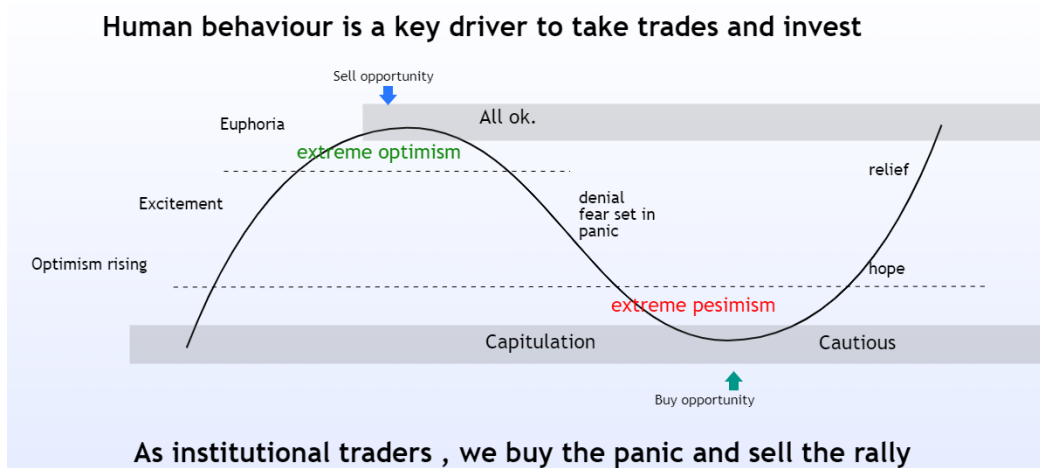
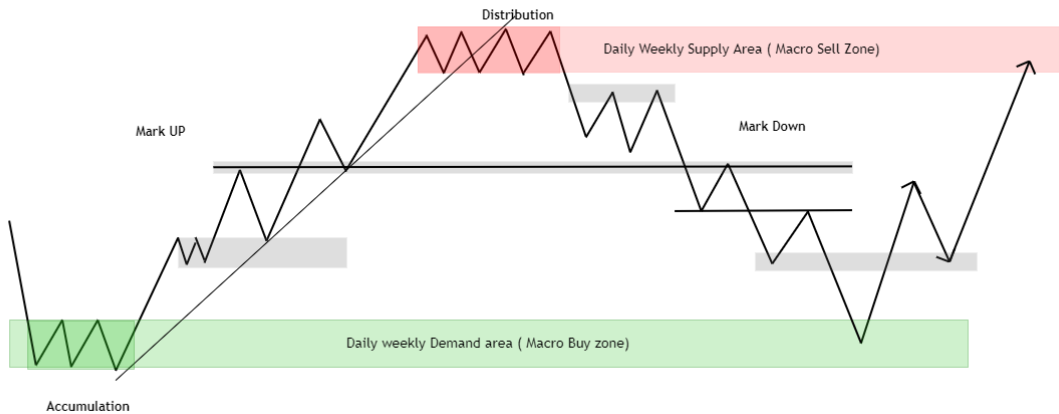


All markets , one Image. You can sum it all up in one image. The market move in cycles , from overpriced to underpriced. Where you buy low and sell high. Understand Psychology and Price action, that's all you need



Very simple. buy low sell high!

You don't take trades , you take and make **good deals**. Your goal is to look for good deals to buy and good deals to sell. You have to **buy in underpriced demand areas and sell in overpriced supply areas**. The question now is how do we know when the price is cheap and expensive at some ( T ) moment? That what we are going to see in the next chapters.



## BUY THE FEAR AND SELL THE GREED

### CONCLUSION:

Now that you have seen how the market works, it's time for us to go to the heart of this book. Many people tend to complicate their trading, however, in trading, simplicity is always a virtue.

trust me, you will realize that with a system based on simple efficient price action and good psychology, can become profitable without over complicating things and having frustrated years. Profitable trading is a matter of

Having a predefined edge , proper risk management , timing , risk reward , proper psychology.

## CHAPTER 4 :TECHNICAL ANALYSIS: CHARTISM AND PRICE ACTION

We use a system based on technical analysis. We try to get the trend direction from the fundamental aspect and we simply sell in supply levels in downtrend structure and we buy in demand levels in uptrend structure. We might explain basics things at first but we need to get sure you get a strong foundation before explaining the next concepts.

### HOW TO USE LINE CHARTS TO IDENTIFY KEY LEVELS

A great advantage of the line charts is that it allows us to identify the supply and demand in a simple and efficient way. Moreover, it allows us to more easily identify trends and key points.

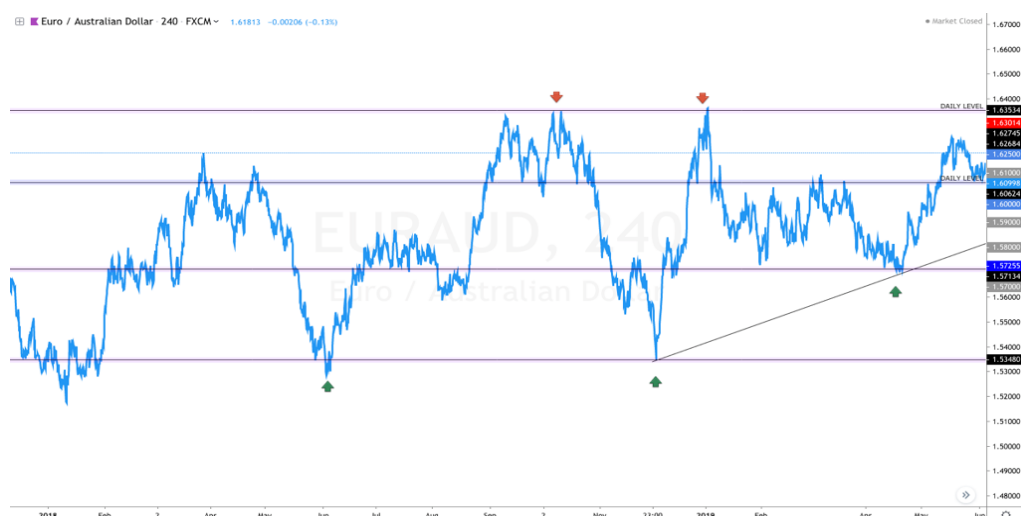
The line chart reflects the final price at the correct time.

The benefits of using a chart that is based on the closing price in a temporality is that we just know exactly who won the "final" battle between buyers and sellers.

In the picture below, we see a line graph in a 4 hours of time frame where the price has reacted to key areas at key levels. These areas are called support and resistance. From time to time, it is very convenient to use the line chart to facilitate the vision of the key points and supports and resistances.

The only thing you have to do is use a straight line and try to find points of contact where the price has reacted several times in the past.

In this chart, the blue line was made with the closing price of every 4 hours.



## HOW TO UNDERSTAND CANDLESTICKS

The Japanese candlestick chart is our favorite chart for trading. Although we have already spoken, let's talk more about it in more detail.

This is the most comprehensive “indicator” and the heart of the Price Action.

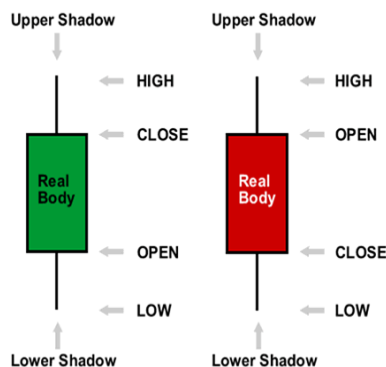
A Japanese candlestick shows exactly the same information than a bar chart, but in a simpler way to read.

### How to understand a Japanese candlestick and use it for trading?

As we can see each candle has a wick, in both up and down (upper shadow-lower shadow).

Our job as traders is to identify the significance of the Japanese candlestick.

With That said, we are interested in the body of a Japanese candle but also the wick.



If the body of our candle is green like the candle on the left, it means that the price closed at a higher price to the opening price. In other words, the price has increased, it is called a bullish candle.

Otherwise, if the body of our candle is red like the candle on the right, it means that the price closed at a price below the opening price. In other words, the price has dropped, it's a bearish candle.

There are many figures of Japanese candles, some with giant wicks other with short wicks, others with very little body etc.

Traders need to learn the different figures. We are going to explain them late.

## PRICE ACTION IN TECHNICAL ANALYSIS

Price Action is the discipline to trade basing decisions on clean and simple charts. Price action charts does not have indicators, or try to reduce as much as possible.

We believe that the purely price actually reflects what investors are doing. This indication is more than enough to find a simple and useful strategy.

What differentiates price action traders with others is that we use the price as the main reference while other traders tend to use the indicators first as a main reference, then in a second place consider the price, which is a huge mistake.

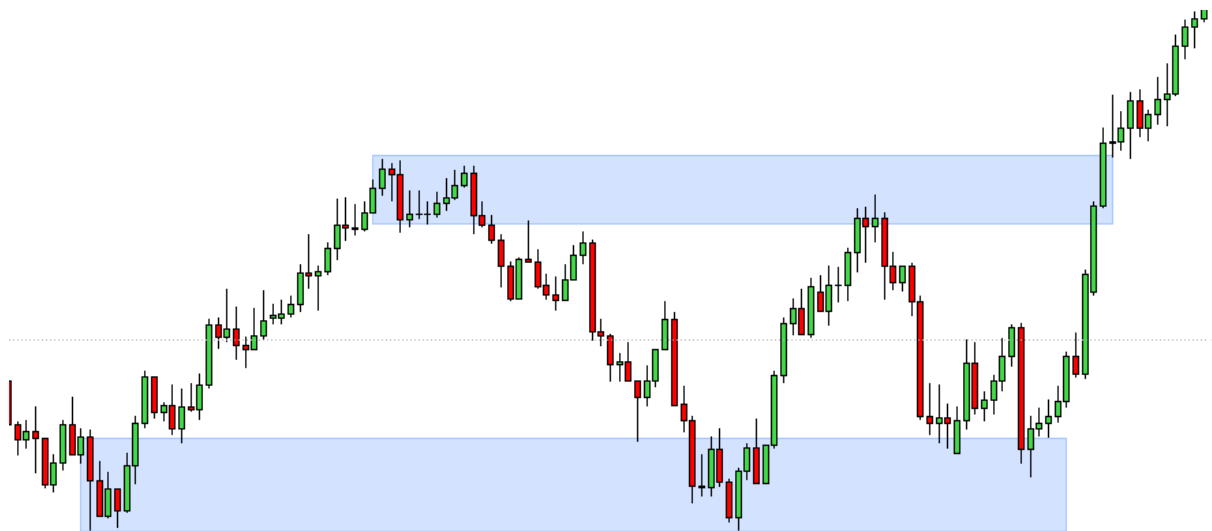
The great advantage of Price Action is that it can be applied to any other financial market for trading such as (stocks, indexes, futures etc ...).

Before starting price action analysis, you will need to remove all your indicators of your graphics for a clean chart.

---

### HOW TO AVOID TRADING LIKE THE REST

As you can see, the first image below gives us easy signs to identify while the second looks like a work of Picasso (no offense of course). **MAKE THE RIGHT CHOICE.**





We want to clarify that is not because you use indicators that your trading is bad, quite the opposite if the system works go ahead, but this book is 100% based on the price action and nothing more than price action.

You need to understand that more indicators you have = more your decision taking process will be complicated. Keep things simple. You have to build a very simple trading system easy to apply without emotions or hesitations! In this game simplicity is key.

Flawless execution is key. It comes with simplicity.

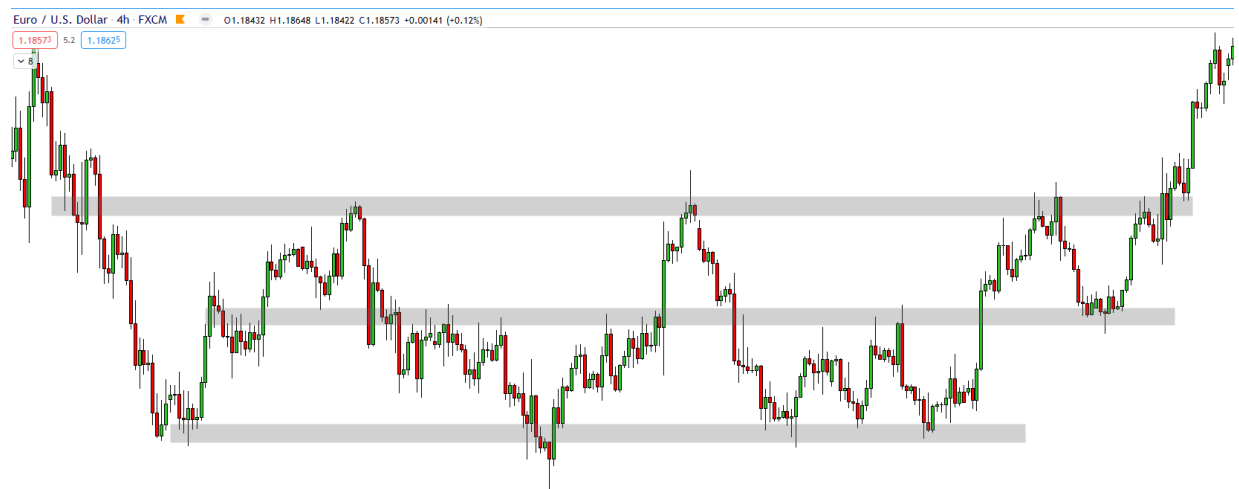
## HOW TO REALLY IDENTIFY KEY AREAS?

Unfortunately we do not really believe in support and resistance levels as a strategy foundation. There is no such as thing as buy at support or sell at resistance However there are key levels to identify in which price can potentially bounce and some moment . There is no magic secret behind in order to find a key area.

**Please note that the stronger and more accurate areas are found in daily and h4 time frame. When it comes to talk about m15 and m30 zones, they are very weak and less accurate than a h4 or daily areas or even monthly**

Now , how to identify it ?

**Wicks = Liquidity= rejections= potential zones.**



You have to apply the same process to identify key level in trending markets

Always remember:

Daily and h4= Wicks = liquidity= zones = rejections.

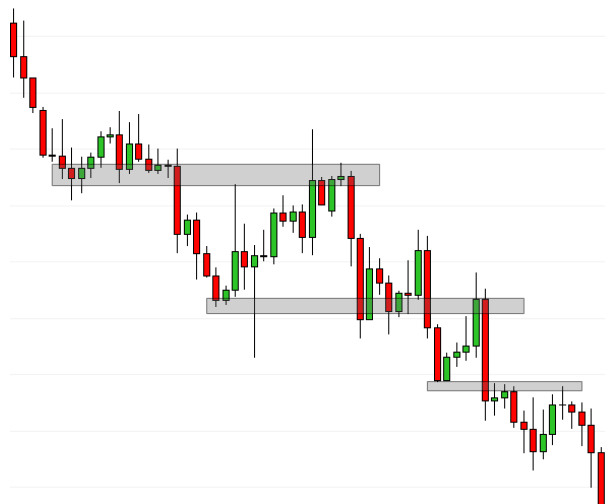
PRICE BOUNCING IN KEY AREAS IN AN UPTREND: ( H4 TIME FRAME)

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## PRICE BOUNCING ON RESISTANCES IN A DOWNTREND H4 TIME FRAME

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In conclusion, we can say that in simple terms, the market is moving between key areas.

To go further, we reveal something very important: usually key areas are in round numbers. What do we mean by that?

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## HOW TO FIND ACCURATE INSTITUTIONAL LEVELS

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### ROUND NUMBERS TO DEFINE KEY AREAS:

The round numbers are known as **psychological areas of support and resistance**, and worked very well throughout history. We speak of whole numbers without decimals (1.0000, 2.4000, 130.00).

It's very important to know that in this In this type of support and resistance there are numbers that have more weight than others, among which we highlight the following:

If we trade Forex, references are those that have no decimals: 1.0000, 2.0000, etc. Those are very strong zones.

In the second level of importance we can find those with a single decimal 1.5000, 150, followed by those with two: 1.5100, 150.10.

As the price approaches those numbers, we are reminded that there may be a reaction. If we are in the market, we should be ready to handle the trade, and if we are not in any trade, we could use them to enter the market if the necessary conditions are available.

### **Want to know why psychological numbers are very important?**

Remember that we explained at the beginning of this book ? Those who were responsible for moving the market are market makers. They are responsible for strong movements and come into position around these areas. They find that round numbers are more attractive to trade because of the simplicity.

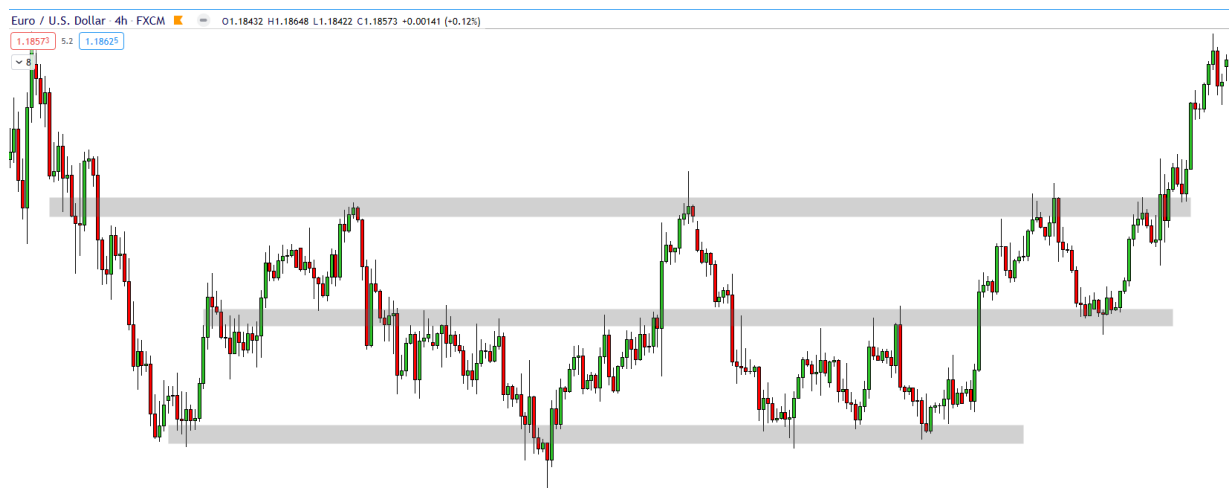
#### **for example**

-For them is unnecessary to complicate their lives and manage accounts operating in a complex number such that 1.4632 would be a headache!

-For them, it is easier to get in position or set parameters in a algorithm in a round number such as 1.5000 so that they can manage easier their trades, accountability etc.. Remember that most of the market is manipulated by algorithms . In that way they try to execute in round numbers. **Market makers usually attack in round numbers**



### Charts with key area in h4 + institutional round numbers = more accuracy



### Chart with h4 zones without psychological numbers= less accuracy.

The chart above shows that in the points that we have traced, the price tends to be very sensitive and was used as support and resistance several times. In summary high probabilities zones can be found in daily time frame and h4 , although if you apply the round number rule.

Note how this is the same image that we shared when we found those h4 key areas in eurUSD H4. The only difference is that with those institutional round numbers the accuracy of the zones have increased and now are even more clear zones , we invite to compare both images. Now open your charts and do the same

## THE REAL UTILITY OF MOVING AVERAGES IN THE PRICE ACTION STRATEGY

Okay we are price action traders , we use only the price but sometimes we use few moving averages just to get a better idea. Moving averages are probably the most commonly used indicators in technical analysis on forex.

They help us to better understand the movements and volatile random price fluctuations.

Many people believe that moving averages should be used only to indicate the trend, but their use is more complex, after this section, you will know how to use them properly.

Besides being an excellent indicator to follow trends, they can also be used as dynamic support and resistance areas.

A moving average shows the average value of an asset in a determined period. A moving average set in 5 show the average data for the last 5 days, moving average 20 days shows the average of the last 20 days and so on.

### **The two types of moving averages used the most:**

Simple Moving -Moyennes **SMA**: a very simple calculation: the sum of the price of X sessions divided by X sessions.

**EMA** Exponential Moving -Average: The exponential moving average, in contrast to the simple moving average, attaches more importance to the most recent data. In other words, it gives us more accurate and current information.

We work with exponential moving averages **50 and 200** periods because they are the most used and accepted by the operators of large entities. Our goal is to simplify the maximum trading, but everyone is welcome to experiment with other moving average.

### **We work with what we know works for us.**

These two mentioned moving averages, the 200 will be the support area or the strongest resistance, followed by 50 in that order.

In an uptrend, moving averages will act as support and will always be lower than the price in the following order: MM 50 and MM 200 periods.

In a downward trend, moving averages act as resistance and are still above the price in the following order: MM 50 and MM 200 periods.

**-EMA 200** is used to have the market direction in longterm not to take trades

**-EMA 50** is used to find potential dynamic support and resistance in h4 and daily ( I previously tested that multiple times)

---

## HOW TO USE THEM PROPERLY AND DO NOT MAKE THE MISTAKE THAT MOST PEOPLE MAKE

Many people tend to say that if certain moving averages intersect it's a buy or sell signal, the use of moving averages is much more than that. Cross does not mean much, we must understand the context of price movement. In other word the price action

We use moving averages in 5 different ways:

---

## HOW TO IDENTIFY THE TREND USING EMAS

. When the price is below both moving averages we talk about a downtrend, and vice versa, when the price is above both moving averages we're talking about an uptrend. The picture below shows an example of a downtrend

The image bellow shows a downtrend in wich price is below both the EMA'S that means SELL OFV> BUY OFV



---

## HOW TO USE MOVING AVERAGES TO OPEN TRADES

As we can see in the image below, it is a little more difficult to identify the key areas, but thanks to an exponential moving average 50, we can simply get an idea of where the price will probably bounce and so plan a further trade: But please note that we combine confluence factors to take a trade. We combine probabilities such as, key levels institutional levels , fibs , trendlines , supply and demand etc.. It only add confirmation to our entries although in h4 time frame Is not a 50 ema bounce that is going to give you an edge .You must combine multiple confluences



---

## HOW TO TRADE WITH THE MAGNET EFFECT

As you can see, moving averages have an magnet effect.

This means that the price always comes back, no matter what happens . When the price is over extended, there is a phenomenon that always happens is a come back to the equilibrium.

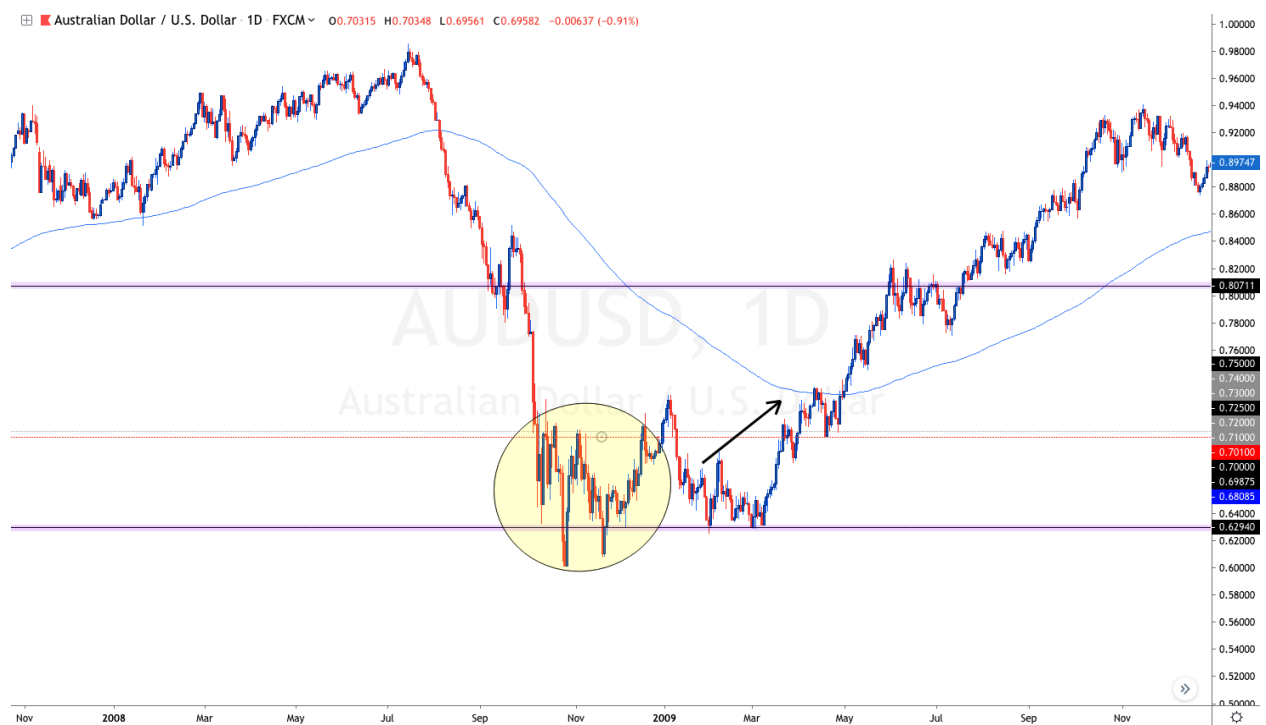
This will give you excellent guidance for your trading. For example, it is not suitable to plan scenarios where the price will move away when it is already quite far from the moving average. In this case, the price is over-extended and the most likely thing that can happen is that the price make a retracement. The best we can do is to wait until the price returns to its starting point and then look for trades.

Another option would be to anticipate the return to equilibrium. This means that when the price is below the moving average, we will find entry points to return to the moving average.

The image below illustrates the preceding paragraphs and a possible scenario that would have been interesting to trade on what is called the return to equilibrium.

In the first instance, the price was falling, but when the price is far, it is entering a consolidation phase, a support is created and it could have been a good time and place to look for buy entries because price had the potential to return to the moving average.”

When price is overextended a deep retracement is possible.



## HOW TO DETERMINE THE SPEED OF THE TREND WITH MOVING AVERAGES

### FAST TREND:

Indeed, when two moving averages cross, the speed of the trend tends to increase and therefore, the two moving averages are moving away from each other, creating a great distance between both.

In this case, we can consider that the main trend is very strong.

In the image below, we can see that the two moving averages cross and gradually creates a large space between each other. Therefore, the trend could be considered very strong.



## SLOW TREND:

The slow trend occurs when the distance between the two moving averages becomes reduced. The rate trend is almost zero and, therefore, the price is consolidated and the market is entering into a boring phase. In this case, the market conditions are not good for trading. WE LIKE TRENDS

The only use is when starting a trend, when we see that the price starts to move away, and the moving averages are starting to distance themselves, we will know that this stage of the market was simply a consolidation and we'll start trading depending on the direction of moving averages, that is to say:

-Look for sell entries when the price is in a downtrend and the price is below the two moving averages.

-Look for buy entries when the price is in an uptrend and the price is above both moving averages.



To summarize this section, and you memorize this important part, we summarize the key points:

We use moving averages exponential period of 50 to 200 (EMA) and the use of four different ways:

1. **To know the trend direction ( or at least have a better idea)**
2. **To identify the supports and the dynamic resistances in case of difficulty finding key areas. Although in daily an h4 ( high probability bounce )**
3. **To indicate whether the price is overbought or oversold.**
4. **To determine the speed of the trend.**
5. **Identify when the market is boring**

In conclusion, the moving averages are very helpful and if you look at their behavior considering these criterias, chances will be much more on your side.

They are just used as confluence.

## THE TRUTH BEHIND TRENDLINES IN THE FOREX

Okay first of all , trendlines are very subjective , yes they work but we believe more in supply and demand. Trend lines can deliberate very effective and powerful signals but only if they are combined with confluence factors.



**it's not the trendline that stops the market , it's a  
interesting supply zone for institutions to add sell  
orders in a very attractive price**

In general, trend lines are formed by the union of consecutive highs and low. In an uptrend, they will be formed by the union of two consecutive lower highs. In a downtrend, joining two consecutive lower highs. This results in a bearish trend line to be above the price in an uptrend below, using price support to continue in the direction of the trend.

When drawing trendlines , do I have to connect the body or just the wick of the candle ? Well , there is no specific rule , as long as you connect a lot of points , the trendline will be validated.

Ideally, traders look to extend these lines to project future rebounds.( trendline contacts)

Once we plot the trend line on our chart, the price has to confirm if the signal is valid or not. Just wait until a third contact and confirmation candle with confluence to open a trade.

To go further and help increase your consistency and improve the trading, it is always important to take into consideration the trend. It is recommended exclusively to trade bounces in the upper part of a trend line in a downtrend and rebounds in the lower part in an uptrend for the purpose of trading with the trend.

Here's how real trendlines work : in the image below we have a lot of confluences that can be added with the trendline in order to take. A sell in the third trendline contact.



## EURUSD H4 TIMEFRAME

### THE CONDITIONS TO FOLLOW

The condition to establish a trend line is : minimum we need to connect two points. Even better used in daily and h4 . forget trendlines in m5 m15. More points you connect and better it is. There is no need to focus on the wick or body as long as you connect points that's the only thing that matters.

-In an uptrend, we will seek to connect two lower highs to establish a third future support as possible for buy entries( only with confluences)

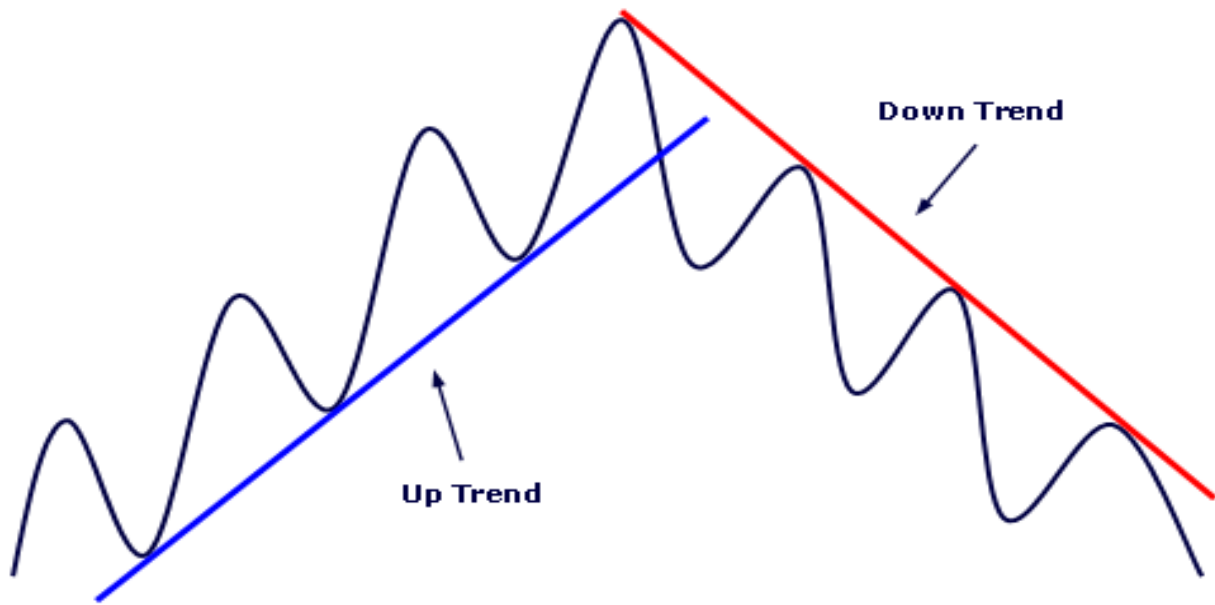
-In a downtrend, we will seek to connect two lower lows to establish a third future resistance possible for sell

By other side , in daily and weekly time frame trendlines are very strong and sometimes we don't really need by obligation to add confluence.

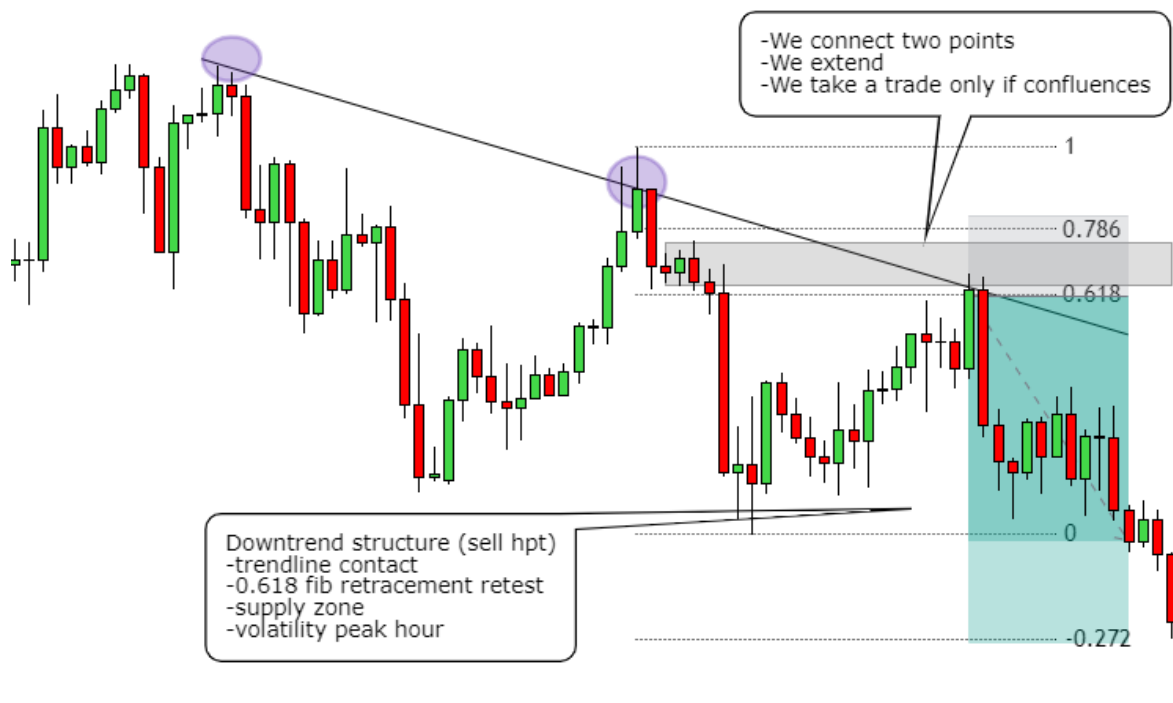
In H4 AND H1 time frame we advise to add more confluences. In daily and weekly time frame trendline is already very strong

**In other words:**

In daily and weekly time frame:



See how in the examples below we use the trend in our favor.





## UPDATE TRENDLINES BASED ON THE ACCELERATION OF TRENDS

If the price accelerates, it will move away from the original trend line, so we'll create a new trend line (once the price creates a new high or low).

On the other hand, if the price slows, it will break the trend line. At that time, the trend line will change its polarity and, as in the case of support and resistance trend line change function and pass an oblique support for an oblique resistance (and vice versa).

The following example shows the acceleration of a trend and the importance of updating our trend lines.



## HOW TO USE COUNTER TRENDLINES AND INCREASE THE CHANCES OF SUCCESS

### Counter trendlines:

Counter trend lines are very important because they can provide very interesting scenarios to use. They can usually be found in all time frames.

They are known because they must do exactly the opposite of a normal trend line.

With that being said, in a downtrend we take a starting point with another point from bottom to top.

And in an uptrend we take a starting point with another point from the top down.

Usually, to trade these lines, it is better to wait for a break and a small retracement confirmation.

In other words, we will ensure that the price breaks the counter trend line and make a pullback before continuing its main direction

The advantage of this type of trading is that since the underlying trend is very strong as in the case below, we can trade with more probability of success. Moreover, the trend can help us add more trades and hold the winning trades

The image below shows countertrendlines the trend lines in an downtrend.



The image below shows trend lines in an uptrend.



## HOW TO AVOID TRAPS ?

The success in the FOREX requires putting all possible opportunities on our side. There are many pitfalls and you will uncover.

### **Example of a counter trendline trap:**

-Let's imagine that we already found two points connected

-We have already drawn a trendline

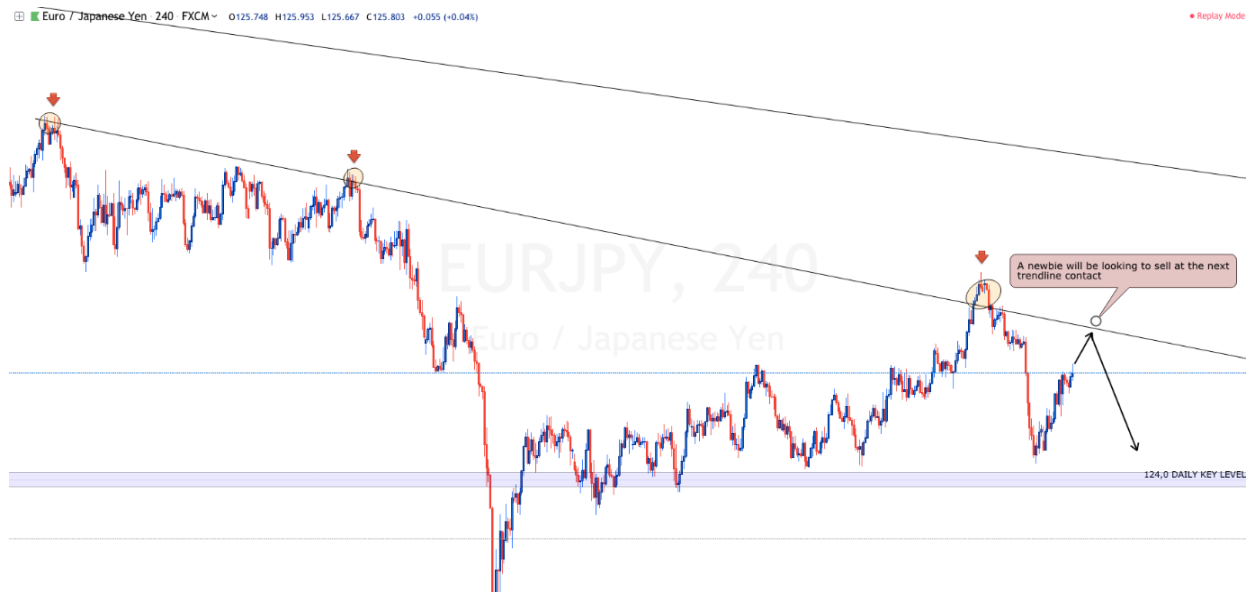
And finally, the price touched a third time the trend line.

However, the price may well ignore the trendline or simply create a beginner trap. In these cases, it is best to be patient and respect certain criterias that we will teach

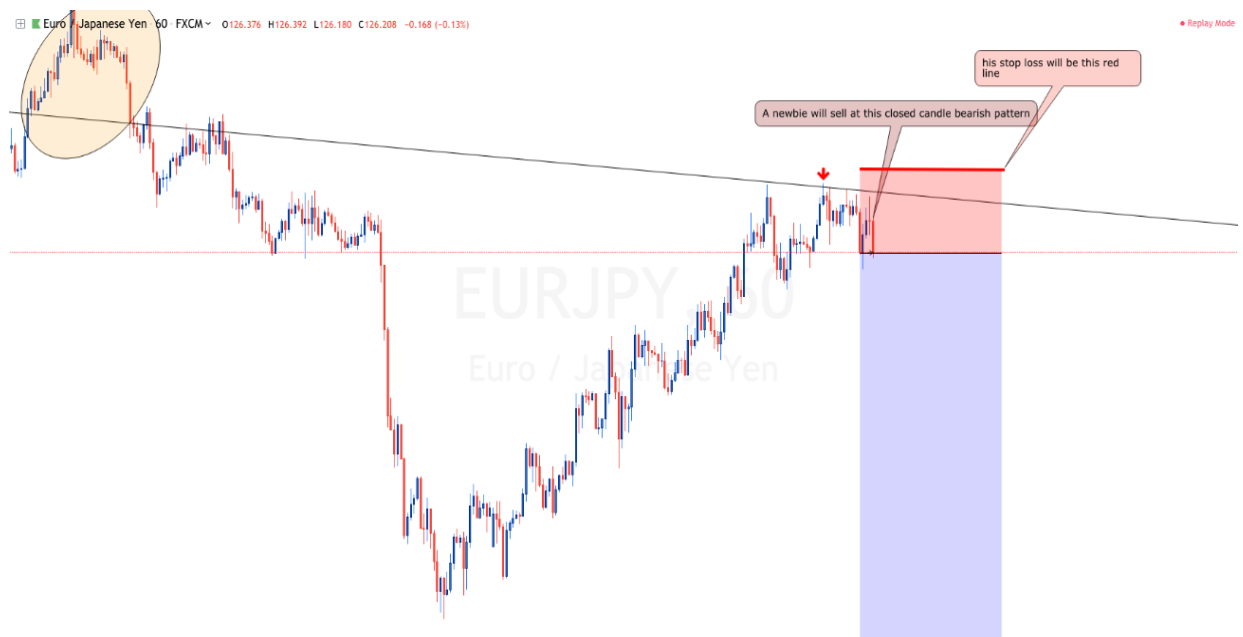
What I will show you in this section are things forgotten or rarely taught.

Take notes of the following, if you do not, you run the risk of falling into beginner's trap.

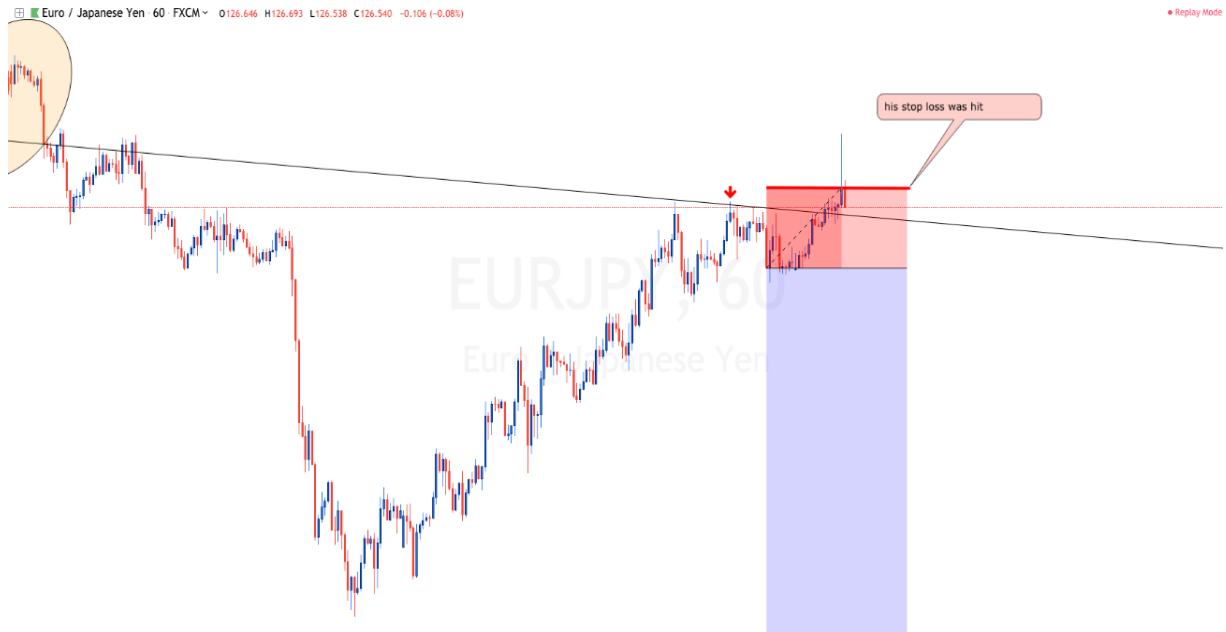
Here we can see that the price has created some contact points. What a beginner would do is just wait until the price touches the trend line once again and wait for a confirmation to take a sell trade.



The graph below shows us the same graph above, but in lower time frames. A novice would have sold in the following area: as we can see the novice put his stop loss in the red line.



See what happens later:



Despite having found a contact with a trend line and in addition to have found a figure of Japanese candlestick confirming the trade, the trade has not turned out as planned.

But why? Avoiding this trap is very simple.

Through the use of counter trendlines, we could have avoided this error.

**Take a look at the following picture:**

In this image, we set the counter trendline in red, this line works like any trend line. Whith that being said it can make the price bounce with any contact.

We can see that in fact, the novice sold in the lower part of the counter trendline. Obviously the novice lost this trade. It may have been different If he could wait more.

That's why we think it's very important to set countertrendlines. Believe us by adding this in your technical analysis you will realize how novice trades always sell and buy in wrong places. This is due to the inattention.



The big question is how to avoid this mistake and not fall into the very common trap?

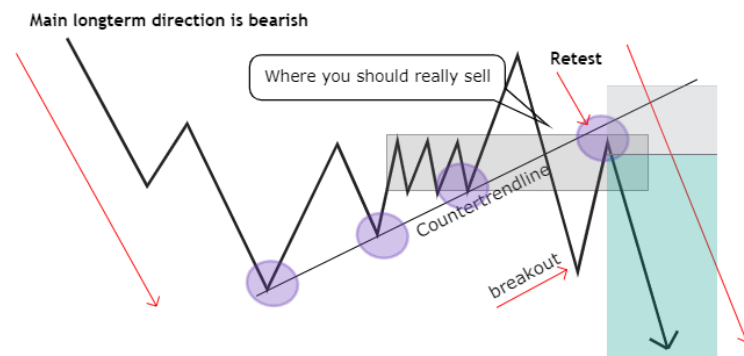
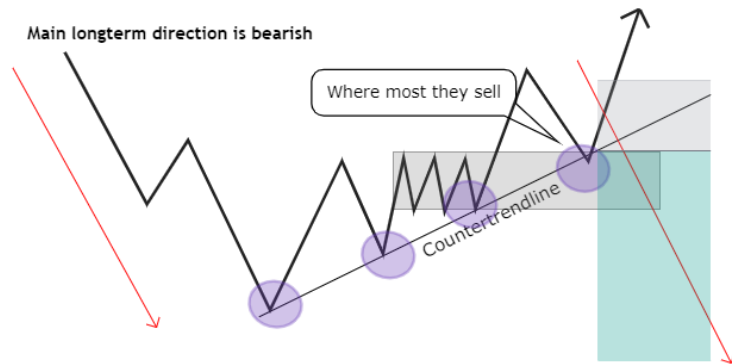
The answer is simple, just wait for the counter trendline to be broken and invalidated with a polarity change of the price action.

The following photo shows the actual sell signal for advanced trader:

**Final result:**

The experienced trader had patience, waited for the trend line to be broken, and waited for the "pullback". With that being said the price is no longer using the trendline as support but as resistance.

As mentioned earlier, he waited for the change of polarity and waited for confirmation of Japanese candlesticks.





## WHEN SHOULD WE DRAW TREND LINES AND IN WHICH TIME FRAME ?

Many traders tend to complicate the use of trend lines. This is the result of poor organization and impertinence in technical analysis, which causes them to lose money and be frustrated. They draw few ones in m5 m30 m15 etc...

Beginners tend to apply trend lines in small time frames and focus on the context of a small time frame, it's a big, big mistake but, note this to avoid making simply mistakes.

The following example is designed to teach you the beginner error and how to avoid it.

### example:

The following chart shows AUDUSD Daily time frame.

This means that each candle is equivalent to 24 hours.

A beginner would have identified this trend line, and the figure of Japanese candlestick pattern present would have confirmed his buy plan on that trend line.

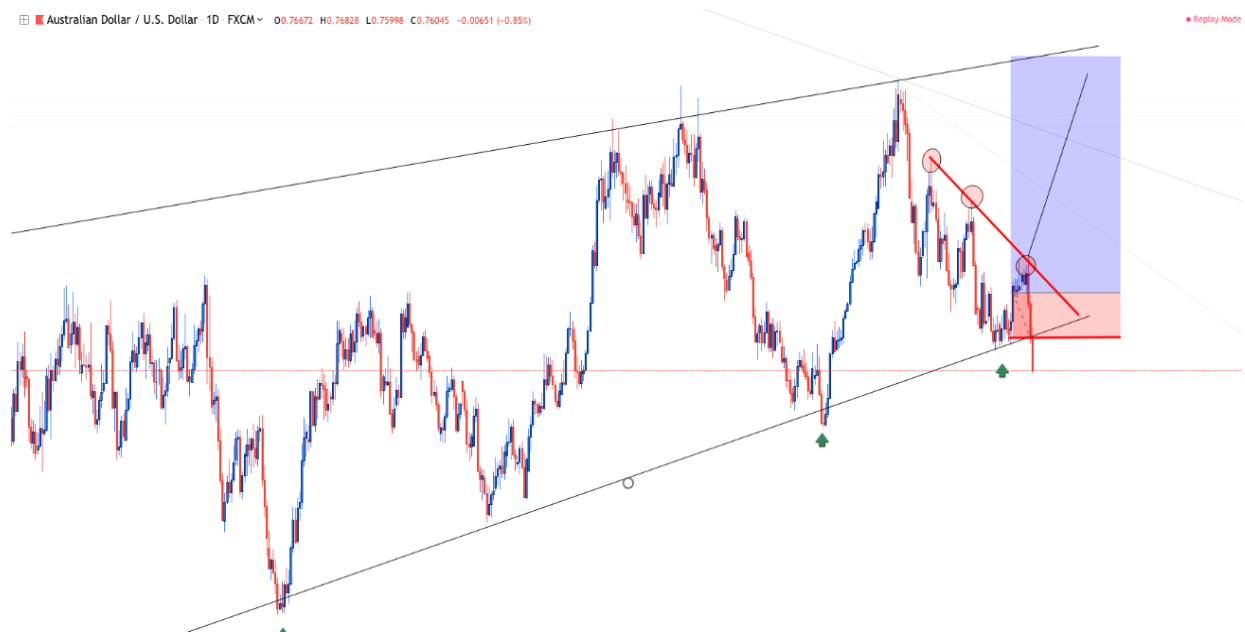


However: here's what happened next:



The question is why it happened, everything was going very well: we were on a rising trend line, there was a candlestick pattern present that gave him indications that the price would continue to rise.

His biggest mistake was as always, not having taken into account the counter trend lines ...



But this is not so important, we will look at the main hidden problem. The big problem is that this trader continued to focus more on the trend lines in Daily time frame , but not knowing what was happening in even higher time frames is very important . This is a fatal mistake that 80% of traders are doing.

### **What happened in bigger time frames?**

Before you see the image below, we are going to exercise and ask you not to cheat.

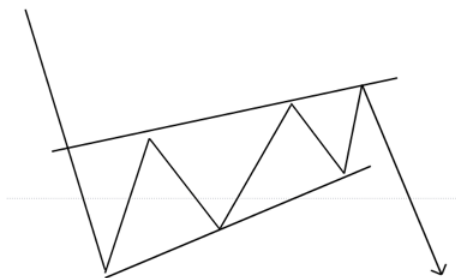
Try to identify the problem, or problems with all that you have learned and then look at the solution: take your time, remember all that we teach:

Remember, the higher time frames are more powerful than the lower time frames. The best way to start analyzing one pair is starting in monthly, then Daily, H4 h1 and then m30....

Come on, what mistakes can you recognize?



It was a trend continuation pattern in longterm!



## **Solution:**

This trade could have been avoided if only the novice had expanded its image in the higher time frames

-purple area was a strong zone but don't worry because we are about to explain more about it in the future.

-By other side, the price tried to go beyond that level several times without success, so it was a very strong resistance. Price in higher time frames was coming from a resistance level. And we explained in this book: it's a bad idea to buy around a resistance level, it's better to sell in those levels

-On the other hand, if you found these two points green arrows to extend a trend line, you would have noticed that the third contact trendline had already occurred.

- Finally, the long-term trend was bearish, and as you know the trend is your friend.

With all these elements in higher time frames we could have avoided that mistake.

The only way to avoid such mistakes is to begin analyzing the graphic in a higher unit of time (weekly, daily) and then finish in the smallest (H4, H1). This is why we recommend that you do a complete analysis on at least two different time frames.

Don't worry if you are confused the next chapters will clarify everything about.

## **An experienced trader would have proceeded as follows in the same situation:**

### **First of all, I would have begun to understand the context in weekly TF:**

Comments on the weekly time frame for this example

- Main structure is bearish

-There was a third contact on a weekly downtrend trendline.

At the end of the weekly analysis, the experienced trader would set its vision to look for downside scenarios in order to trade in favor of the current trend background.

On the other hand, he would have waited a little to see how the price has reacted to this region because he was simply looking for sell scenarios.

Shortly after, the experienced trader would have noticed that the trend line has been broken, he would wait for the pullback to sell. Furthermore there was a counter trend line that could have been extended to find bearish Opportunities.



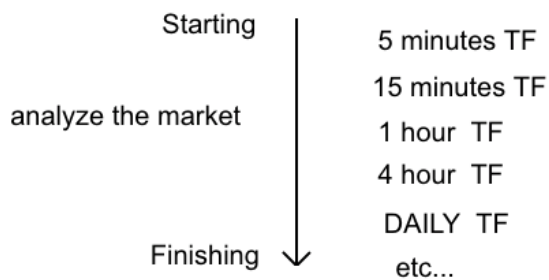
Look very carefully how we use confluence of factors in our favor. The image below is the same as above, but with a zoom and the vision of a professional.

The professional would have expected a retracement of price. He would have used the line "counter trendline" and breaking the pink support area that potentially can play a role in resistance.

Consequently, while beginners buy ,experienced traders are selling.



### How you should not analyze the market



### How you should analyze the market



Airforexone uses all the time frame however we concentrate our strenght in few time frames according to our strategy

**It is very important for you to Chose time frames to build your system in 3 categories**

FOR THE AIRFOREXONE strategy we mainly deal with 3 categories:

**1 Macro time frame = Monthly Weekly and Daily time frame(in order to establish the structure direction and price action)**

**2 meso time frame = h4 = (trade management time frame)**

**3 Micro time frame =m30 m15 = execution time frame**

In other words we build scenarios in macro time frame and we execute according to the macro trend waiting for valid micro signals in valid macro sell and buy zones and we manage in meso time frame

We build in macro we execute in micro.

Now it's up to you to use chose your time frames accordingly.

Remember , once you open a chart without a draw you know how to proceed : you establish the structure and direction in macro time frame , you execute a trade that follows the main macro structure and direction from the macro time frame but in a micro time frame. That's it that's what we call a High probability trade

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## HOW TO USE USE TRENDLINES IN ORDER TO PROJECT FUTURE CHANNELS

The parallel channels are one of the most common strucutres found in the forex. They offer the trader excellent opportunities for high probability trading setups.

It is also advisable to always use the trend in your favor which means that in a rising channel, you have to buy in the lower part of the channel and into a bearish channel, sell in the high parts.



## Early Channel Structure Projection

The price moves through structures (channels) as we can see in the previous image.

The advantage is that with only 3 points, we can project a potential channel and sometimes it is best to implement this in our technical analysis to add our take-profit levels or potential entry zones. Therefore, the parallel channels can be set so quickly

- 1-Find two points and extend a trend line
- 2-Duplicate trendline
- 3-move the duplicated trend line to the highest point or the lowest
- 4-Have a projected canal
- 5-Analyze how the price reacts to the projected canal
- 6- Use confluence such as a supply or demand level to take a trade





## CONCLUSION

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Trendlines are very powerful graphical tools that help us to find entry and exit points to make trades successful only if they are combined with supply and demand.

On the other hand, it is very important to consider the trend lines based on time frames. The first thing you need to do during the analysis of your chart is to connect trendlines of bigger time frames: weekly then daily, etc ...

And finally, always, but it is always necessary to consider the counter trendlines to avoid traps.

## CHART PATTERNS:

The market does not move randomly, the price moves in phases and structures.

Among the most helpful tools that we have to analyze the market and create possible scenarios for future operations, we find the famous chart patterns. The following models are most frequently detected by traders.

In this chapter, we'll examine how to combine these figures with what we have already learned to put probabilities on our side.

There are two types of chart patterns.

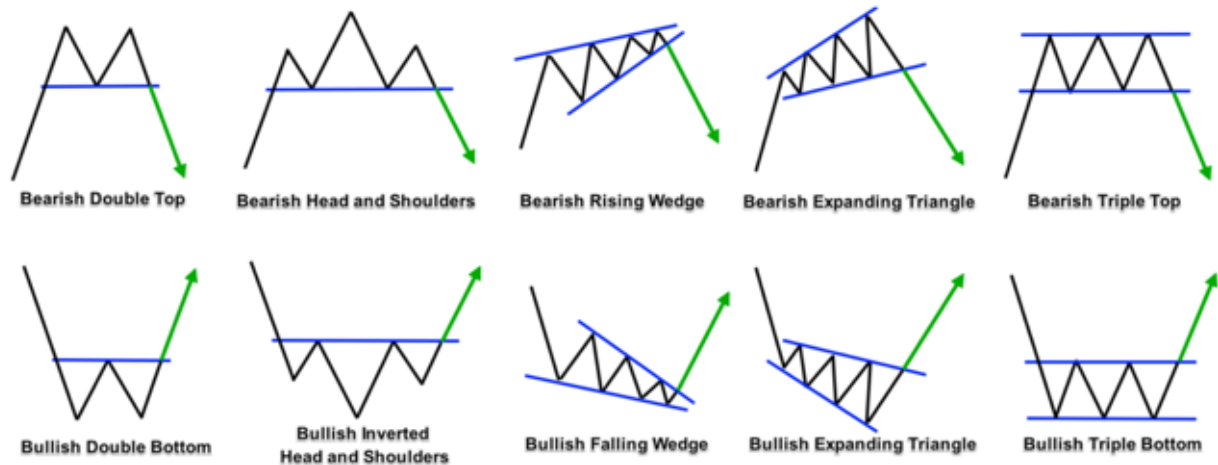
**-Reversal structures.**

**-Continuation structures.**

We highly advise you to open your charts after this chapter and try to identify the following patterns. If many people do not improve in trading it's because they think that theory will help them. However trading is not about too much theory. It's more about experience and self training. Train your eyes to identify patterns and project patterns. Learn to recognize who is actually controlling the market.

## HOW TO DETECT AND WHERE REVERSAL PATTERNS CAN BE FORMED?

### Reversal Chart Patterns Cheat Sheet



During the evolution of a trend, price forms a series of identifiable movements in structures. By identifying correctly, we can take the opportunity to anticipate a possible price movement.

Although it was mentioned that trading for the trend was most desirable, we must keep in mind that nothing is eternal, each trend ends. Although in the forex market when price action changes a lot Remember , market moves in cycles , from overpriced to underpriced.

The main function of these figures is to warn us of potential market reversal. Apart from these figures inform us that market conditions may change, they also give us an estimated projection measuring how far the price can go.

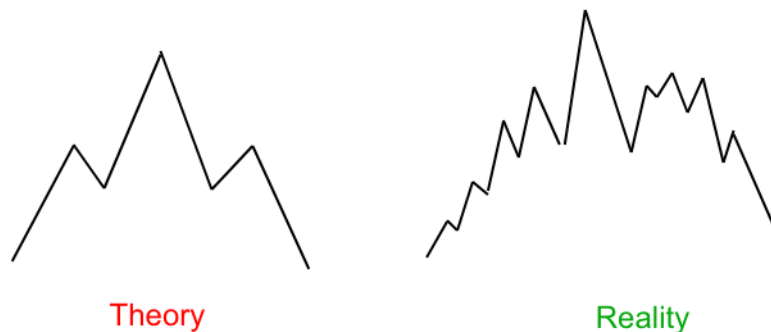
When one of these figures is formed, we have two possibilities

- Close a trade that we had already opened.
- Take a trade just after multiple confirmations to enjoy the beginning of a new trend.

**We will study most common reversal patterns.**

1. head shoulder
2. Reversal M / W
3. M / W of the continuing trend
4. Wedge of reversal
5. Wedge expansive trend reversal
6. Diamond

Before describing each figure, we want to confirm that the perfect chart patterns do not exist. A figure explained theoretically will not be reflected in the same way in the real market conditions.



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## HOW TO REALLY TRADE A HEAD AND SHOULDERS

The standard chart pattern of head and shoulders patterns shown on the next page shows a signal that the price is probably ready to change the trend

In general, this figure is formed on top of an uptrend usually on a major resistance.

There is an opposite version that is known as inverted head and shoulders pattern. He warns us that price is probably ready to turn and enter an uptrend.

Anyway, this figure indicates a trend reversal and clearly illustrates a weakness of the trend that shows a failure of the price to make new trend structure point.

### **Composition:**

Both models (bullish and bearish) have a similar construction.

### **How a shoulder head shoulder figure is formed?**

#### **Head and shoulders at the end of an uptrend**

- The price forms a new high and a new low (still in the uptrend).
- The head formation occurs when price forms a new high above, although the new low has failed to meet the criteria of an uptrend. Consequently, the bottom remains at the height of the previous low or even less. (The trend loses its strength)
- The right shoulder formation occurs when buyers make a final attempt to push the price up, but sellers have already almost total control of the area. Accordingly, a right shoulder is formed.
- When the price breaks the neckline, the price will probably change in trend and make lower lows and higher lows

#### **How an inverted head and shoulders is formed?**

- First The price forms a new lower low and a new high low (downtrend)
- The formation of inverted head and shoulders occurs when price forms a new low, and the new high failed to meet the criteria of a downward trend so that the new top remained at the level of previous top or even surpasses it. (The trend loses its strength)
- The formation of the right shoulder occurs when sellers make a last attempt to push the price down but buyers already have almost total control of the area. Accordingly, a right shoulder is formed.
- When the price breaks the neckline, the price generally tends to rise.

These figures have a configuration that are confirmed only after the breaking the neckline usually accompanied by a pull-back where we should go into action. At this point, most traders are trading the structure.

Look at the following images to see what is drawn the neck line. We just link the two points below the shoulders.

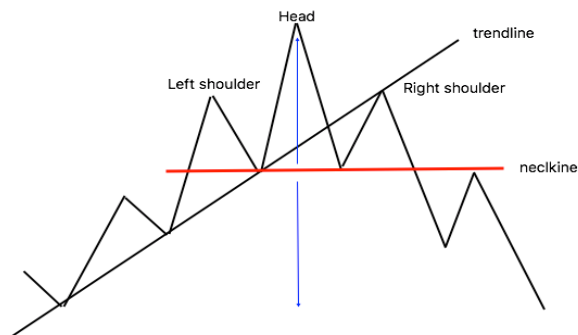
Usually, the stop-loss level is placed over the right shoulder and Take-Profit stands at the same distance as the distance between the neckline and the top of the head.

Yes it is possible to estimate how far will the price go when the trend reversal is confirmed.

To do this, it is necessary to measure the vertical distance from the head to the neck line. Once the distance obtained, we will project from the point of entry. It would be something like this:

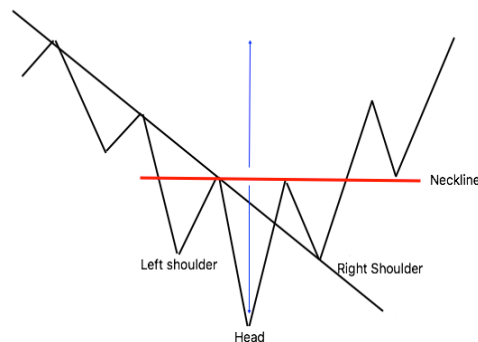
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### HEAD AND SHOULDERS COMMON STRUCTURE



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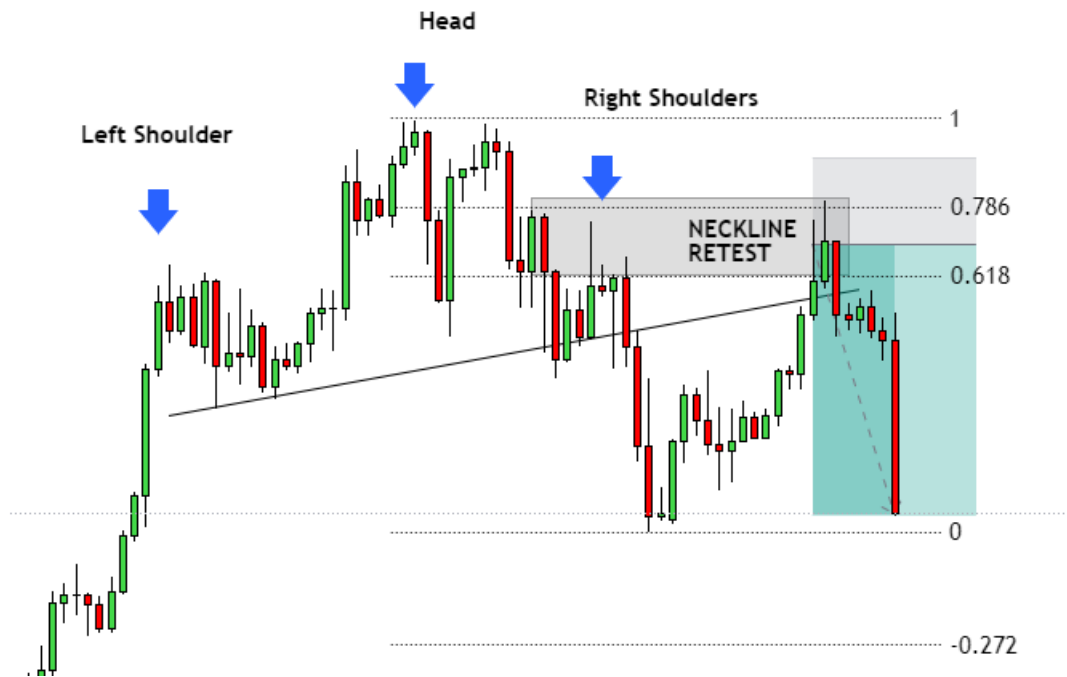
### INVERTED HEAD AND SHOULDERS:



The figure is easily recognizable. However, the transition to real graphics becomes a little more complicated. You have to train your eyes.

Multiple variations may be possible, for example, the neckline is not completely horizontal. Regardless of the change, the idea of the model is the same. Your duty will be to train the eye to recognize this pattern easily. you can even spot an early shoulder formation:





Remember to combine chart patterns using supply and demand

## HOW TO REALLY TRADE DOUBLE TOP / DOUBLE BOTTOM OR M / W

This figure is one of the most common in forex. This chart pattern appears so frequently on the charts that it could easily be used as evidence that the price movement is not as random as much as people think. As previously mentioned, a way of looking at price is simply interpreting the average expression of the total of the confidence of traders.

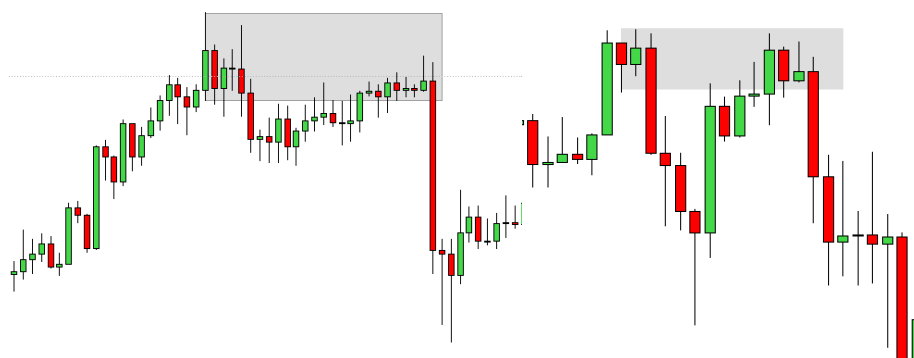
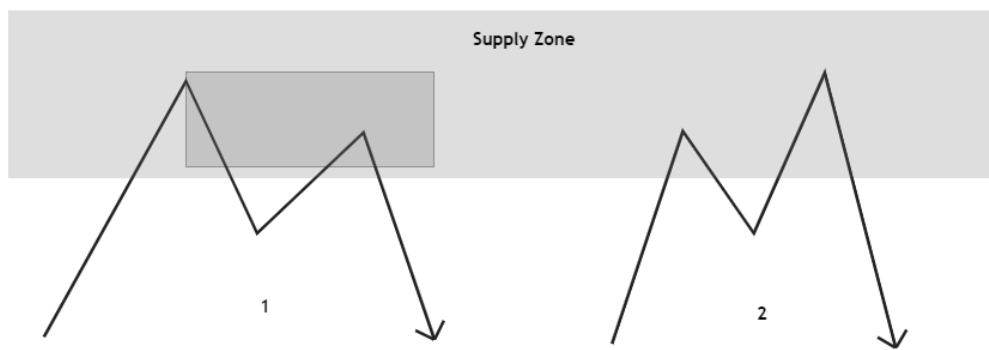
This model is easier to identify than the Head and shoulders pattern.

### Structure:

Both Double top / bottom Double models have a similar composition. They are so easy to recognize that look like the letter M and W.

### How a double top is formed?

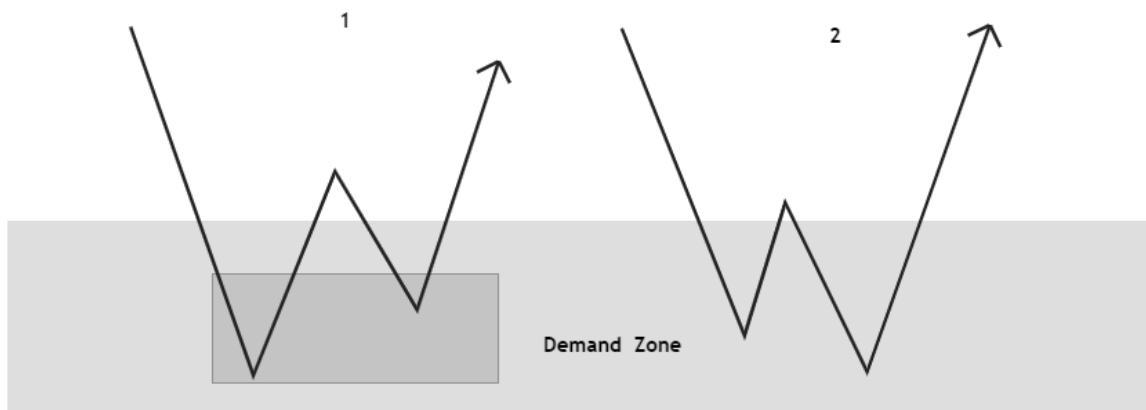
Double tops are generally found at the end of an uptrend or in a supply area. The new test of the new maximum does not exceed to much the price level set by the first peak, so the price rejects the peak.



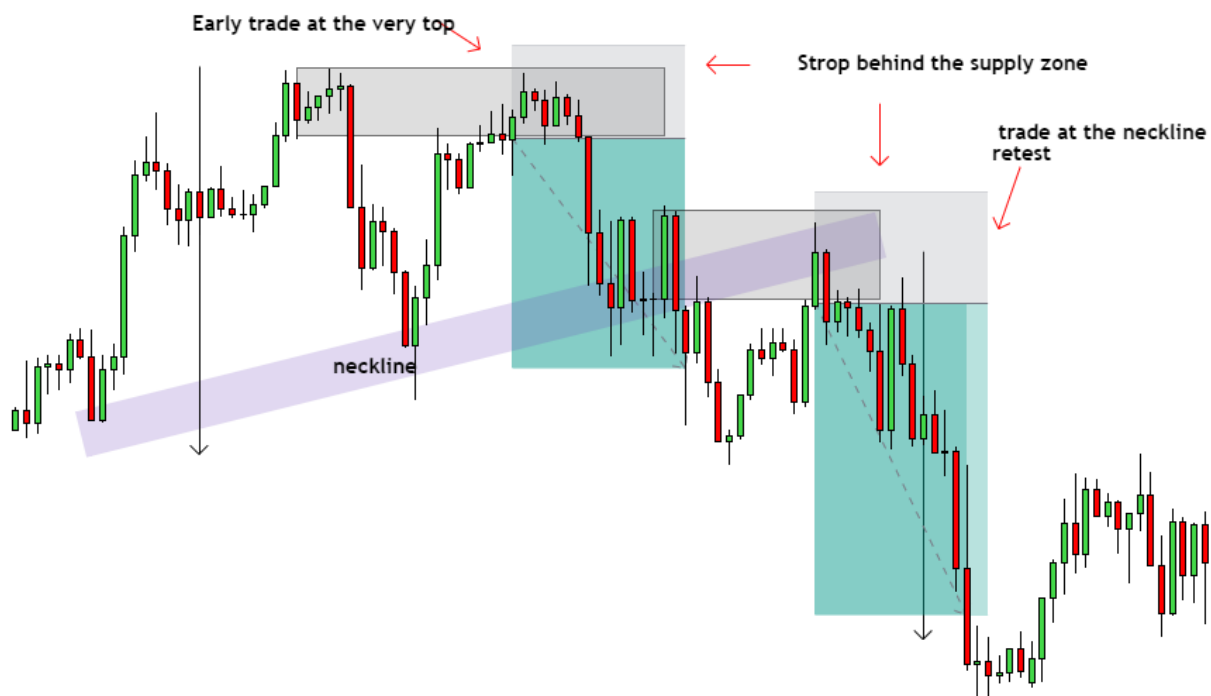
All you need to understand is that we have a retest of the initial sell activity. Usually if you want to trade a double bottom you must set a stop loss behind the supply level.

### How a double bottom is formed?

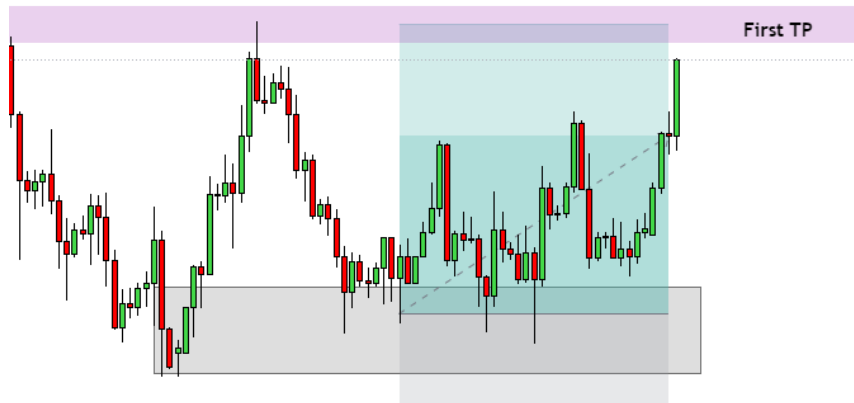
Double bottoms are usually found at the end of a downtrend or in a very cheap macro demand zone. The new test of the new minimum level does not exceed the price set by the first peak, so the price rejects the level as a support. It is similar to the letter W. The second peak not necessarily stops at the same level of the first one but can stop very close. This figure is a sign of a possible reversal momentum to the upside. The price has been decreasing but with less strength since sell volumes were weak and sellers have not yet come to push the price down. That's why price fails to break and make a new peak and makes a W.



**DOUBLE TOP PROPER EXECUTIONS:**



## DOUBLE BOTTOM PROPER EXECUTION:

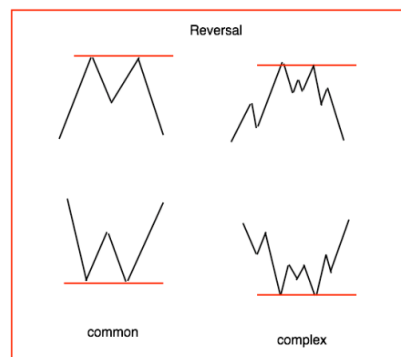


## HOW TO TRADE VARIATIONS DOUBLE TOP AND DOUBLE BOTTOM

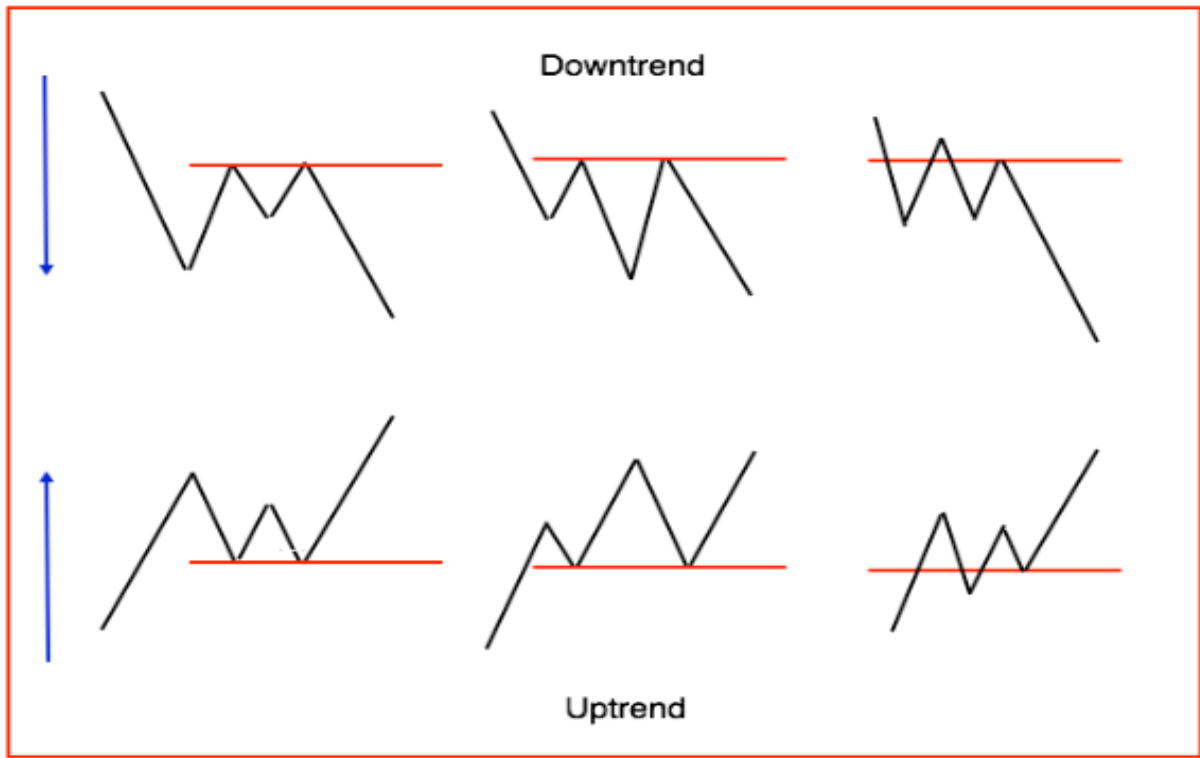
There are a multitude of variants of this figure, the double top / bottom can be seen as a trend reversal figure, but we can even find this pattern in the continuation of a trend.

When we talk of a double top / bottom continuation, it means the price was just in a phase of trend and simply price has entered a corrective phase where he formed a figure of M and W. In this case we identify double bottoms or double tops continuation with potential signals. It is very important to take into consideration the previous main trend because it is very likely that the price continues its main trajectory.

## REVERSAL DOUBLE TOP AND DOUBLE BOTTOM:



DOUBLE TOPS AND DOUBLE BOTTOMS OF TREND CONTINUATION:

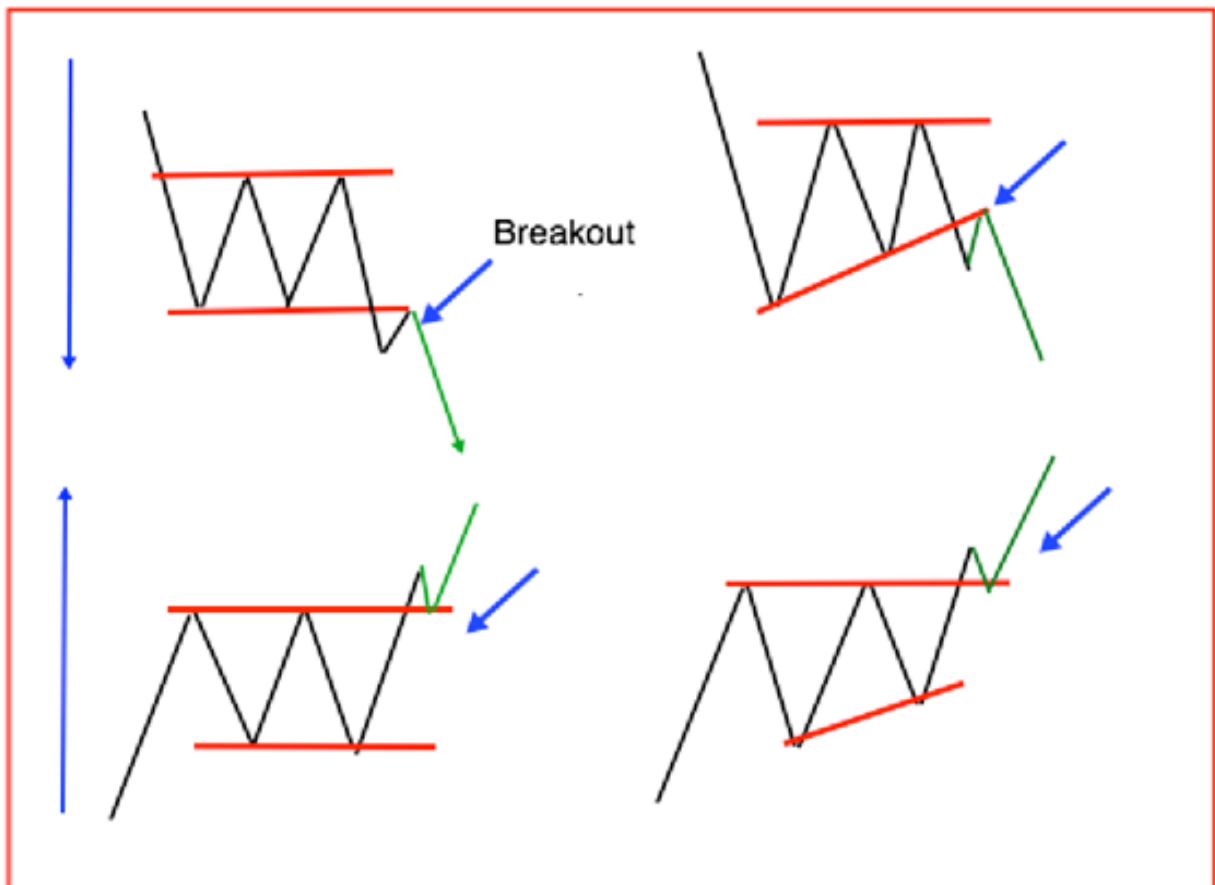


The chart patterns from above are not reversal patterns. Actually You can make High probability trades if you can identify an continuation M or W pattern. You are following the trend and you are taking it in is specific supply and demand levels. You can add confluence factors such as candlestick pattern indicating momentum etc.. ( We will explain more about that later. )





The next image has the purpose to train your eyes to combine M and W patterns with figures that need pullbacks to be confirmed. Try to find this patterns in your charts , you will see how the story repeats itself. They are all in a certain way double tops and bottoms.

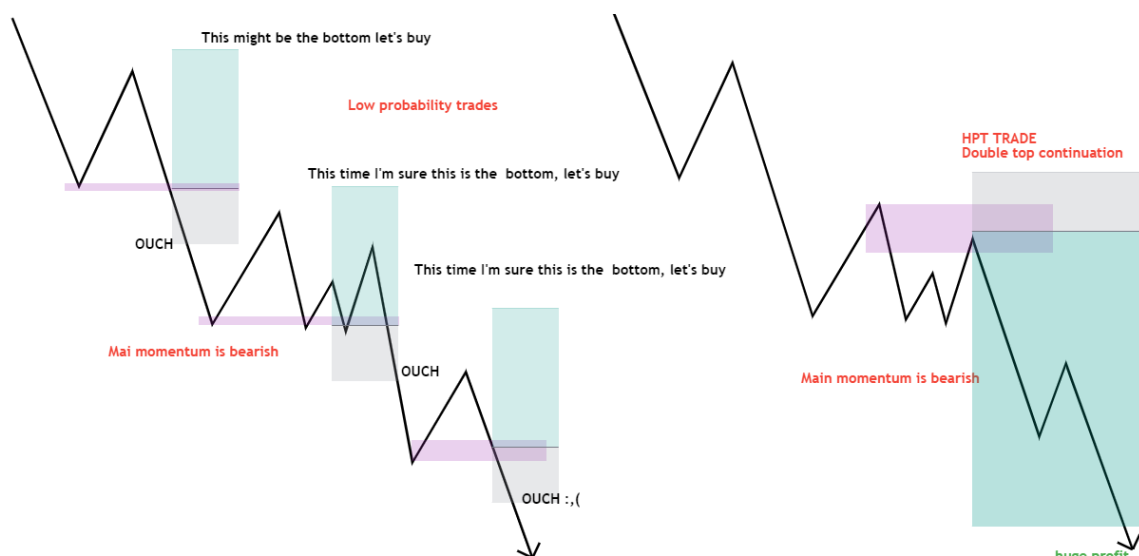


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## THE RETAILER MISCONCEPTION ABOUT DOUBLE BOTTOM / TOP REVERSAL

There is a certain illogical impulsion in the retail industry about trying to catch a double top or double bottom . Many traders want to catch the very top or the very bottom of the structure , the market can teach them a lesson.

You must focus in the main macro trend direction and focus first in trading double top or double bottom continuation patterns.It is very important to be patient. Always expect proper main directions.



Beginner are impatient they will always try to trade REVERSAL. Professional traders are patient and trade with the flow. You have to train yourself to be disciplined and stay stoic. Build your brain to trade continuation patterns

In trading money is made only by waiting and success is not compatible with impulsions.

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## HOW TO REALLY TRADE A WEDGE REVERSAL STRUCTURE

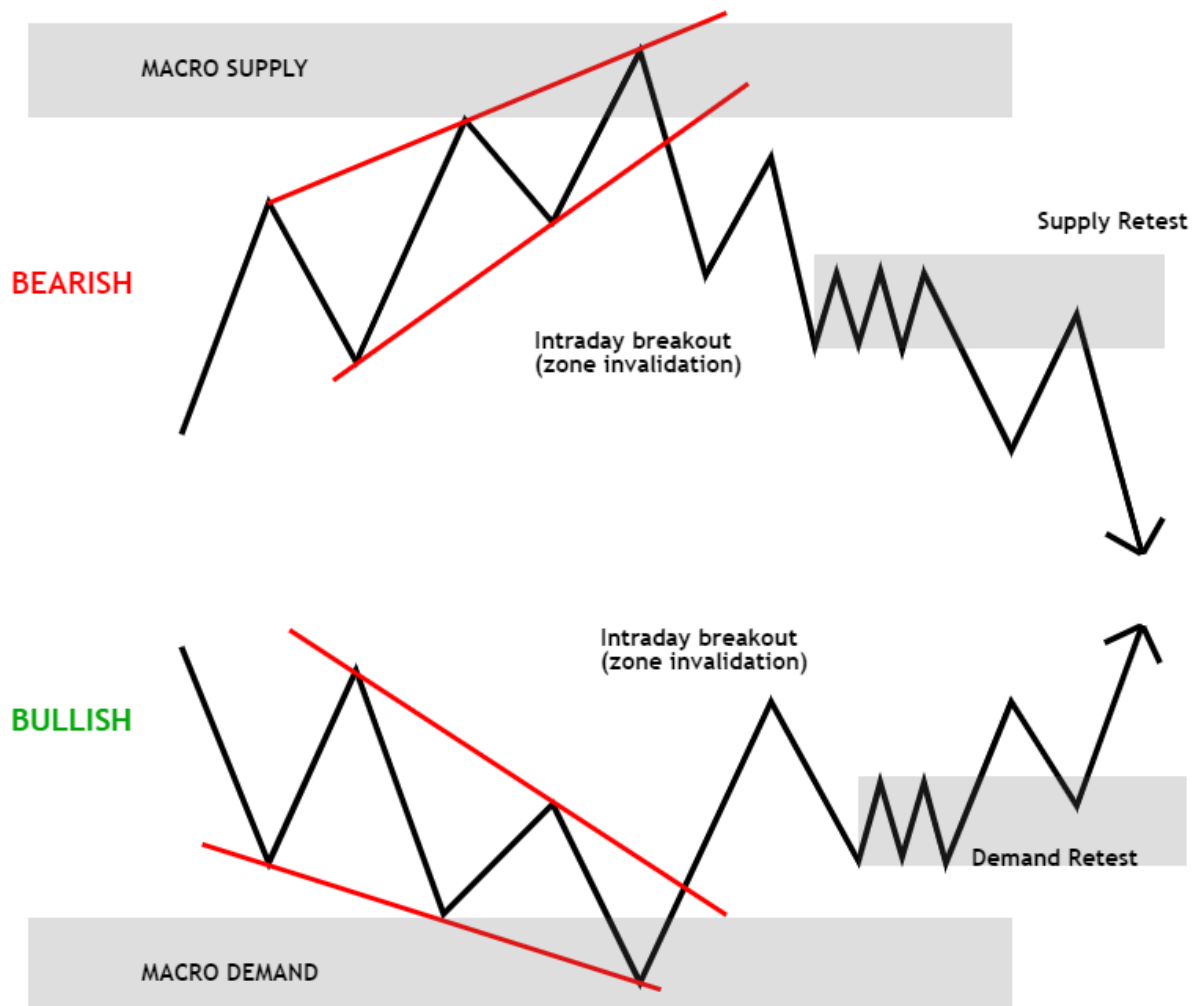
These patterns are formed while the price follows the main trend. Usually near a huge area of supply or demand

Their special feature is the loss of strength of the bullish or bearish trend. This sequential loss of strength told us that the price can reverse.

Even if price theoretically respect his trend structure, it does not mean it always going to respect the trend .There is where this pattern appears, when the markets starts losing strength.

We expect the price to break the trend line that joins the secuencia.

This figure consists of two trend lines that closes the one from the other at the end. The pattern is composed by at least 3 rebounds it can be much more



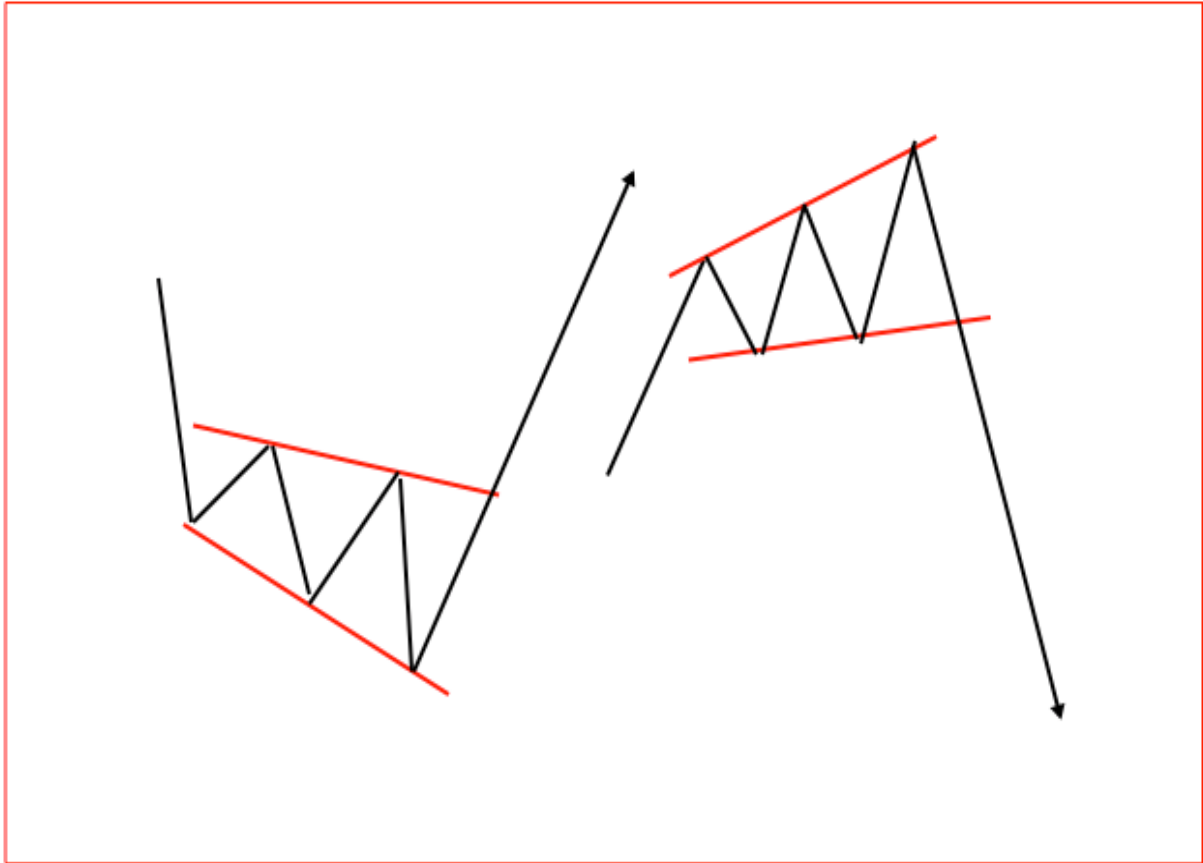


There is two possibilities to execute a trade in a wedge reversal pattern , either you take an aggressive entry near a macro supply or demand level (LPT TRADE), or you wait for the market to give a proper direction with an intraday breakout and retest of a demand or supply area (HPT TRADE)

### EXPANDING WEDGE REVERSAL PATTERN.

These figures are less common, but you still gain importance on them if one day you identify one.

They are formed when the price respect the main trend in a particular way. Their special characteristic is the expansion of the strength of bullish or bearish impulses. This sequential expansion indicates that the price can reverse.



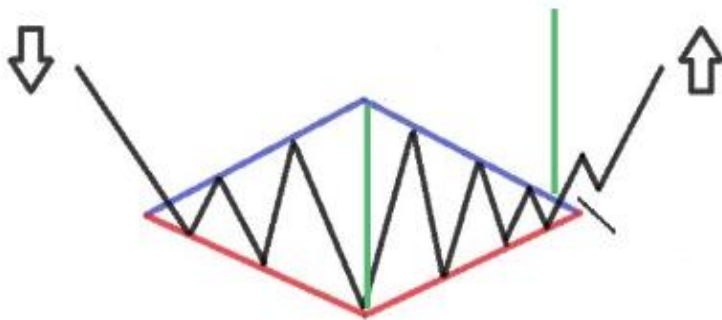
#### HOW TO TRADE A DIAMOND REVERSAL (DIAMOND TOP / BOTTOM)

This chart pattern provide excellent entry points, nearly 80% of the time price respect this figure. It looks like some sort of consolidation in the form of a diamond.

Usually, this model consists of 6 movements. We will take trades when the price break the structure and make a pull-back. This patterns can be usually find in strong macro demand or supply areas

The take-profit is placed at the same distance of the widest part of the diamond.

### Diamond Pattern



## HOW TO TRADE A WOLFE WAVE PATTERNS



### Conclusion:

We saw many figures trend reversal patterns present in the charts.

It is very important to emphasize that the more the figure is in a higher time frame the more value and force will have.

Now it's your turn, we invite you to open your charts and with what we've learned to detect the following models:

1. Head shoulder
2. Reversal M / W

3. M / W trend continuation
4. Wedge reversal
5. Expanding Wedge reversal
6. Diamond
7. Wolfe wave reversal patterns

## HOW TO IDENTIFY CONTINUATION PATTERNS?

Since the mass psychology is repetitive, the price will form certain patterns that will be repeated and can always be easily identified. Some of these figures are called continuation patterns which, as its name suggests, indicates continuation of the price in a trend previously established. Since there are many continuation patterns and respective changes, below we explain those we use most and how to use it properly.

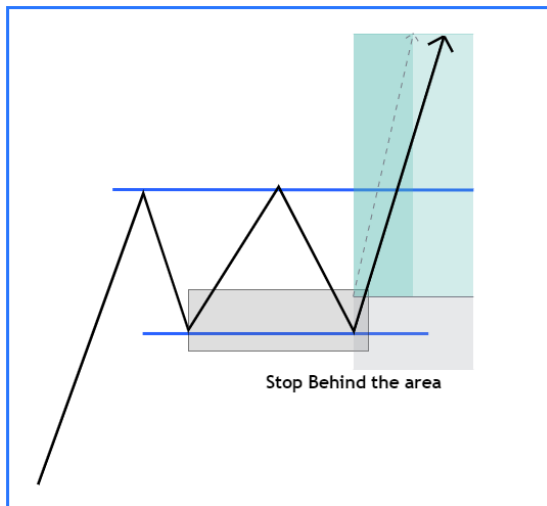
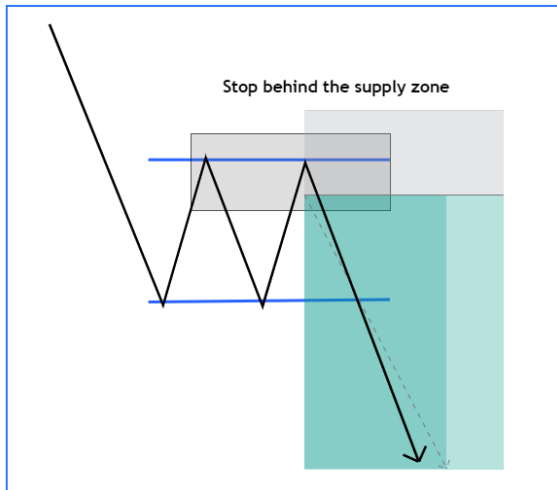
### FLAGS

This type of figure is very common. Is popularly known as flags, banners, etc ... This is nothing but the price making a corrective break before continuing. This pause will come to identify the form of a little consolidation. Its length can vary. Remember that we explained that a market phase has 4 phases? Accumulation, re-accumulation, expansion and distribution.

The flags correspond generally to corrective waves in the reaccumulation phases or re distribution phases. We can find these patterns in all existing time frames . Flags are identified with the following price movements:

### HOW TO TRADE STANDARD FLAG CONTINUATION

It's actually some sort of M continuation pattern If you want to trade this pattern make sure to set a stop behind the supply area

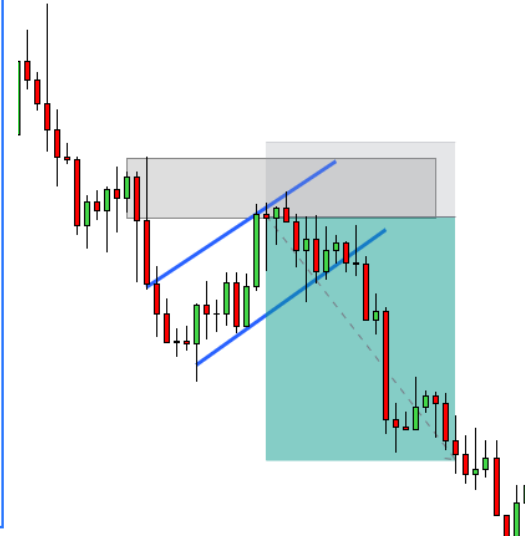
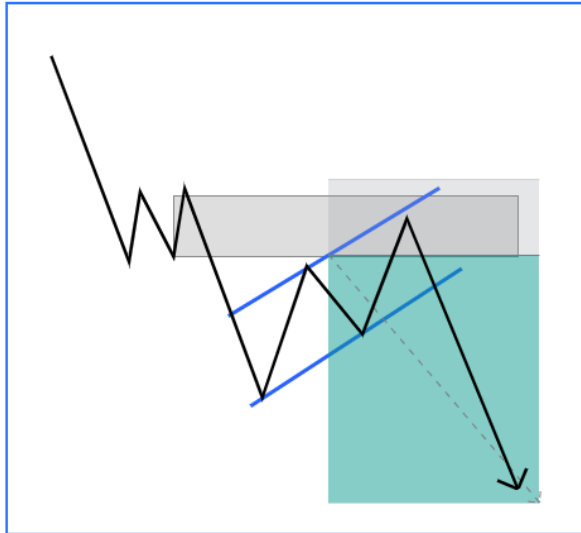


## HOW TO TRADE INCLINED FLAGS

These figures are similar to the standard flags, they have certain characteristics that allow them to function differently.

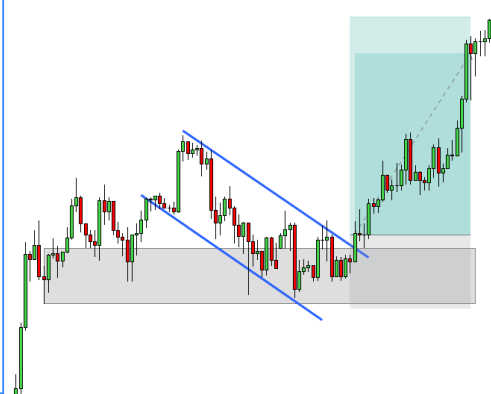
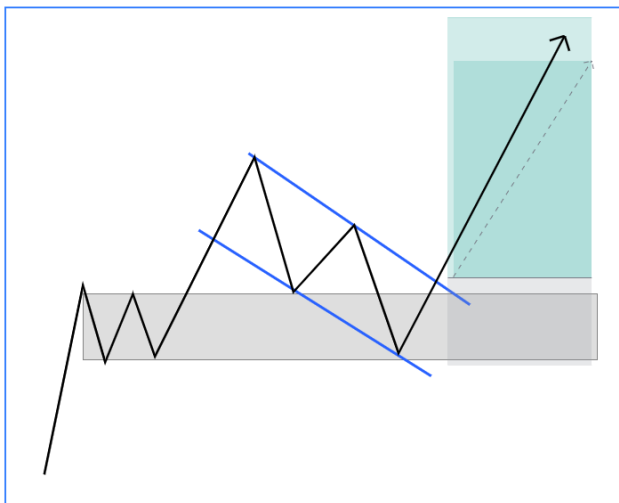
### **Inclined Flag in a downtrend:**

As its name suggests, a inclined flag can be found in a downtrend. There is a strong momentum to the downside and this patterns is just a consolidation before a continuation to the downside.



### Inclined flag in an uptrend:

This is exactly the same, except that the trend is on the opposite side. You can either take a trade in the supply area or even at the breakout, if that happens you should always set a stop loss behind the zone




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## TRIANGLES

Triangles are corrections that show a contraction of the price before a continuation

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### HOW TO TRADE SYMMETRICAL TRIANGLES

Triangles are formed when the asset anticipates a strong movement to come in the future. Triangles are good opportunities for breakout traders.

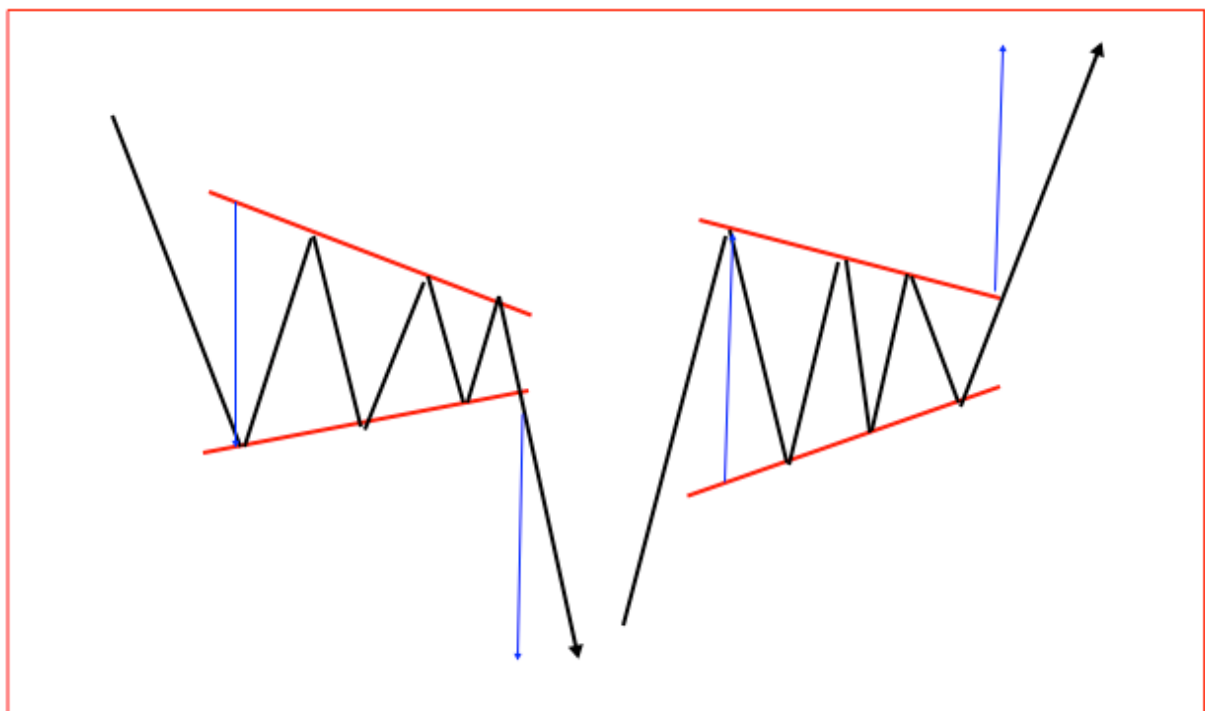
Symmetrical triangles typically are formed in areas of re-accumulation or re-distribution. They can also be formed just before a new fundamental because they are considered as a form of consolidation before a massive movement

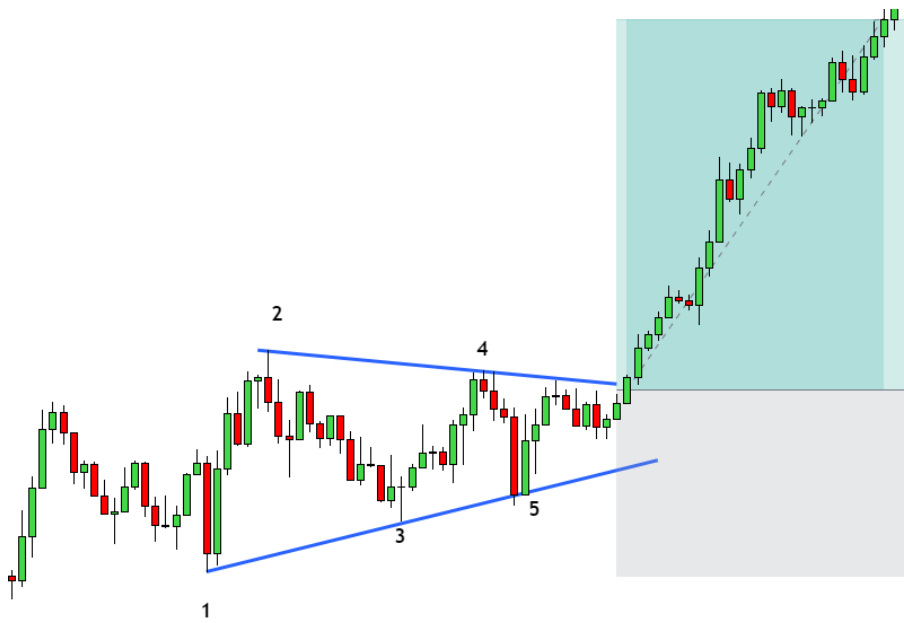
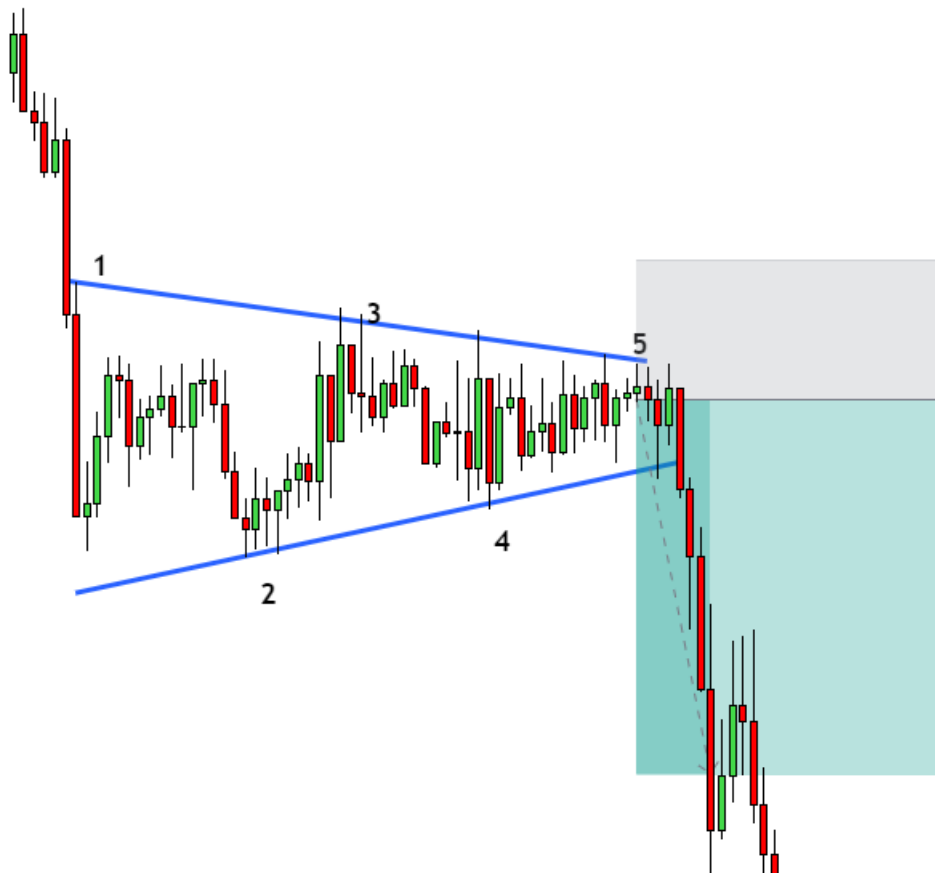
The price tends to form a symmetrical triangle to confuse traders and only after the price broke and generally follows the direction of the main trend(Previous momentum)

The triangles represent powerfull compression zone.

### How do they form?

Both (bullish and bearish) are constructed by trend lines that plays as resistance and demand and supply areas compressing the price with convergence , There are usually 5 contacts considering elliot wave structure.





## How to trade them?

- First of all we have to determine the underlying trend because the price is more likely to continue with its original previous path. Remember that triangles are usually continuation patterns.
- We must set our stop loss behind the recent supply or if the market structure allow it behind the triangle.
- If you can not accept the stop-loss look for another trade entry. Remember that this kind of chart pattern is nothing more or nothing less than a consolidation and compression phase. So you can follow the trend.

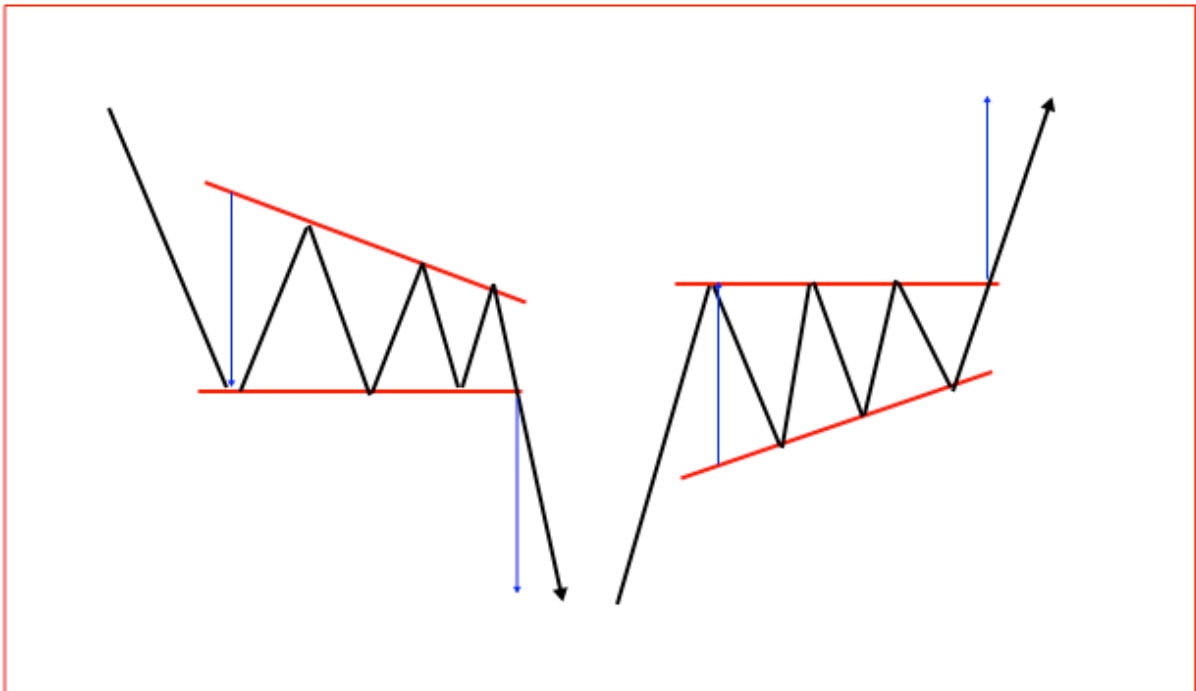
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### TRIANGLES & ABSORBTION CONCEPT :

This type of triangles has similar composition of a symmetrical triangle.

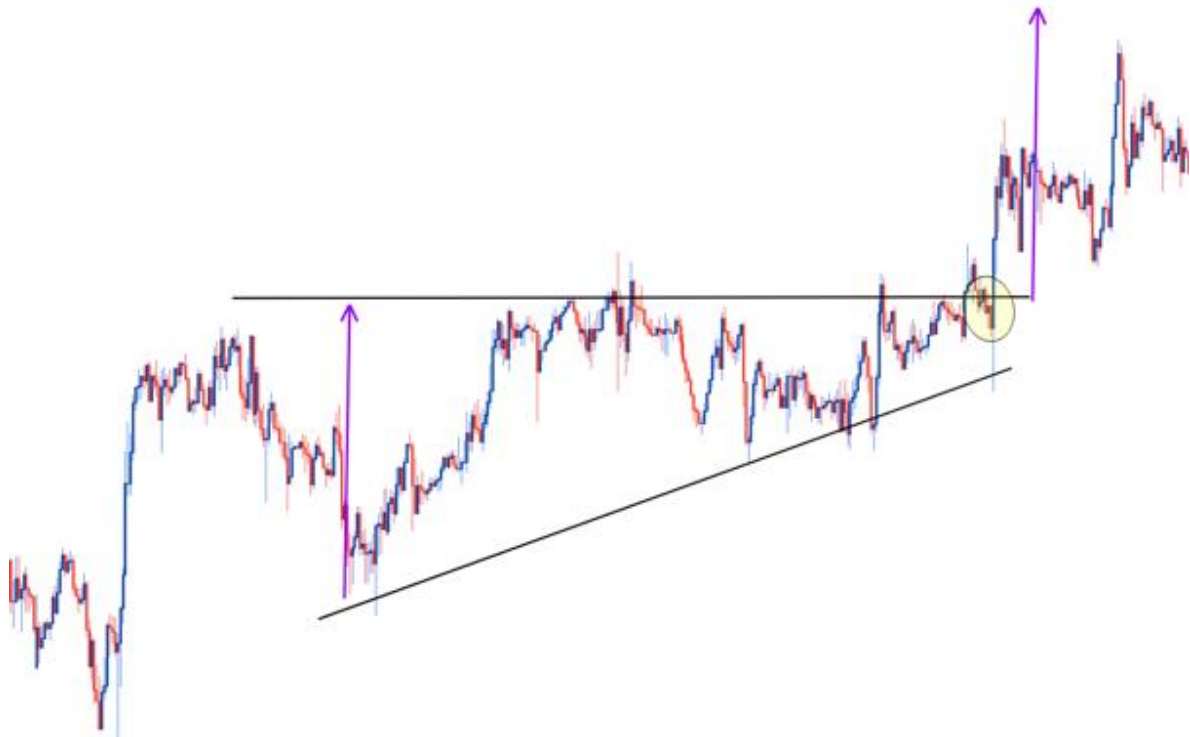
The only thing that distinguishes it is that they have a resistance or a horizontal area of supply or demand

Usually, the price will follow the underlying trend and breaks to the main trend. Just don't fall in the trap of considering this figure as a triple top or bottom. The more the price bounce in a supply or demand the more likely to break it is.



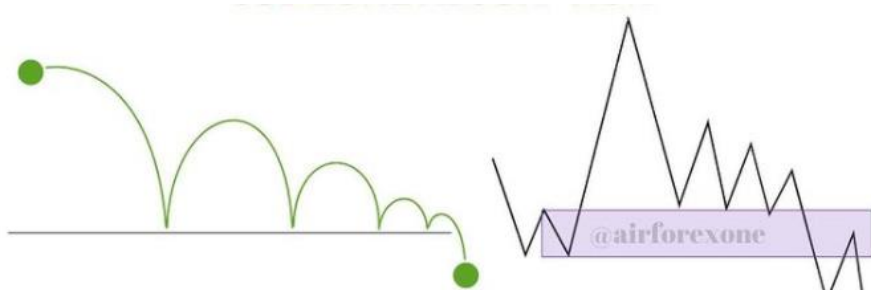


U.S. Dollar / Swiss Franc - 30 FXCM - 00.98984 H0.98995 L0.98984 C0.98994 -0.00010 (-0.01%)

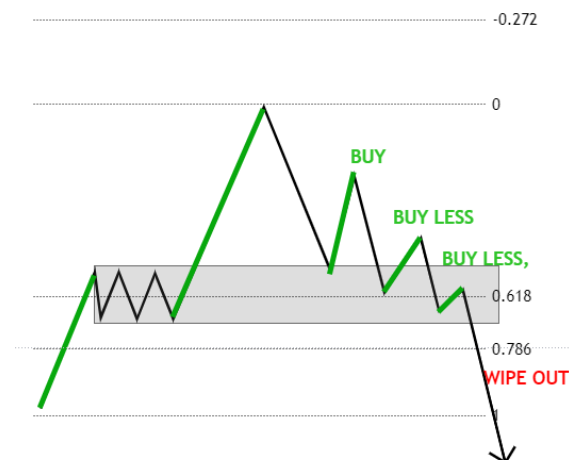


## How to trade them?

Just Avoid buying or selling In a supply or demand that has been tested multiple times. The more one zone is tested and more likely to be broken



Absorption around a zone is like a ball that bounces off the floor. Each time the ball hits the ground, some of the energy is absorbed by the floor. Thus, each consecutive bounce will be lower than the previous one until all energy is gone and the ball comes to a standstill.



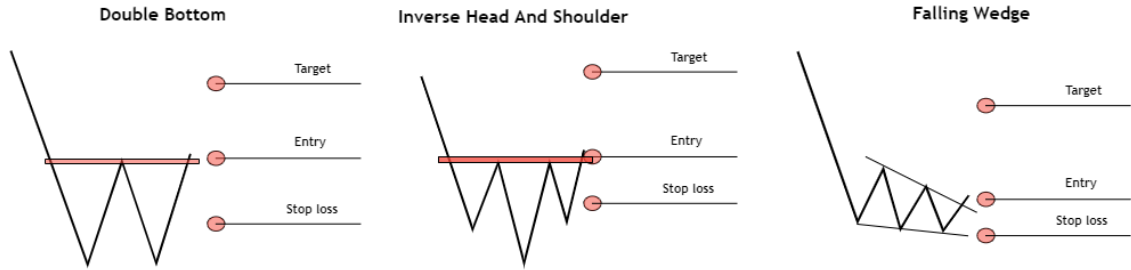
## **Conclusion:**

Now that we show you how we trade our patterns, please open your charts and try to assimilate the idea by yourself.

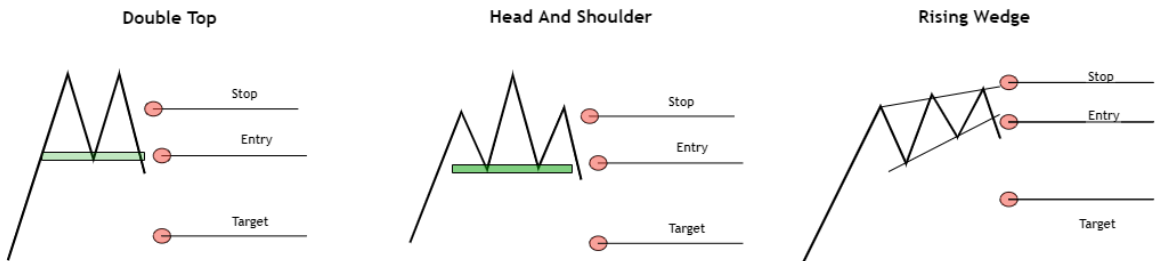
Remember that there are two major categories of patterns: **continuation and reversal**. We invite you to take into consideration both with the main trend and the context, you will see how the market can become perfect and repeat the story every single time. Of course you must combine chart patterns with supply and demand.

The following image is a sheet with some of the patterns in the case you find the opportunities in the neckline retest.

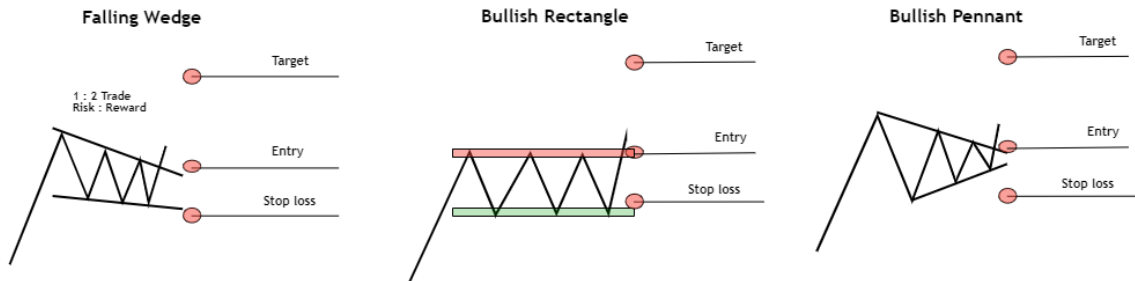
## Classic Chart Patterns cheat sheet



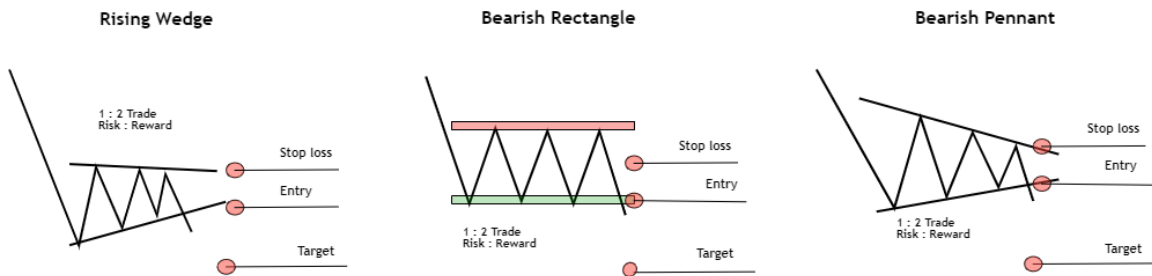
## Reversal Chart's Patterns

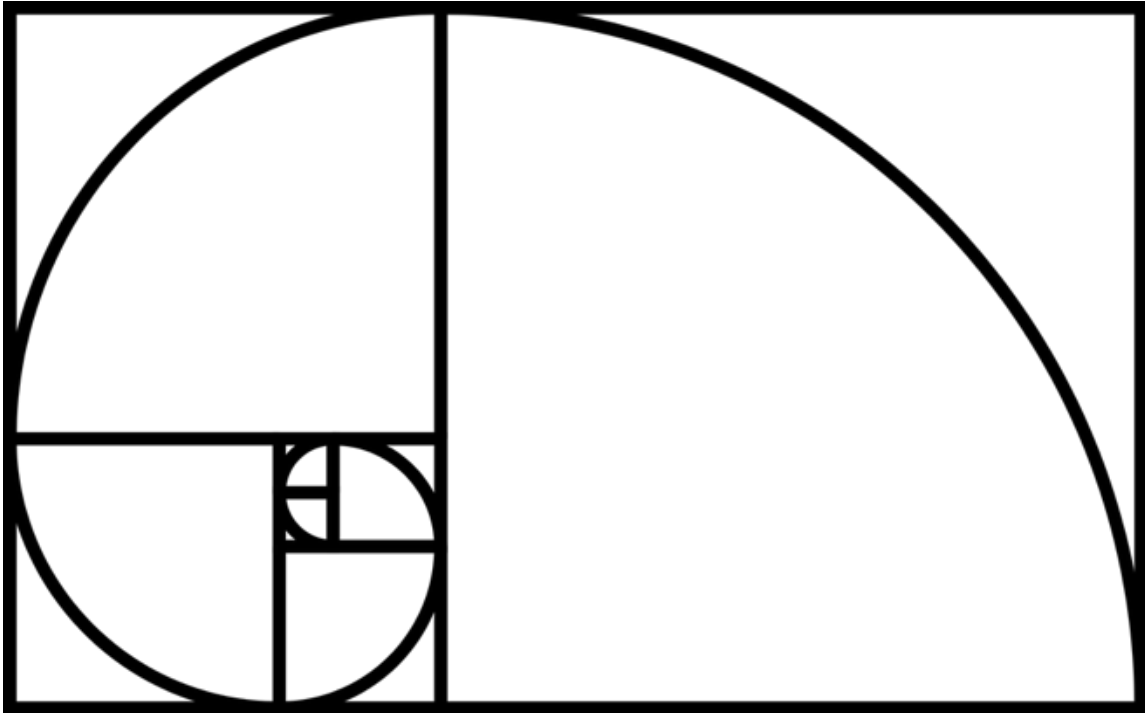


## Classic Chart Patterns cheat sheet



## Continuation Chart's Patterns





### INTRODUCTION TO FIBONACCI

In mathematics, the succession or the Fibonacci series is infinite succession of natural numbers.

The sequence starts with numbers 0 and 1, 2 and then , "each term is the sum of the previous two numbers."

In other words:

$$0 + 1 = 1$$

$$1 + 1 = 2$$

$$1 + 2 = 3$$

$$2 + 3 = 5$$

$$3 + 5 = 8$$

$$5 + 8 = 13$$

$$8 + 13 = 21$$

$$13 + 21 = 34 \dots \text{What results by:}$$

$$0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 377, 610, 987, 1597 \dots$$

The elements of this sequence are called Fibonacci numbers. This succession has been described in Europe by Leonardo di Pisa, Italian mathematician of the thirteenth century also known as Fibonacci.

It has many applications: in computer science, mathematics and other sciences. It also appears in biological configurations, as in the branches of trees, in the arrangement of leaves on the stem, in the artichoke flowers and sunflowers, in the configuration of pineapple conifers, in the reproduction of rabbits and how the DNA encodes the growth of complex organic forms. Similarly, it is found in the spiral structure of the shell of certain molluscs, such as nautilus.

Anyway, this is an equation that can explain mathematically the universe, in fact the entire universe is built in a Fibonacci spiral.

Now the interesting thing with this sequence is the following:

If we take one of the calculations of the sequence and we divide the bigger with the smaller, we get a result that approaches a number called the Fibonacci golden ratio.

In other words, between geometric spirals in nature and the numerical relationship of this sequence in the human body and the universe, Fibonacci can also be applied in the financial markets in order to increase our chances of finding scenarios of high probability in every single time frame because the market is fractal. (meaning that it behaves in the same in all the time frames).

In trading, Fibonacci levels appear in what is called the Fibonacci studies. Fibonacci studies include a series of tools and analysis based on proportions of the Fibonacci sequence, which represent geometrical laws of nature and human behavior applied to the financial markets.

The most popular tools are Fibonacci retracements and extensions, Other tools are less popular like Fibonacci ellipse, Fibonacci spiral Fibonacci channels, etc ...

We will focus on the first instrument mentioned: The famous Fibonacci retracements and extensions.

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## FIBONACCI RETRACEMENT

### What is that ?

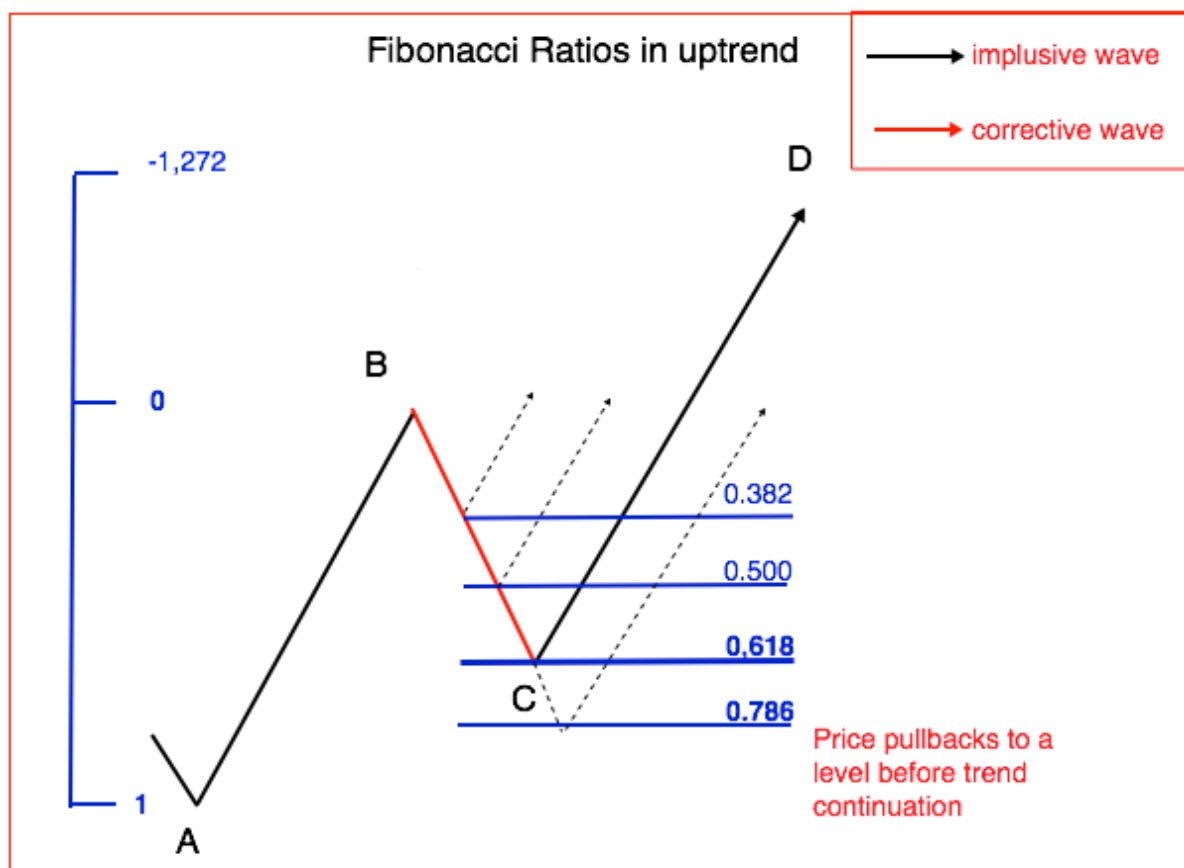
The Fibonacci retracement is composed by levels based on numbers where the price has a high probability to reverse

You can find it on your trading platform MetaTrader, tradingview.com or other any platform. simply typing in the search bar" Fibonacci ".

In the following image, we graphically explain how a retracement is made: In summary, Fibonacci retracements are imaginary potential levels of support and resistance.

### HOW TO USE FIBONACCI IN UPTREND AS CONFLUENCE:

Let's imagine that we have a bullish AB impulsive movement and suddenly the price decides to slow down and make a pullback and enters in a small corrective phase before continuing with the uptrend. At that time, thanks to Fibonacci retracements, we can possibly know when the price will eventually decide to bounce and continue its upward trajectory. In other words, we will be interested in looking for a point C through retracements of Fibonacci. This point C will be important for us to surf in the next bullish wave D.



## USDCAD example

The following image is an example of a successful trade using Fibonacci retracements .

USDCAD was in an uptrend, so we were only interested in looking for entry points to buy. The image below shows the impulsive AB structure starting to make a pullback. We use Fibonacci levels to find potential entries to buy the trend and ride the next upside momentum.



## USDCAD image 2.

The following picture shows that we have used Fibonacci from the point A representative number of the start of the impulse indicated by the number 1 for Fibonacci, to point B representing the number 0 for Fibonacci. With this, the instrument has automatically drawn Fibonacci levels where there could have future rebounds.

We usually pay attention to the number of 0.618 gold. This is why in the image below we decided to draw a pink support. There is a lot, but a lot of chances that a bounce movement takes place in the 0618 level of any Fibonacci retracement.

In this way, the pink zone was for us the area where we had to keep an eye



**Image 3: USDCAD later ...**

Once the price approached our support corresponding to the number 0618, we expect a Japanese candle to confirm a buy scenario.

We put our stop loss under the imaginary support and our take profit at the Fibonacci projection -0272



## Image 4 USDCAD ...

Thanks to Fibonacci retracements, we could detect a potential support entry level to buy in an uptrend and the result was a successful trade.

U.S. Dollar / Canadian Dollar · 1D · FXCM ~ o1.33113 H1.33821 L1.32600 C1.32605 -0.00508 (-0.38%)

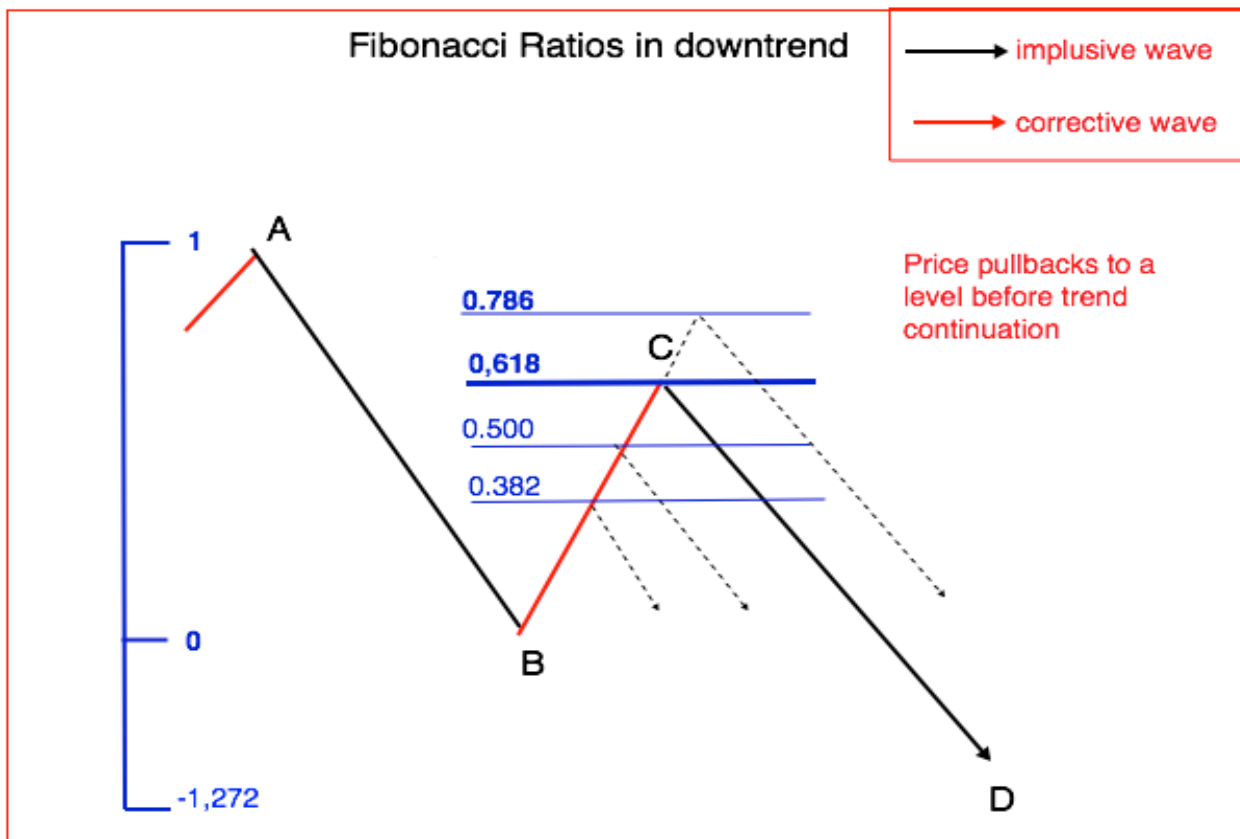


Now that you understand how a Fibonacci retracement is used, we will see how it would have been used in the case of a downtrend.

## HOW TO USE FIBONACCI IN DOWNTREND AS CONFLUENCE:

**The principle is exactly the same, but the reverse.**

Let's imagine that we have an impulsive wave to the downside AB and suddenly the price decided to breathe, making a pullback and entering in a corrective phase before continuing with the main trend to the downside. At that time, thanks to the Fibonacci retracements, we can possibly know when the price will potentially decide to reverse and continue its downward trajectory. In other words, we will be interested in looking for a point C through retracements From Fibonacci. This reversal will be important for us to surf the next wave D.



**Example CADJPY time frame 4 hours.**

The following image is an example of a successful trade using Fibonacci retracements.

CADJPY was in a downtrend, so we were only interested in seeking entry points for selling opportunities. The image below shows the impulsive AB wave that was in the process of correcting. We use Fibonacci to find a resistance levels for sell and ride the next downward momentum.

Canadian Dollar / Japanese Yen - 240 - FXCM ~ 081.679 H81.836 L81.648 C81.709 +0.030 (+0.04%)



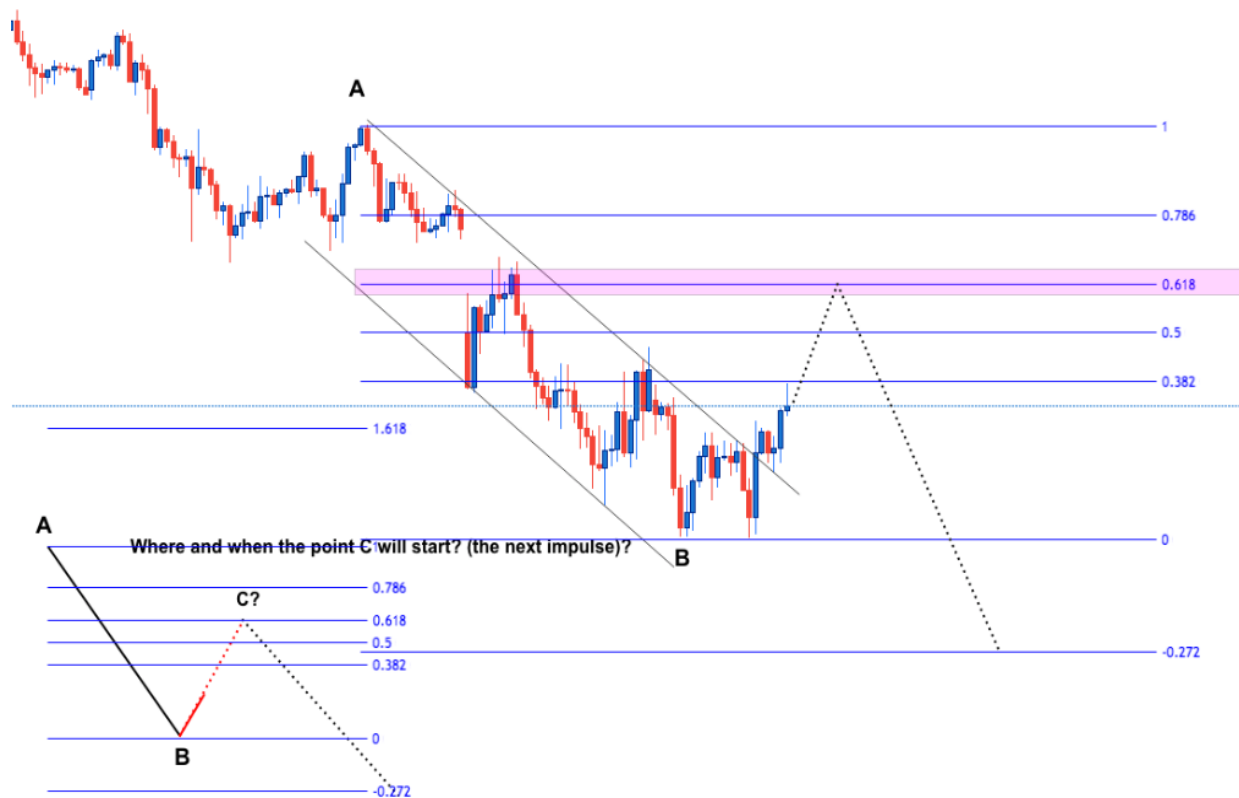
## 2 CADJPY example of continuation

The following picture shows that we have used Fibonacci from the start of the impulsive (point A representative of the number 1) for Fibonacci to point B representing the number 0 to Fibonacci. With this, the instrument automatically projected Fibonacci levels where there could potentially reverse.

Earlier we mentioned the golden number of 0.618. Therefore, in the following image, we decided to draw a rose resistance zone. There are still a lot, but a lot of chances that a reversal takes place at the 0.618 Fibonacci level.

In this way, the pink zone was for us the area where we had to keep an eye once the price arrives to that level.

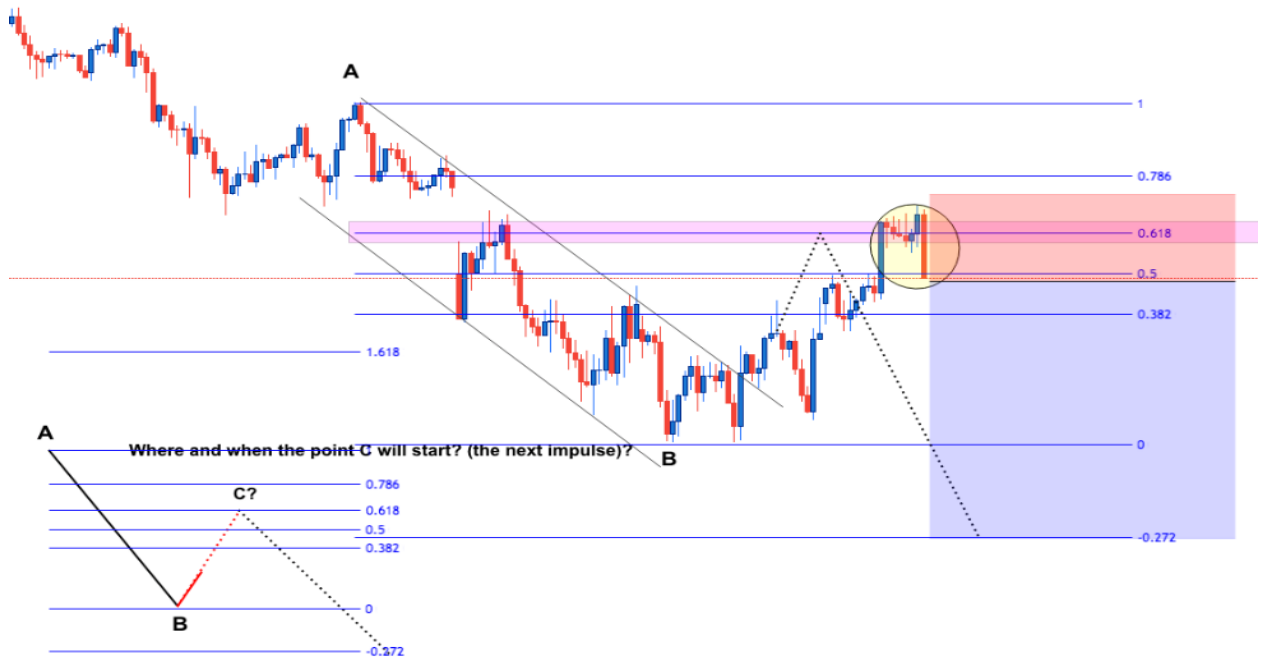
Canadian Dollar / Japanese Yen · 240 · FXCM · 081.679 H81.836 L81.648 C81.709 +0.030 (+0.04%)



### 3 example CADJPY

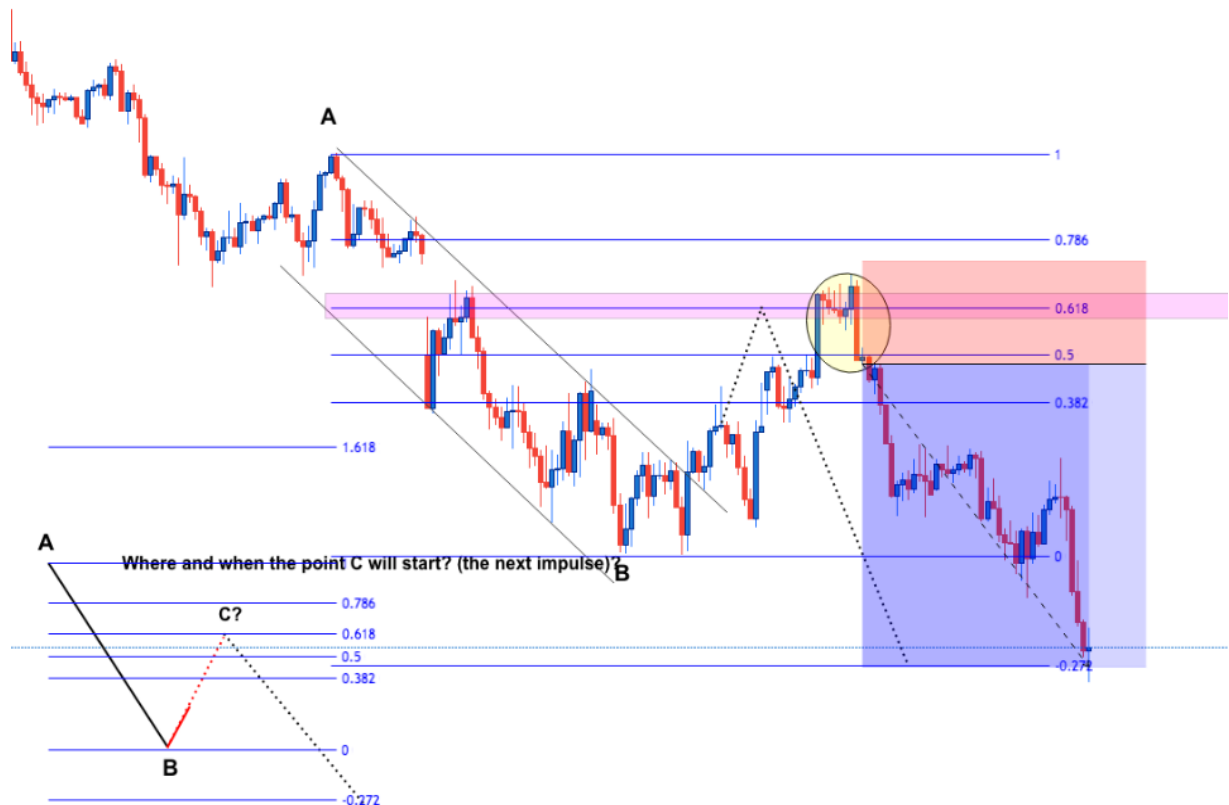
Once the price approached our strength in the golden ratio, we expect Japanese candle to confirm a sell scenario.

We put our stop loss above the imaginary resistance and our take profit at the Fibonacci extension -0272



**Image 4 CADJPY ...**

Thanks to Fibonacci retracements, we could detect potential resistance levels to sell in a downtrend and the result was a successful trade.



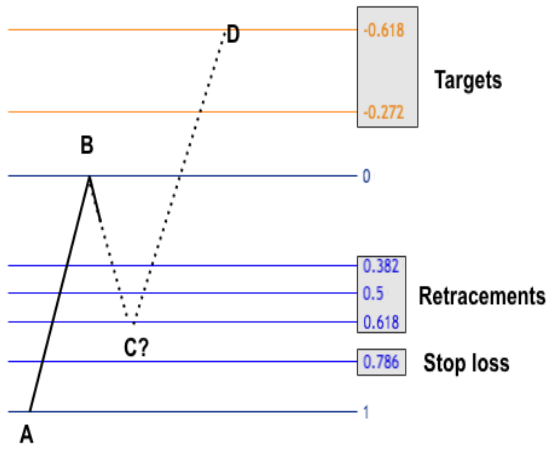
The examples we have seen shows that the golden ratio of 0.618 can be a great help to find imaginary levels of strong probability.

We want to be transparent and it's important to know that not all the time the reverse point occurs at that level

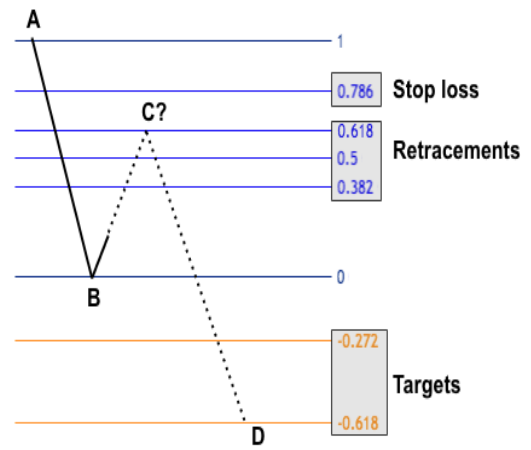
We mainly focus on different levels:

- **Retracement level to 0.382: pullback in a strong and rapid trend.**
- **Retracement level to 0.50: Average pullback**
- **Retracement level 0618: golden number( where mainly all the reverse happens)**
- **Level 0786** Usually this level is where we place the stop-loss level or a little further back when you have an entry on the 0618 level. However, sometimes price , can reach that level and reverse.

**FIBONACCI IN UPTREND**



**FIBONACCI IN DOWNTREND**

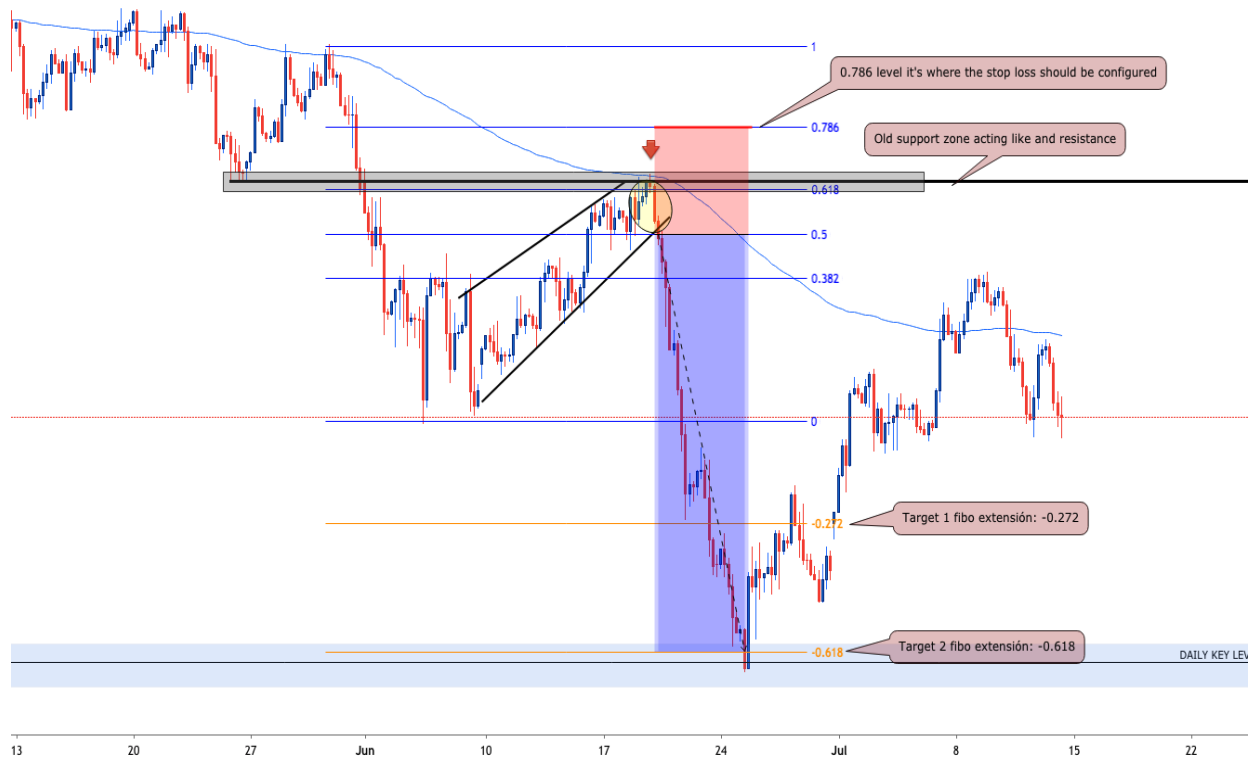


### Example of a trade in a 0.382 retracement in a strong uptrend:



### Example of a trade to the 0.618 level in a downtrend:

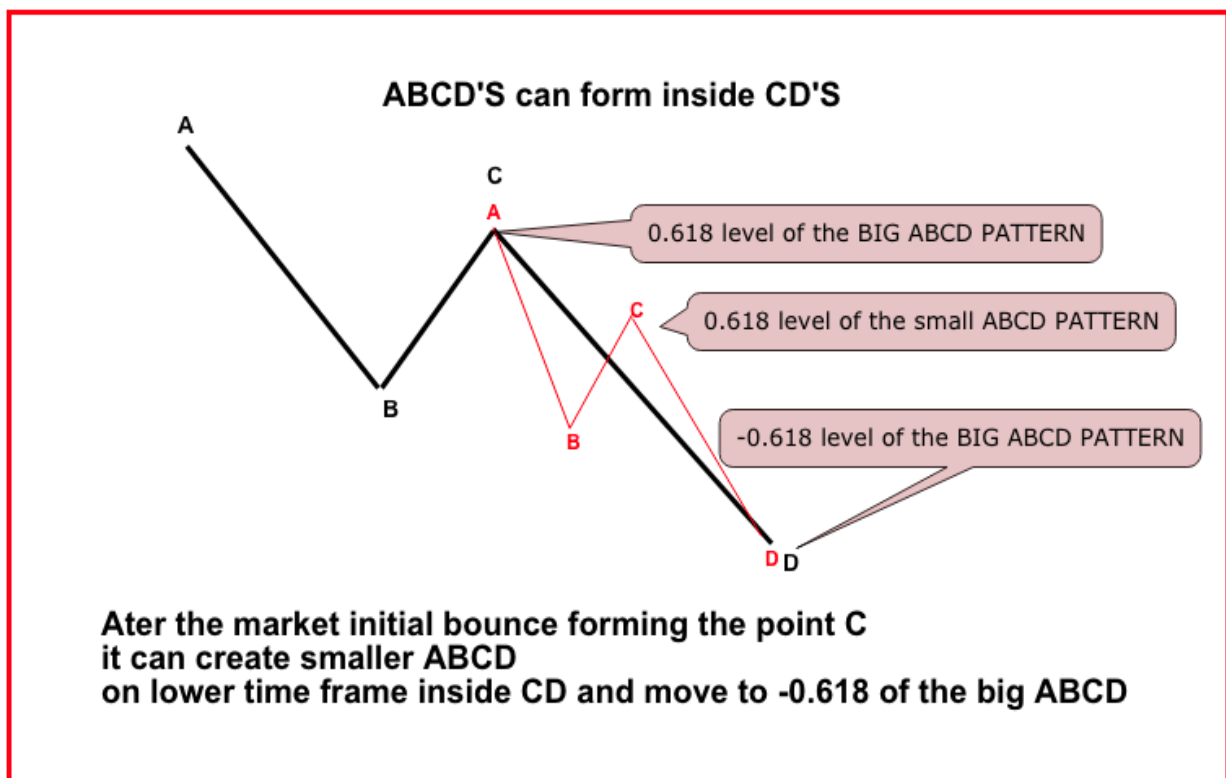
As we explained earlier, AIRFOREX ONE frequently uses the 0.786 retracement to place our stop loss or even behind a supply or demand level and we normally set take profits our in -0.272 and -0.618 extensions.



## HOW TO USE FIBONACCI IN DIFFERENT TIME FRAMES TO TRADE PROPERLY

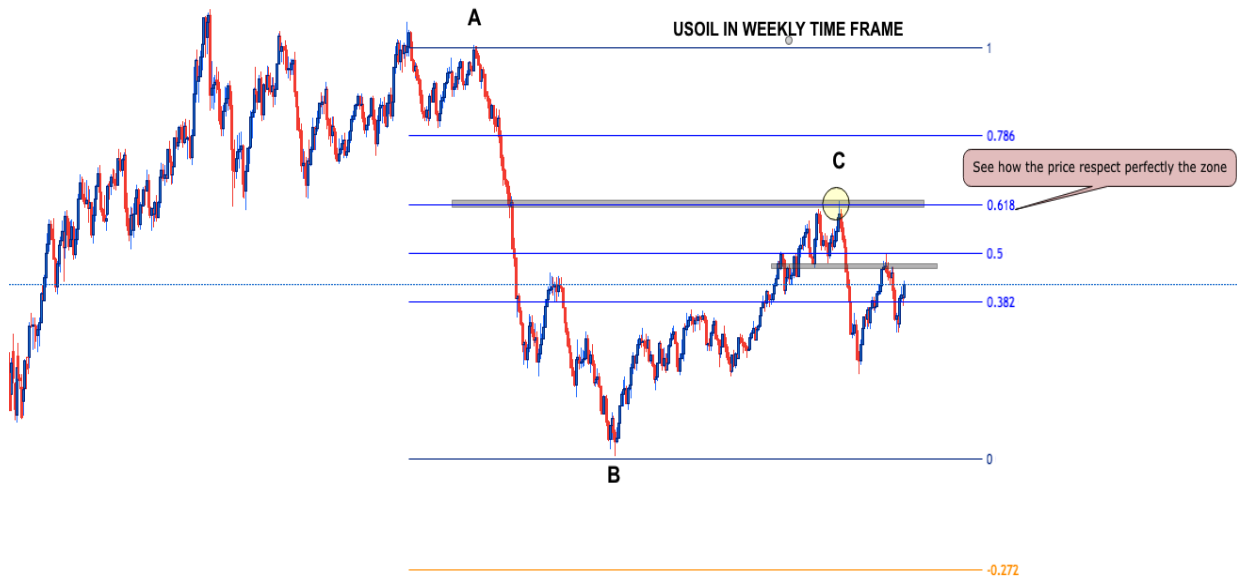
As we have already explained, higher time frames have much more impact on what is about to happen in lower time frames. When applying Fibonacci, it is suitable to start in the weekly or even monthly time frame (in the same direction as the impulse of the main trend). This will have long-term clearer ideas about where the major levels are and where the price can go in long term

Then we approach the analysis to lower time frames, we will find more fibonacci opportunities, H4 and H1 are the best for the execution of trades in a Fibonacci retracement.



### Example:

The following chart is USOIL in a week's time, as you can see, the price has reversed in the 0.618 levels forming the famous point C.



The following chart is USOIL but now in daily time frame. As we can see, we have placed a second Fibonacci retracement in the first Fibonacci in wave C.

The second Fibonacci shows that the price has also reversed around the 0618 level of the big wave down CD of the weekly time frame.



In other words you can use Fibonacci levels in any time frame , but higher time frames will also be more important than lower time frames . There will always be ABCD figures inside figures ABCD. You don't really have to overcomplicate it . Use it as confluence.

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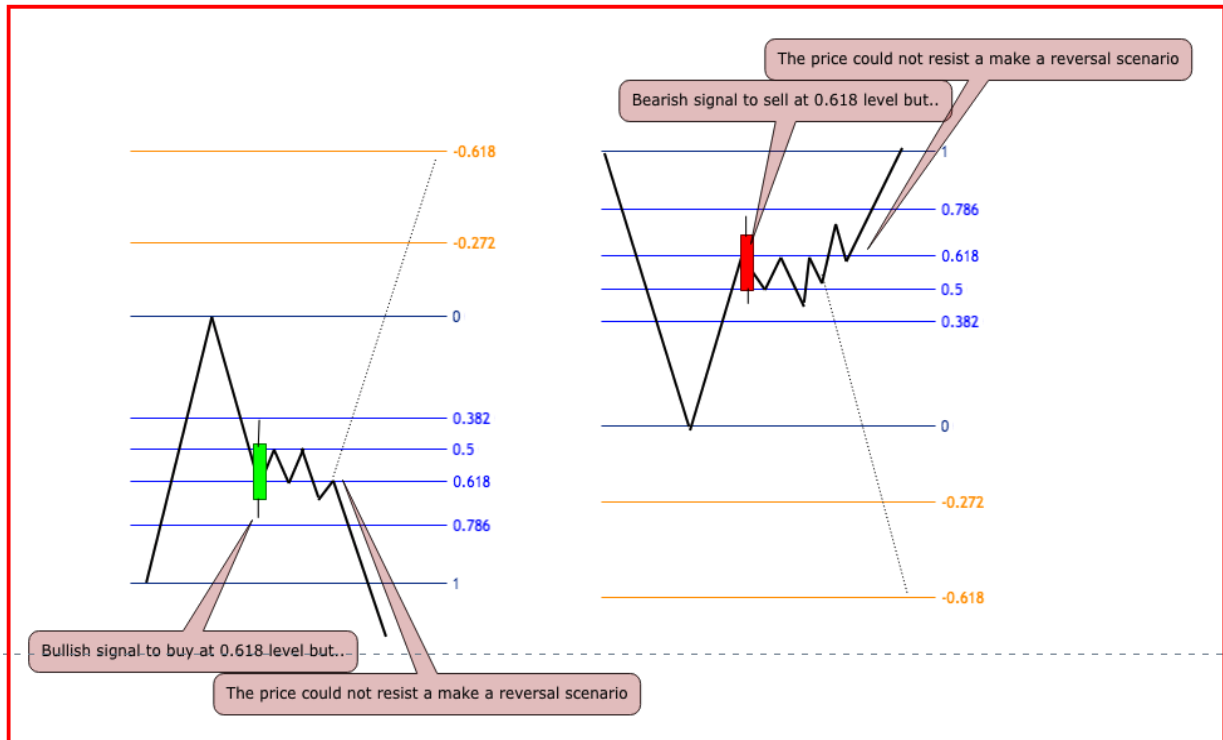
## TRADING RULES TO TRADE WITH FIBONACCI RETRACEMENTS EFFECTIVELY:

- The market can move up and down very slowly or fast. For this reason it is very important to create a habit to visualize the future movement.
- If the market makes a retracement level at 0.382, 0.50 or 0.618% and the retracement is confirmed, then there is a good chance that the market will form a D wave that can reach the level of -0.272 or -0.618.
- The only way to validate a bounce is to the candlestick patterns as well as the confluence such as supply or demand area.( we have and special chapter for this) .
- Not because the price has reached the golden number means that it will reverse. In the forex and financial markets, anything is possible, everything can happen. Expect different scenarios and play with probabilities.
- The more we combine scenarios, the more likely to win and make a good trade This is why it is important to find supply or demand, trend lines, or even moving averages, etc ...
- the stop-loss should be placed at least at retracement 0.786 or behind the supply or demand level.
- It is suitable to set the take-profit level just before the planned extension of the wave D (0 or often -0.272 - 0.618 which depend on the evolution of the price).
- If wave C is back and there is a candlestick closed near the level of 78.6% and there is no candlestick patterns confirming a bounce, it is possible that the trend reverse,

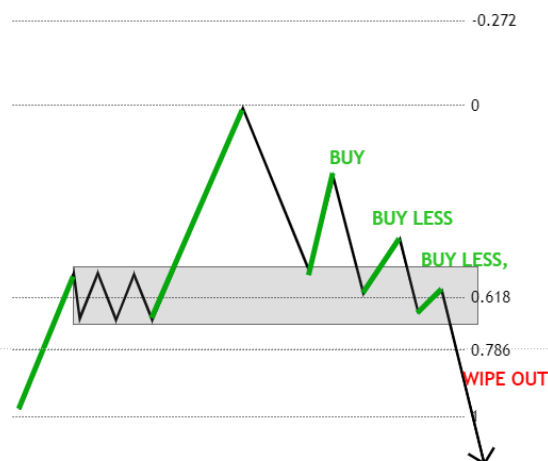
### **For example : This example is very common.**

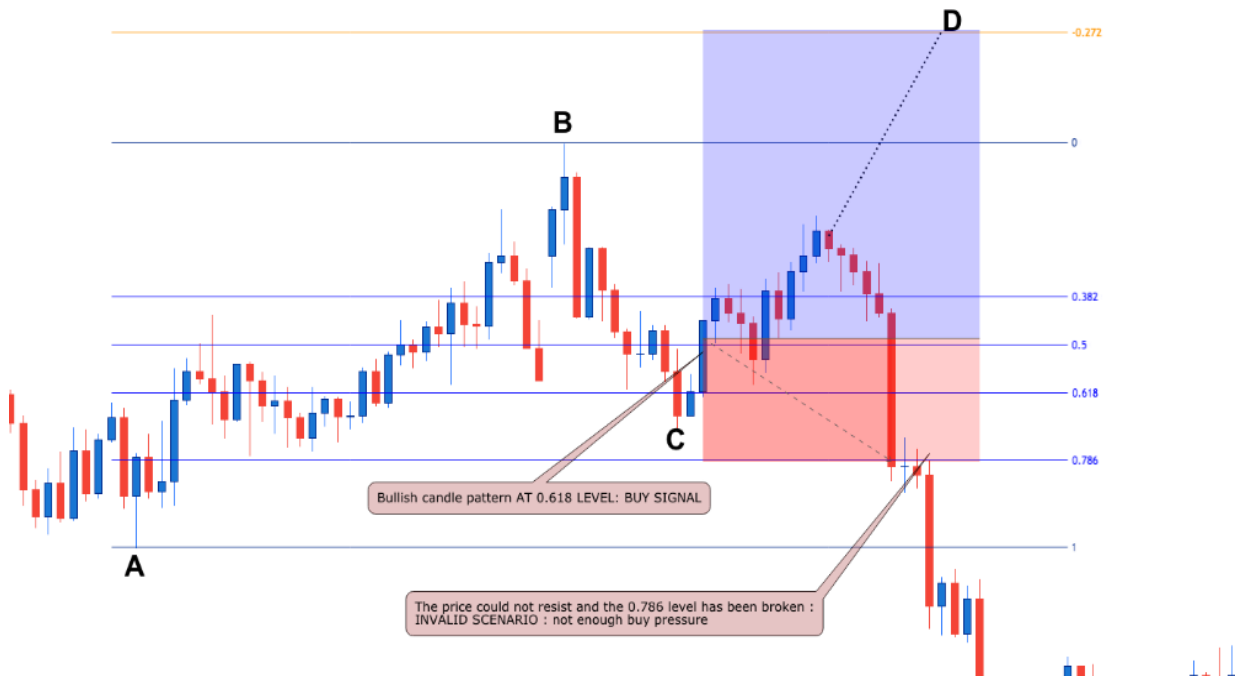
-In an uptrend, it is very common: Many buyers will know that 50% and 61.8% are important levels for potential bounce. However, most of these buyers will know that everything can happen and it is possible that the price does not respect that levels and continue its trajectory below the , 0.50 or 0.618.

Normally, if the second test of one of the Fibonacci levels fails to save enough of buy volume order, this will indicate that , buyers are losing the battle and will protect themselves by closing their orders. In that way the price will continue to the downside.



To avoid such scenarios, it is advisable to monitor few hours later how the price behaves. It is better to protect than losing money!

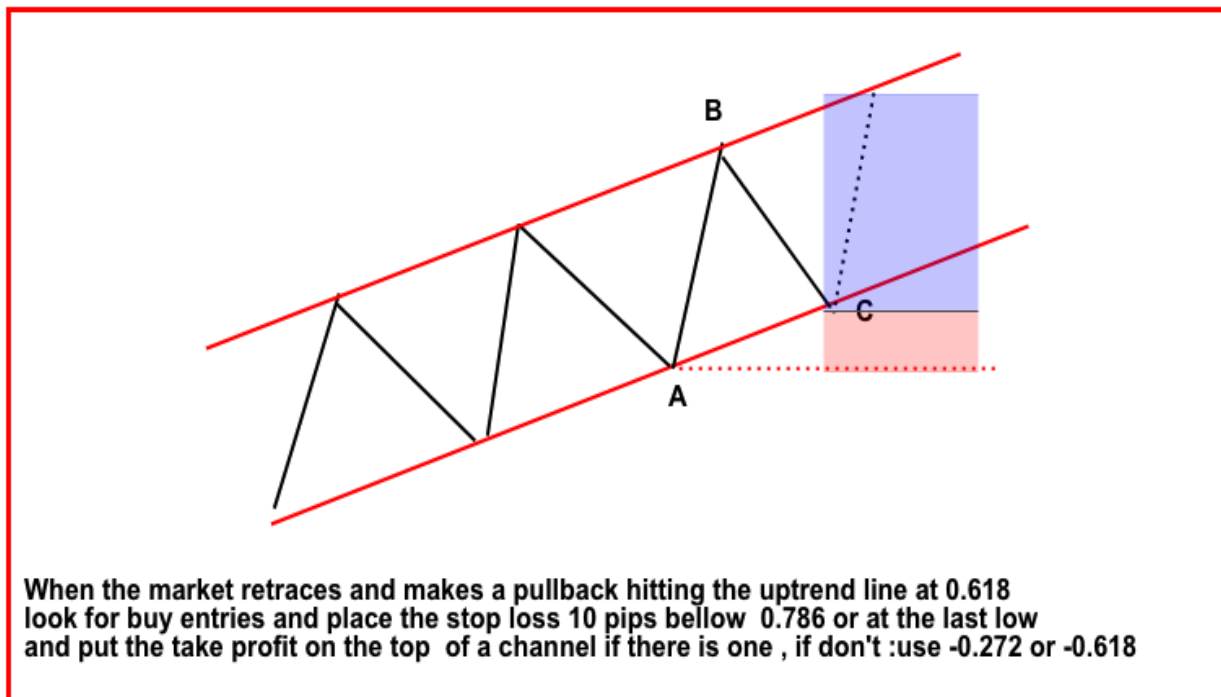




Remember that trading is not a perfect world, there must be wins and losses, but with experience, you will become profitable in the long term if you learn first to protect your capital.

## FIBONACCI FOR CHANNEL STRUCTURES

### Fibonacci uptrend

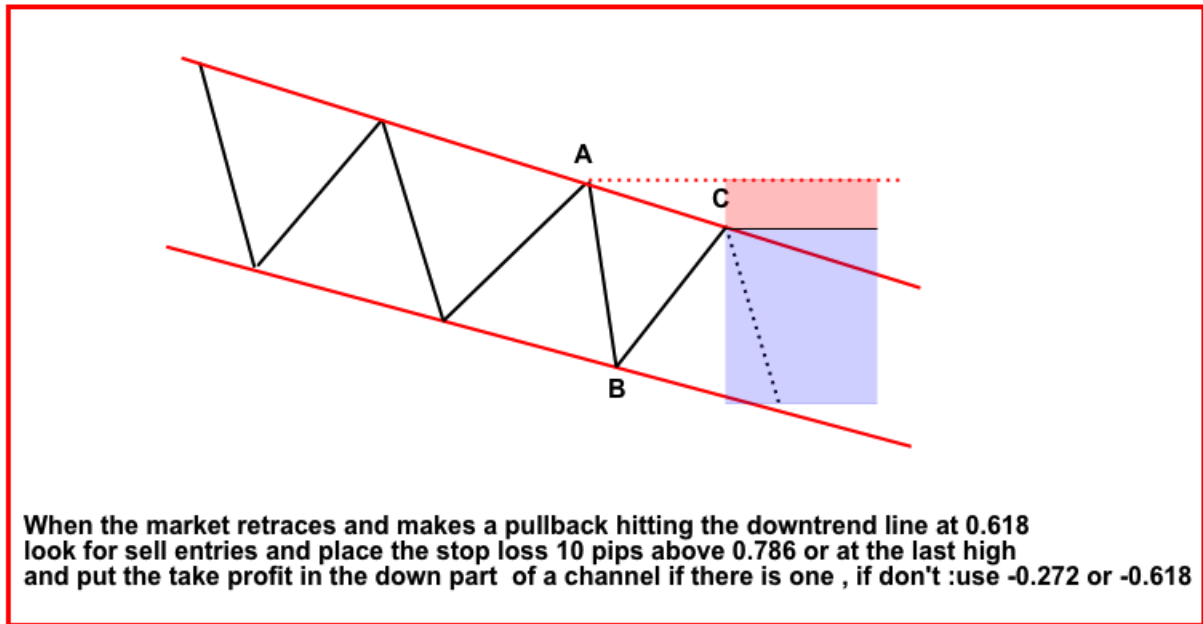


Remember, fibonacci is powerful but you must learn to use it with confluence.

### Rules to trade:

- Always follow the main trend!
- Draw all the trend lines on the chart to try to find possible contact points to follow the current market trend.
- Understand the context in big time frames
- Find the last waves A and B in an uptrend/ downtrend and use the tool to draw Fibonacci to find pullbacks or bottoms and Fibonacci extensions to set targets
- Find signals at the point C use confluence such as supply or demand and forget about trading those famous crossing emas and breakouts.
- Combine different confluence of factors such as trend lines, institutional numbers, supply and demand etc..
- Set a scenario in case of invalidation of the scenario to protect our capital or limit losses to the maximum.
- Trade only if there is confirmation or strong confluences

## FIBONACCI FOR DOWNSIDE CHANNEL STRUCTURES



## ABCD FIBONACCI PATTERN

Fibonacci retracements are excellent to find pullbacks and trade in the direction of the trend, however, their use involves more than just retracements.

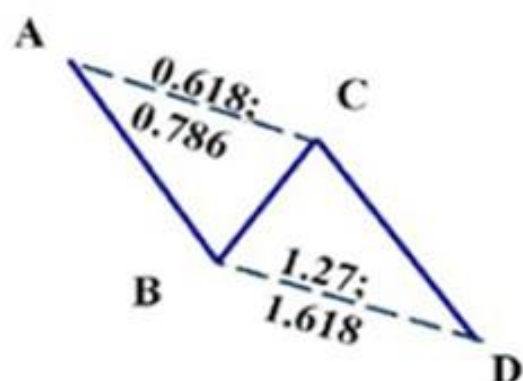
In the world of forex there is a lot of geometric figures. Some say it is pure myth and they do not serve, but we rely on our experience.

### **What are the geometric figures of Fibonacci and how to operate them?**

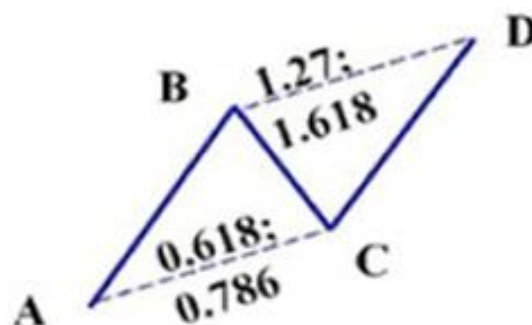
Over time, a relationship between Fibonacci retracements and extensions of that magic instrument was established by quantifying geometric figures.

The following image shows one of the most famous models: the famous reversal of ABCD model.

## BULLISH



## BEARISH



Now that you understand how to use Fibonacci with the previous section, you can easily understand what will be explained on the famous ABCD model. This figure illustrates exactly what we explained in the previous section.

The theory explains that when a figure is complete, the price tends to backfire.

In this way, many traders use it to capture for trends.

### For example :

The following image shows a bullish ABCD pattern. The price touched the golden figure ABCD 0618 and was completed when he reached -0272 and -0618 extension. At this time, the price is reversed and a new impulse wave starts.

If you remember from the previous section, we explain that these extensions correspond to take profit zones. In fact, if you look at the image above, we can see how the price once it reaches the areas -0272 and 0618 is reversed.

Finally, as already mentioned, many traders expect this model to be completed to wait until the price will return either to buy or to sell.

The second image is a clear example of the efficiency of the famous ABCD pattern so keep an eye on this figure to trade a reversal setups. It's important to mention that this ABCD pattern works even more if you use confluence factors such as key levels, supply and demand etc..



After...

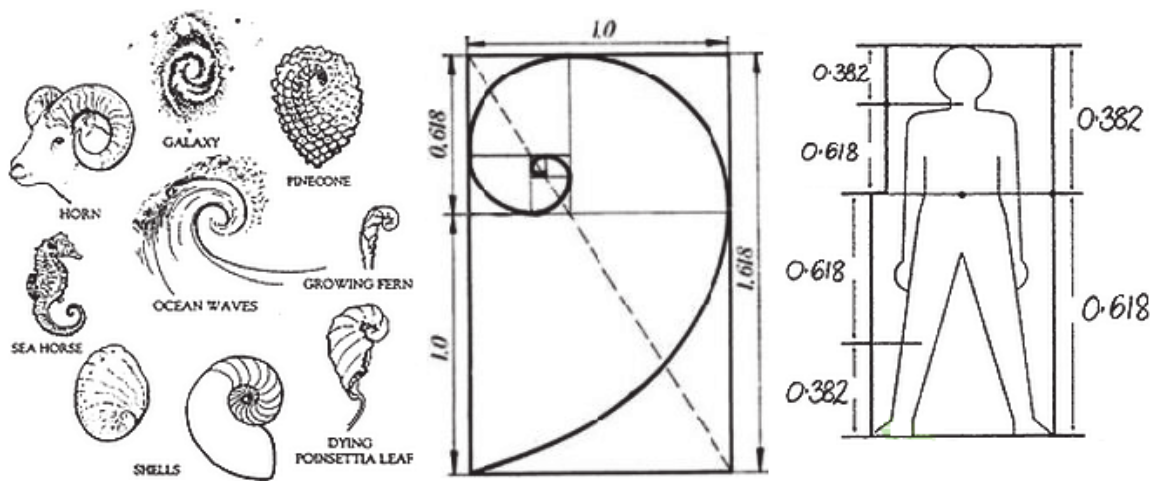


### Conclusion:

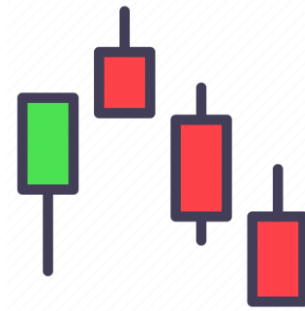
Fibonacci is an excellent tool that can serve us in different situations of technical analysis:

1. Find entry points (specially at 0.618) use it in confluence with supply and demand
2. Set Take profits near( extensions ) or the next supply or demand area

3. Cut losses if price did not respect the setup
4. Trade a reversal strategy ABCD pattern completed if confluences
5. Understanding the long-term context of the price



## CHAPTER 5: PRICE ACTION CANDLESTICK PATTERNS



### HISTORY

Japanese candlesticks as the name suggests, have their origins in Japan in the first decade of the seventeenth century. The Japanese were the first to use technical analysis to trade in rice futures markets, this market has been created as a result of military history.

Nobles ,soldiers and rich people income at the time came from the collection of rice as a tax on the peasants who worked the land. In conducting the price very high they often used to sell rice for future crops, creating the first speculative futures market in the world, called empty rice because rice contracts not physically belong to anyone and was sold on the market secondary.

The rice futures market has generated much speculation and, therefore, the Japanese technical analysis was born. One of his most famous behind that story was Homma. He discovered that there was a relationship between supply and demand and it has greatly influenced by the emotions of rice traders. He essentially discovered he had to make the difference between the real value and higher price and lower price during the negotiation (trading session.)

Today the Japanese candlesticks are the most used tool and very famous around the world concerning trading.

Now let's back to business! In this chapter we will unveil how can we use this powerful tool in the Price Action.

## HOW TO IMPROVE MY TRADING COMBINING CANDLES AND SUPPLY AND DEMAND?

In technical analysis, candlesticks are considered one of the most reliable tools for technical analysts who trade Pure Price Action (Naked chart).

AIRFOREXONE trading style is based on the evolution of prices in their clean structures. We also use candlesticks in their context and the psychological interpretation of the tools of technical analysis charts. We also use a lot of market manipulation in zones of supply and demand.

Candlesticks usually show all the behavior of traders who operate in markets for trading with the Momentum anticipate changes trend, and many other things that we will teach you.

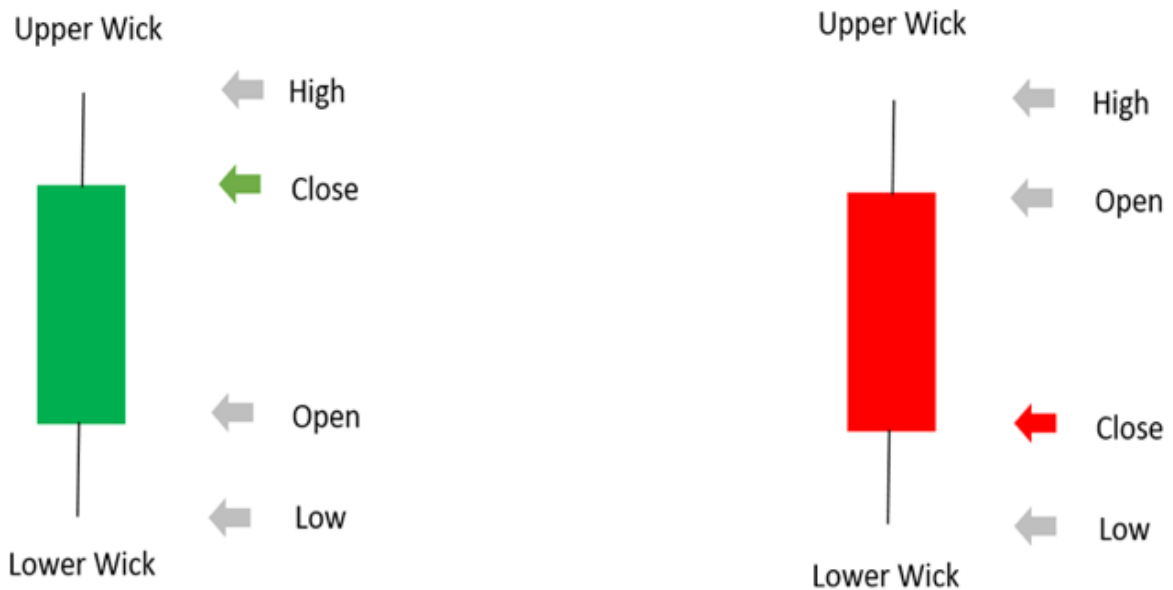
This tool indicates force variations of the market and it graphically shows the relationship between the price **opening** and the closing during one trading session.

**We can also see** the maximum and minimum that the price of one asset has reached during the selected session.

For example, When we put ourselves in daily time frame , each candlestick representing 24 hours. Each candle is going to show us the opening price, closing price, what was the maximum and minimum price of a 24-hour (day 1day)

Another example, if we choose to use a chart in one hour time frame each candle is composed by a session of one hour ... Each candle is going to show us the opening price and the closing price, which was the maximum price and minimum during just one hour.

In other words we can decide what time frame to analyze candlesticks will be adapted.



**In other words candlestick** are composed by the next elements:

- Opening Price
- Closing Price
- Maximum price
- Minimum price

Let's go into the details

The opening price and **Closing** forms the body of the candle.

During one session , When the price of **closure** is superior of the opening price, the body **candle will be green or blue (Bullish candle)**.

By other side, When the closure price of one session lower than the opening price , the candle will be red (bearish candle)

**Shadows or wicks** are movements above or below the body of the candle during one session , and can be long or short .

In the analysis of candlesticks , there are several types of patterns : Every single one will tell us the behavior of prices: Some type of candles will indicate change in the trend others strength of buyers , indecisions etc... We will teach you how to interpret candlesticks to anticipate price movements in the future.

Recognition candlestick suggests anticipate future price movements. The figures in this lesson express how traders have acted earlier and what were the beliefs (expectations) in this period.

In general, Japanese candlesticks speak to traders the "language of candlesticks." This language is the basis of a continuous process of collective thinking based in decisions of traders that determine the directional bias of the market.

These candlesticks can be customized with the color as any trader wants the color is not very important:

The most common colors are:

- Red: Bearish candle
- Green: Bullish Candle
- Red: Bearish candle
- Blue: bullish candle
- White: Bullish candle
- Black: Bearish Candle

Japanese candles can have different body sizes. Long and large bodies indicate the pressure or volume of buy or sell positions. A candle where the close is above the opening price with a long body, indicates that buyers are stronger and take control of the market during this temporality. On the other side, if there is a bearish candlestick in which the closure price is below the opening price with a large body, it means that the sell pressure volume completely dominates the market during this time frame.

When the candles have a very small body means that there is almost no buying or selling pressure, or during that moment there was a lot of indecision where volumes of buy are equivalent to sell volumes. Indecision candlesticks are very common on holidays and Mondays and during the asian session.

The types of japanese candlesticks that we are going to teach you, are the most famous and detected patterns in the markets. You do not need to learn the names,

with the simple act of detecting patterns and know how to interpret it is more than enough for a successful technical analysis based on price action

---

## BULLISH ENGULFING PATTERN

An engulfing bullish pattern can usually be found on a buy area = demand level , fib, or key level , and in the lower part of range and although in uptrend.

This candlestick It is formed when a large bullish candle (green or blue) is shown just after a small bearish candle (red, ...)

The condition for this pattern to be valid is that the body of the bullish candlestick should be much larger than the previous candlestick, attention, we said no body wick.

Bullish engulfing pattern indicates one total domination by buyers in the market.

In other words, there's more buy volume than sell in the selected timeframe

The bigger the body is, the more the confirmation is strong.

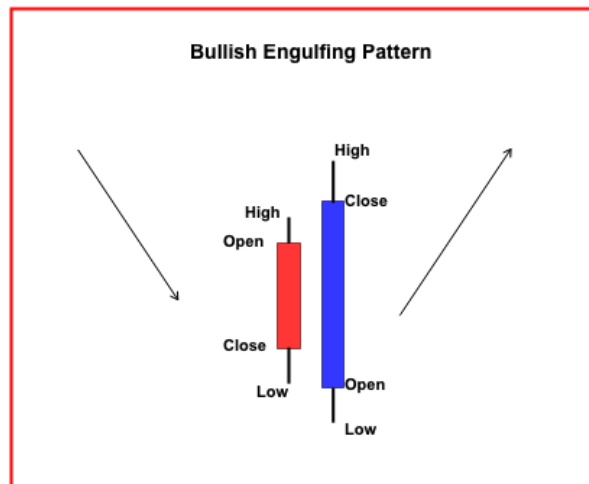
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## HOW TO USE IT :

-This candlestick expresses a change in the market sentiment. This means it can express a change in the trend.

These types of candlesticks can also be found in an uptrend confirming the continuation of the movement..

Here is how a bullish engulfing looks like:



When a bullish engulfing pattern is at the end of a downtrend or on a demand zone, the movement is much more powerful. The candlestick indicates a potential control of buyers.

It is important to mention that during a downtrend, this figure does not have the same power; quite the opposite, it could simply mean a small retracement, so we do not recommend to confirm buy entries with this pattern in a downtrend. Always consider the context.

Secondly, and this is very important to say, many traders see a candle like this, and go directly into the trade. However, this figure is only valid when the candle CLOSED, when the session close. If the candle does not close it could be considered a fake signal. Patience is a key point. Always make sure to wait for the closure of the candle.



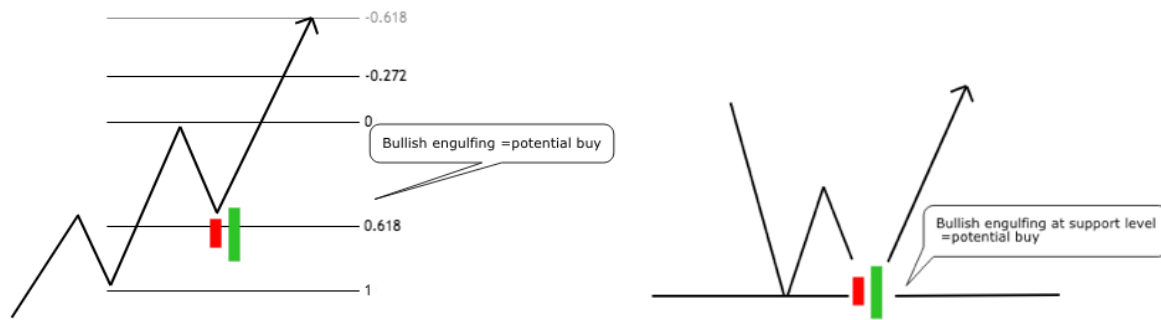
The above example clearly shows us how the market changes direction after the formation of a bullish engulfing in a DEMAND ZONE.

The smaller body is the power of selling volume pressure, the same was covered by the second body of the next candle representing buy power.=

The color of the body is not important, the important thing is that the smallest candle is completely swallowed by the second candle.

Do not try to use only this candlestick pattern as confirmation. You will need other confluence of factors in deciding whether it is worthwhile to trade or not. We'll talk later about this. Airforexone base it's strategy combining confluence.

For example you are in uptrend, the market makes a pullback you use the fibo retracement to look for potential demand zones, and finally when the price arrives to the 0.618 level it forms an engulfing candlestick in a demand zone at the london or new york opening, that can confirm a potential movement to the upside.



What we want now is that you absorb the ability to identify an engulfing pattern in your charts .

We invite you to draw demand levels and see how these patterns are very present around the demand zones in a strong uptrend. We also invite you to use the fibo You will see how powerful this pattern can be.

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## BEARISH ENGULFING PATTERN

A bearish engulfing candle can usually be identified in a sell zone = supply level

It is formed when a large bearish candle (red, ...) is presented just after a bullish candle (green, ...) smaller.

The condition for this pattern to be validated is that the body of the bearish candle must be much larger than that of the previous bullish candle. Please note, we are talking about the body and not the wick.

The bearish engulfing pattern indicates a market dominated by sellers. In other words, there are more sellers than buyers.

More the body is bigger and more confirmation is strong.

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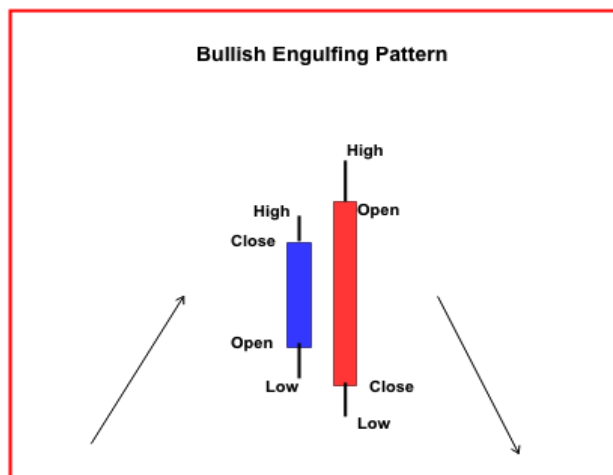
### HOW IT'S USED?

-This candle illustrates a change in the market sentiment.

-If the body is bigger , then the confirmation is stronger.

-This type of candle can also be found in a downtrend, confirming the continuation of the movement.

Here is how a bearish engulfing looks like:



When a bearish engulfing candle appears at the end of an uptrend or resistance, the reversal movement that is much more powerful because it is controlled by the sellers. That means if you take a sell entry than you are following the flow of the market.



The example from above clearly shows us how the market changes direction after the formation of a bearish engulfing candle in a supply zone

The smaller body represents the buy power, the same has been totally engulfed by the second body representing the huge sell pressure

The color of the body is not important, what is important here is that the smaller candle is completely swallowed by the second candle.

Do not try to trade this pattern using only this candlestick confirmation. we need other confluence factors to increase the probability of success before taking a trade.

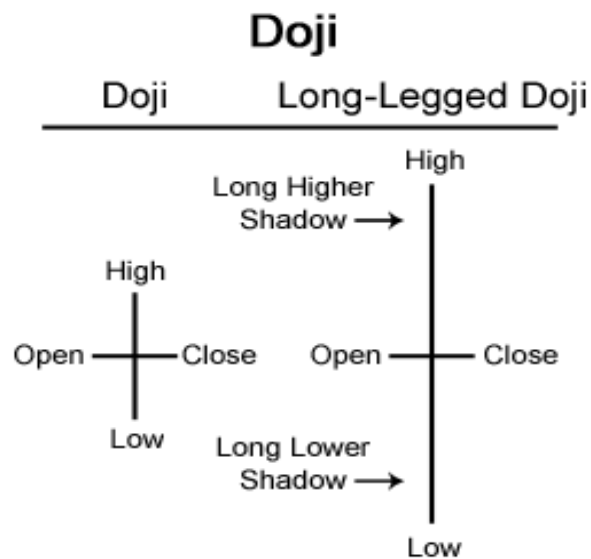
We invite you to draw supply levels and you will see how these patterns are very present. Look how in a downtrend they are very present. Look how this pattern is present near golden fibo ratio levels.

---

## DOJI

Doji is one of the most important candlestick patterns . When this candle is formed, the market told that opening price and closing price are approximately the same price according to the session.. This means that there is equal strengths between buyers and sellers. There is no one who really controls the market direction. The candle says that there's indecision or low volatility before a big move

**Here's how a Doji is identified:**

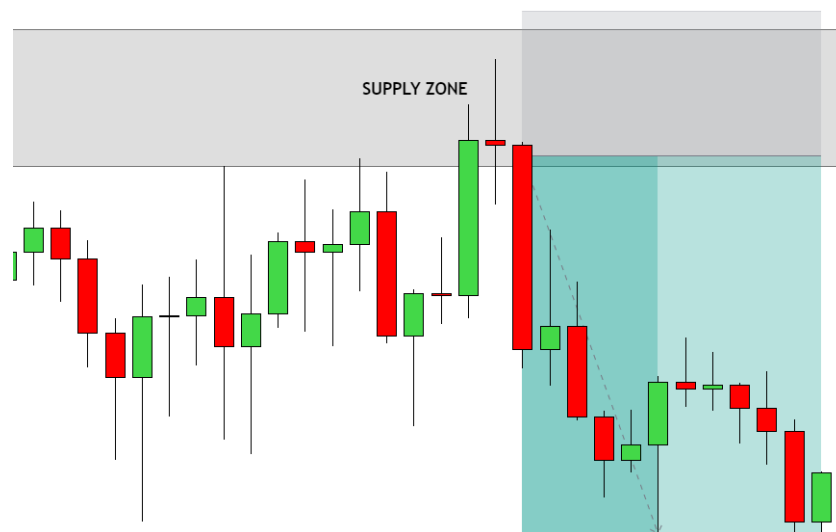


It has no color, or at least almost no color.

As you can see, the opening price is the same as the closing price, this signal indicates that the market has not decided which direction to take.

When this pattern occurs in a trend upward or downward, it indicates that the market is likely to reverse or there is a loss of momentum.

See the example below to learn more:



the market has changed direction after forming a Doji.

The market was in an upward trend, which meant that buyers had control of the market.

However, the formation of the Doji in a supply level announced that the buyers could not keep the price higher and subsequently, sellers quickly pushed prices to the opening price.

So this is a clear indication that a reversal was likely to occur or at least to keep an eye for potential loss of momentum

A doji indicates equality and indecision in the market, they are often found during calm periods after large movements. ( The market can potentially be waiting for a fundamental new to be announced.

When this pattern is identified in a demand or supply levels this means an accumulation of orders before a big move, see the image below: doji+ spinning bottom candles.



## DRAGONFLY DOJI

Dragonfly Doji is a bullish candlestick pattern which is formed when opening and closing and the highest point of the session reached almost the same price.

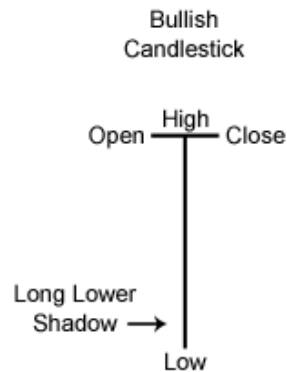
What characterizes this figure is the long tail that shows buyers strength trying to push the market up.

The illustration below shows us a perfect Dragonfly doji. The long tail suggests that the forces of supply and demand approach to an equilibrium and that the direction of the trend may be upward. This candle can have some variations but once the closing price is above more than half of it is already a sign of Dragonfly Doji.

**See the example below:**

## Dragonfly Doji

---



The example below shows how this figure we triggered the beginning of a bullish movement. In other words you can see this candles as pre-momentum candles. If you spot one just think in terms of probabilities. It can indicate a pre-strong momentum, specially if they are identified in a strong supply or demand level.



In the chart above, the market was testing a demand level , this caused a strong rejection in this area.

The formation of the Doji with long lower tail, shows us that there was a strong buying pressure in the region.

If you can identify this figure candlestick on graphics, it will help to visually see where demand is located.

Moreover, this figure can be seen as a bullish reversal signal.

When it occurs at the end of a downtrend, it is interpreted as a bullish reversal signal.

But as we always say, you can not confirm a signal with just a candlestick pattern. Other indicators and tools will be needed to determine the optimal signals.

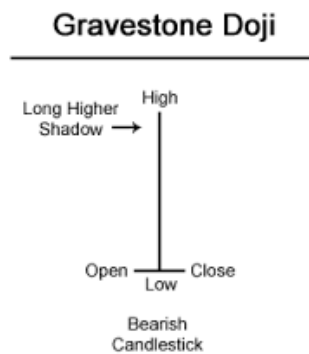
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## GRAVESTONE DOJI

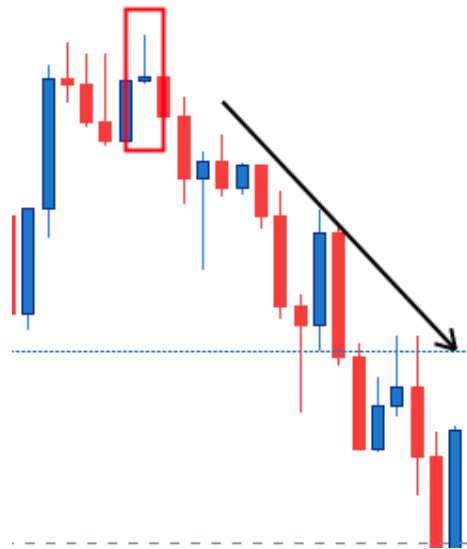
Gravestone Doji is a bearish Doji dragonfly version.

It is formed when the open and close are equal or nearly the same price as the lowest point of the session.

The formation of the long upper tail is an indication that the market is testing a powerful area of supply or resistance.



The above image illustrates a Doji gravestone. This pattern indicates that buyers were able to push prices quickly above the opening. Later, sellers have flooded the market, pushing the price down to gain ground especially at the end of the fight. This is interpreted as a sign that buyers are losing their momentum and the market is ready for a bearish reversal. In other words sellers appeared by surprise at the end of the session.



The chart above shows a perfect gravestone doji on the top of a bullish trend after a period of strong bullish activity.

The formation of this candlestick indicated that buyers could not get control of the market at this level. For this pattern to be reliable, it must occur near expensive areas of supply level.

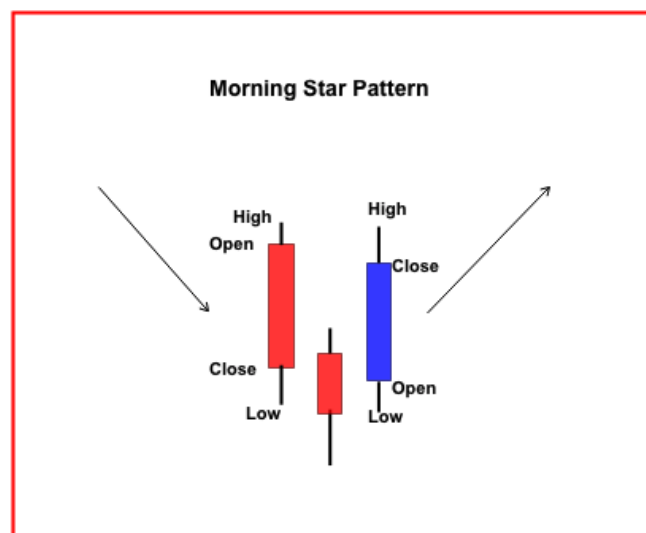
## MORNING STAR:

The morning star pattern is considered a bullish reversal pattern. It often occurs in the lower and final part of a down trend. This pattern is formed by three candlesticks:

-The first candlestick is bearish, indicating that sellers are still in charge of the market direction

-The second candlestick is small, representing the sellers are in control, but do not put much pressure on the market and this candle can be bullish or bearish. This candle is considered an indecision candle.

-The third candlestick is a bullish candlestick which was opened and closed at least at the midpoint of the body of the first candlestick. This means a significant trend reversal. It should be mentioned that when a third candlestick is bigger than the first, the reverse signal is stronger.

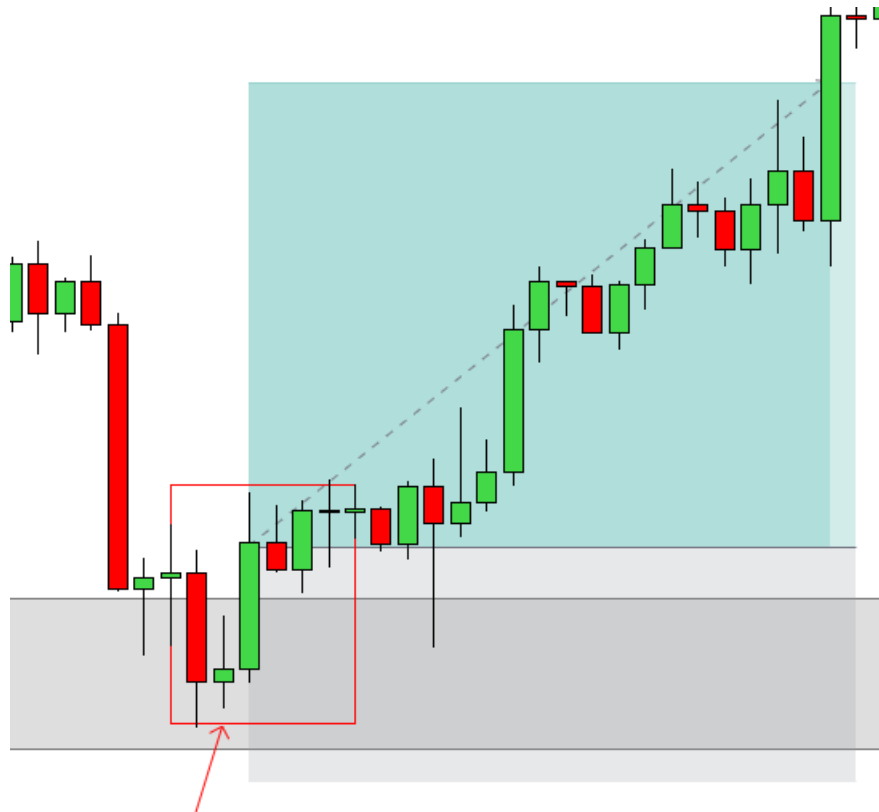


The figure of Morning Star shows us how buyers have taken control of the market, leaving behind sellers. When this figure occurs in the bottom of a downtrend near a support level, it's a very reliable and powerful reversal pattern.

**See the example below:**

The chart above helps us identify the morning star candlestick pattern and its importance when it formed at the end of a downtrend.

As you can see, the figure occurred in a downtrend.



The first candlestick confirmed the dominance of sellers and the second produced indecision in the market. The second candlestick could be a doji or other indecision candle and the third mark a total change of direction.

In this example, the second candle said vendors have struggled to push the market down. The third bullish candle indicates that buyers have taken control of the sellers who have lost the battle.

If you can not master the anatomy of the candlestick patterns, try to recognize the meaning of each pattern. The psychology behind tells more.

You need to be able to spot those candlestick in the context= supply demand levels , key levels strong fibo levels.

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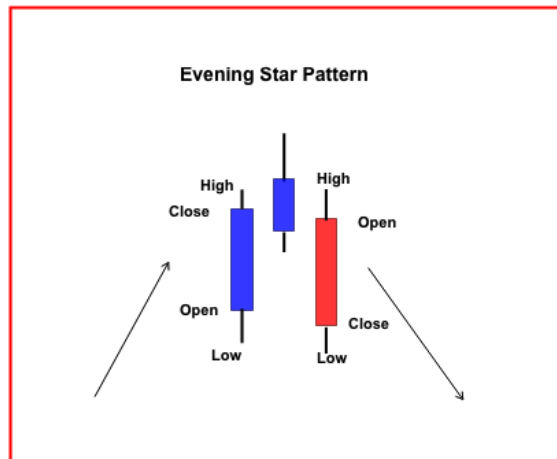
## EVENING STAR

The evening star of figure is considered a bearish reversal pattern that usually occurs at the end of an uptrend. This is exactly the opposite of a morning star. Figure consists of three candlesticks:

- The first candle is a bullish candlestick.

-The second candlestick is a small candlestick can be up or down, or it can be a doji or any other type of candle indicating intense and indecisive battle.

-The third candle is a large downward candle.



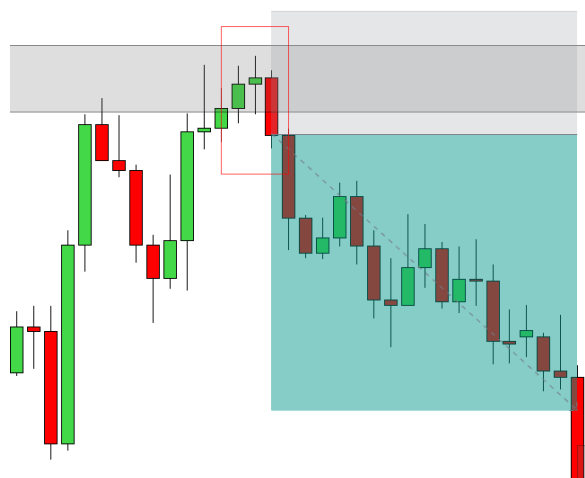
The first part of the evening star is a bullish candle; this means that the bulls continue to push the market up.

For now, everything is okay.

The formation of the little body shows that buyers are still in control, but they are not as powerful as they were before, in fact sellers have appeared in the area.

The third bearish candlestick indicates that the dominance of buyers has been made, a change possible downtrend is likely to occur.

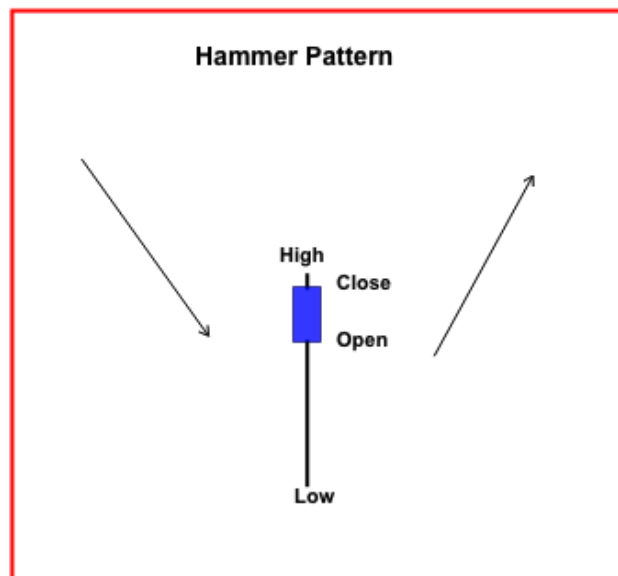
The example below illustrates how the evening star could represent a significant signal of trend reversal See how the market changes in a supply or demand zone



## HAMMER BULLISH (PINBAR) (KANGAROO TAIL)

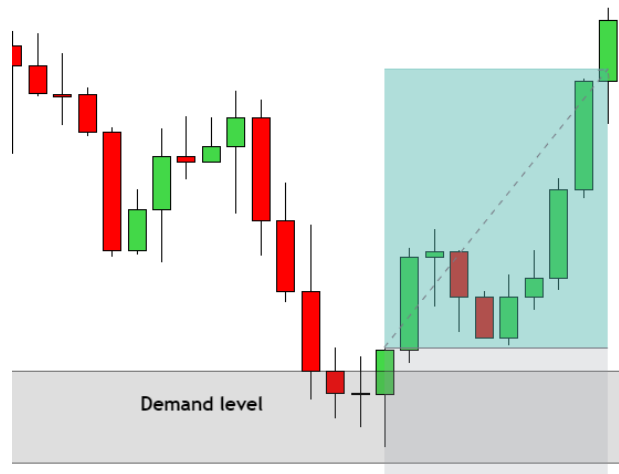
Hammer candlestick is created when the maximum open and close pretty much at the same price; It is also characterized by a long shadow indicating a rejection by buyers and their intention to stimulate the market up.

See the following illustration to see what he looks like:



The hammer figure is formed when sellers are pushing down the market, but are totally rejected by the buyers and the market closes above the last opening price.

See another example below:



As you can see in the above image, the market was in a very downtrend trend.

The hammer formation was an important sign of reversal momentum coming. From this point The long shadow represents the strong buying pressure

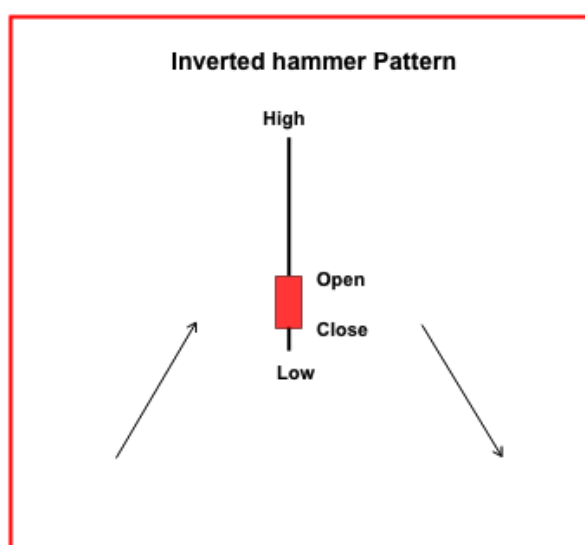
Sellers were trying to push the market down, but at this level ,buy power was more powerful than sellers pressure, resulting in a reversal trend and a candle with a large wick and shadow. The most important thing to understand is the psychology behind the formation of this candlestick pattern, if you can understand how and why it was formed, you will have the ability to be more likely to predict market direction.

Every single candle has a story to tell.

---

### SHOOTING STAR (INVERTED HAMMER, PIN BAR)

This candlestick formation is made when the opening and closing is nearly the same price This pattern is characterized by a small body and a long upper shadow. This is the version of the previous bearish hammer. Professionals say that the shadow should be at least 2 times the length of the real body.

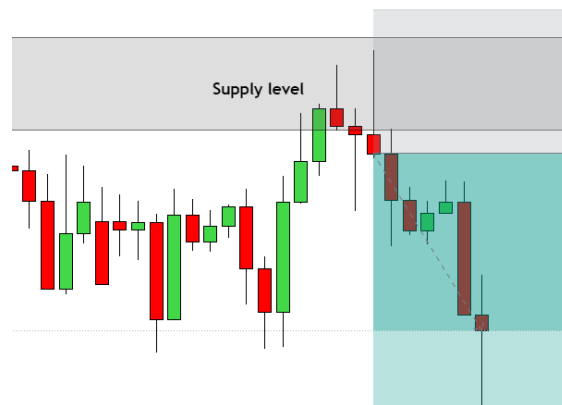


The illustration above shows us a perfect shooting star candle with a real small body and a long upper shadow.

When this pattern occurs at the end of an uptrend; It indicates a bearish reversal signal, especially if it is found around a supply zone

The psychology behind the formation of this pattern is that buyers are trying to stimulate the market up, but they were surprised by selling pressure.

When the candle is formed near resistance, it must be taken as a high probability sell scenario.



The graph above shows a shooting star at the end of an uptrend.

The formation of this figure indicates the end of the uptrend movement and the beginning of a new downtrend.

This pattern can be used with support and resistance areas, supply and demand, and trend lines or Fibonacci retracements. The more factors, the better.

Shooting star is one of the strongest signals to trust in.

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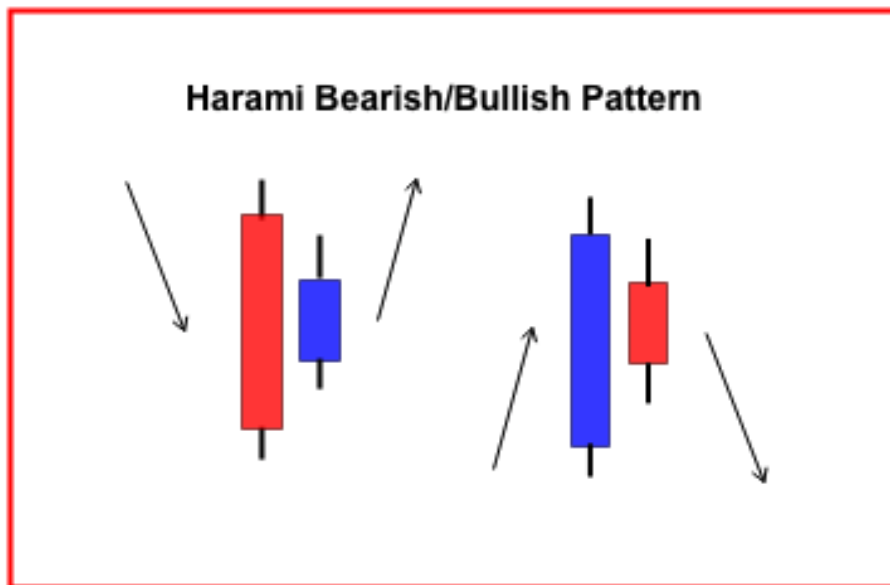
## HARAMI (OR INSIDE BAR)

Harami means (pregnant in Japanese). This figure is regarded as a figure of reversal and continuation of, and is composed by two candlesticks:

The first candle is the big candle, it is called the mother candle, followed by a smaller candle called the baby.

Harami to be validated needs that the second candlestick must be closed inside the body of the previous candle.

This candlestick is considered a bearish reversal signal when it happens near a resistance at an uptrend trend, and is a bullish signal when it occurs in the lower part of a downward trend.



The smaller body is completely covered by the previous mother candle, the most important thing is that the smaller body closes inside the first candlestick body, no matter the color.

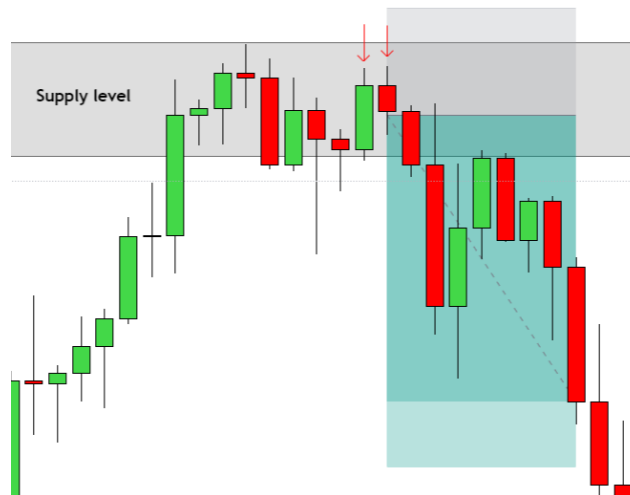
The Harami candle also tells us that the market is in a period of indecision. In other words, the market is consolidating.

Thus, buyers and sellers do not know what to do, and there is nobody to control the market.

When this pattern occurs during a bullish or bearish trend, it is interpreted as a continuation pattern that provides a good opportunity to join the trend.

And if it occurs at the top of an uptrend or bottom of a downtrend, it is considered a reversal signal of the trend.

See another example below:



In the chart above you can see how the direction of the trend changed after the formation of the Harami pattern.

The first bullish Harami figure occurred at the end of a small downward trend, sellers pushed the market down, but the price suddenly starts to consolidate, indicating that they have lost control.

When this figure is created in an uptrend, it indicates a continuation signal with the direction of the market.

Bearish Harami is the exact opposite of the bullish Harami, this one occurs at the top of an uptrend, indicating the dominance of buyers is completed and the start of a downtrend is possibly envisaged

When this model is created in a downtrend, it indicates a continuation signal with the direction of the market. When you spot one we highly advise to consider it as an indication of pre momentum.

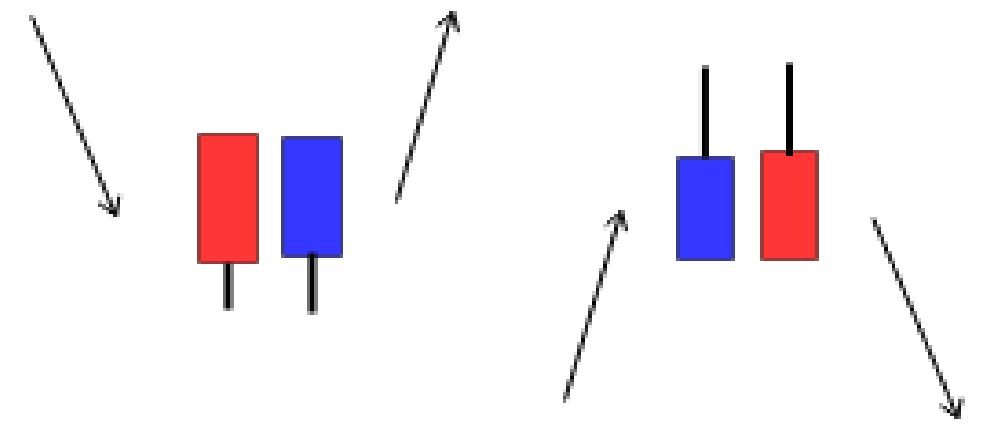
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## TWEEZER BOTTOMS / TOPS

tweezer top formations are considered as bearish trend reversal if the pattern has been found in the upper part of an uptrend or resistance.

The formation of the figure Tweezer Bottom is interpreted as a bullish trend reversal if it is found in the lower part of a downward trend or support.

## Tweezer Top/Bottom Pattern



Tweezer top consists of a pattern formed by two candlesticks , the first is a small bullish candle followed by a bearish candlestick.(left)

Tweezer bottom is also composed of two candlesticks: the first is a bearish candlestick followed by a bull candlestick.(right)

The characteristic of this pattern is that they are approximately equal in size, only the color changes.

**Tweezer top** : Occurs during an uptrend, buyers increase the price, which gives the impression that the market continues to rise, however, sellers surprise buyers pushing the market down and the closure of the second candle reaches the opening of the bullish candlestick.

This figure indicates a reversal of the trend and we can use it as an entry signal if we can combine it with other confluences

**Tweezer bottom** : Occurs during a downtrend, when sellers are pushing the market down, we believe that everything is good , but the price of the next session closes above or at about the same price that the first bearish candlestick indicating the buyers come to reverse the direction of the market and give a surprise to sellers.

If tweezer bottom product near a support level, it indicates a potential reversal momentum coming.



The chart above shows us a tweezer bottom that occurs in a downtrend near a supply zone

Sellers have pushed the market down on the first candle; however, the second candle has opened almost where prices have been closed in the first session and After that price did a strong rally to the upside

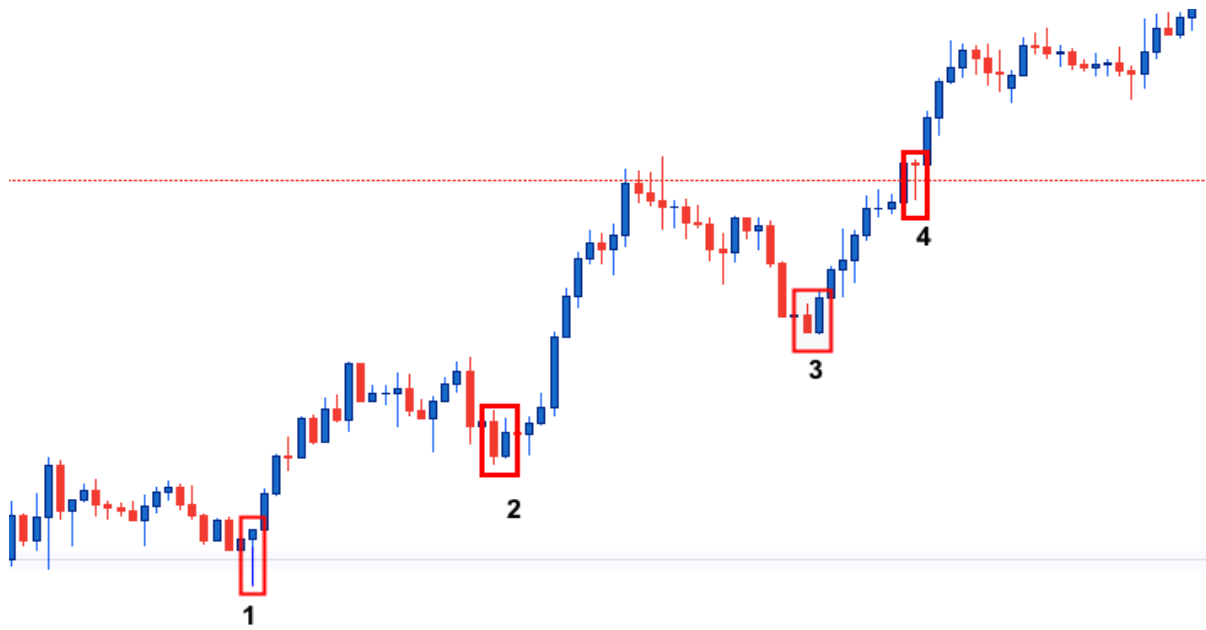
It is not necessary to focus on the name of each candlestick pattern it is better to just know how to read and understand the psychology behind these patterns.

If you can understand why it was formed, you will understand what happened in the market and what can happen.

#### EXERCISE:

---

Now that we know virtually all the most important patterns, try in the image below to identify the figures in red boxes, and psychology, without cheating.



**Answers:**

- 1: Bull Hammer (pin bar) (kangaroo tail)
- 2: Harami continuation of trend
- 3: engulfing
- 4: Dragonfly doji continuation

We invite you to open your charts and do the task again and again. You will see that, with time and practice, you'll be able to look at your charts and understand what candles say about the market and you will be able to anticipate the moves.

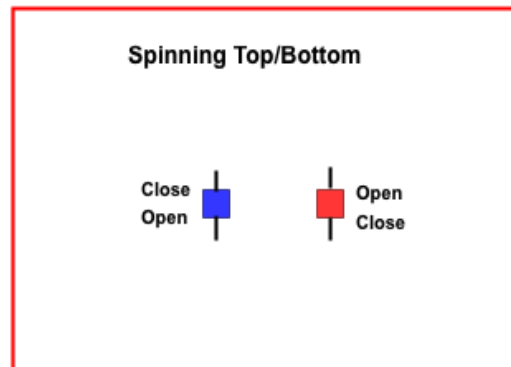
Do not worry about how to enter and exit the market at the moment, take your time to master the candles that are the most reliable indicators.

Now that you have learned the most common candles, we'll show you some figures less common so that you know as much as possible.

## SPINNING TOP / BOTTOM SPINNING

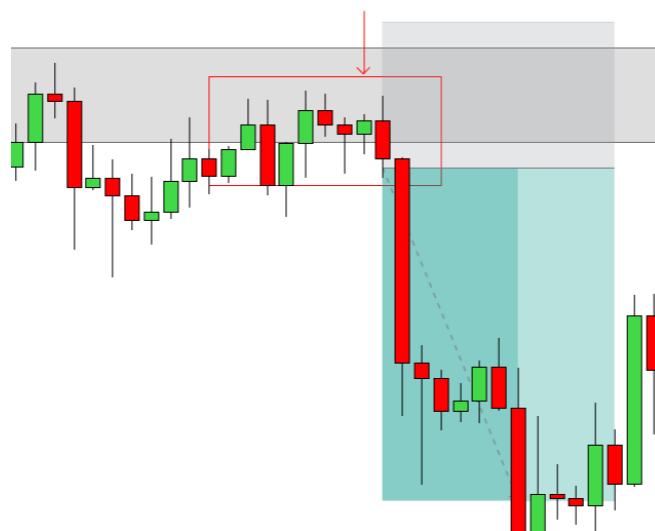
The spinning tops are characterized by being candles with very small body (whether the candle is bullish or bearish).

This candles show little movement from the opening price to the closing price, including shadows that indicate that buyers and sellers were not fighting to much , but none of them won. It is also considered as an indecision candle giving lack of movement.



However, if this pattern is formed in a supply level at the end of an uptrend, this usually means that there are not many buyers: a possible reversal in the opposite direction may occur due to lack of buyers participation .

Similarly, if this figure or multiple figures are formed in a demand zone at the end of a downtrend, this usually means that there are not many sellers or at least they no longer dare to push the price down: a possible reversal in the opposite direction may occur due to lack of buyers participating.



The image above shows how, after an uptrend, the candles reached a supply level and a series of spinning tops were formed. Candles were made by small bodies. Indecision was present. This indicated that buyers were not very present to continue pushing the price high. What happened next is that sellers have mastered the market sentiment.

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## HANGING MAN

The hanging man is a candlestick pattern formed at the end of an uptrend or near a supply level

It is created when there's a sell pressure near the top around a resistance, but buyers continue to push the price up.

Buyers will push up the price to almost the opening price.

In general, this candle is an early indication that buyers are losing control.

As mentioned above, this figure is a bearish signal if it occurs just at the end of a significant uptrend near a supply level

This figure should not be confused with the figure of hammer. What distinguishes this candlestick with hammer is that it appears after a strong trend.

Let me explain :

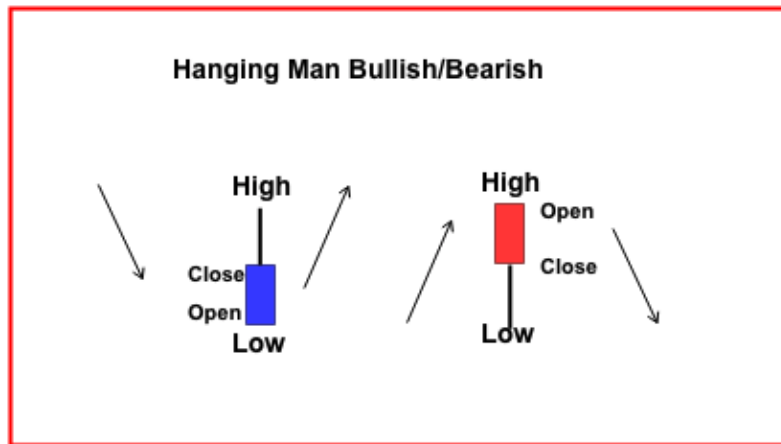
### **Hanging bullish man (left)**

This figure appears in the end of a downtrend, indicating that sellers have lost control. there is a massive buy volume while sellers still want to push a little price down

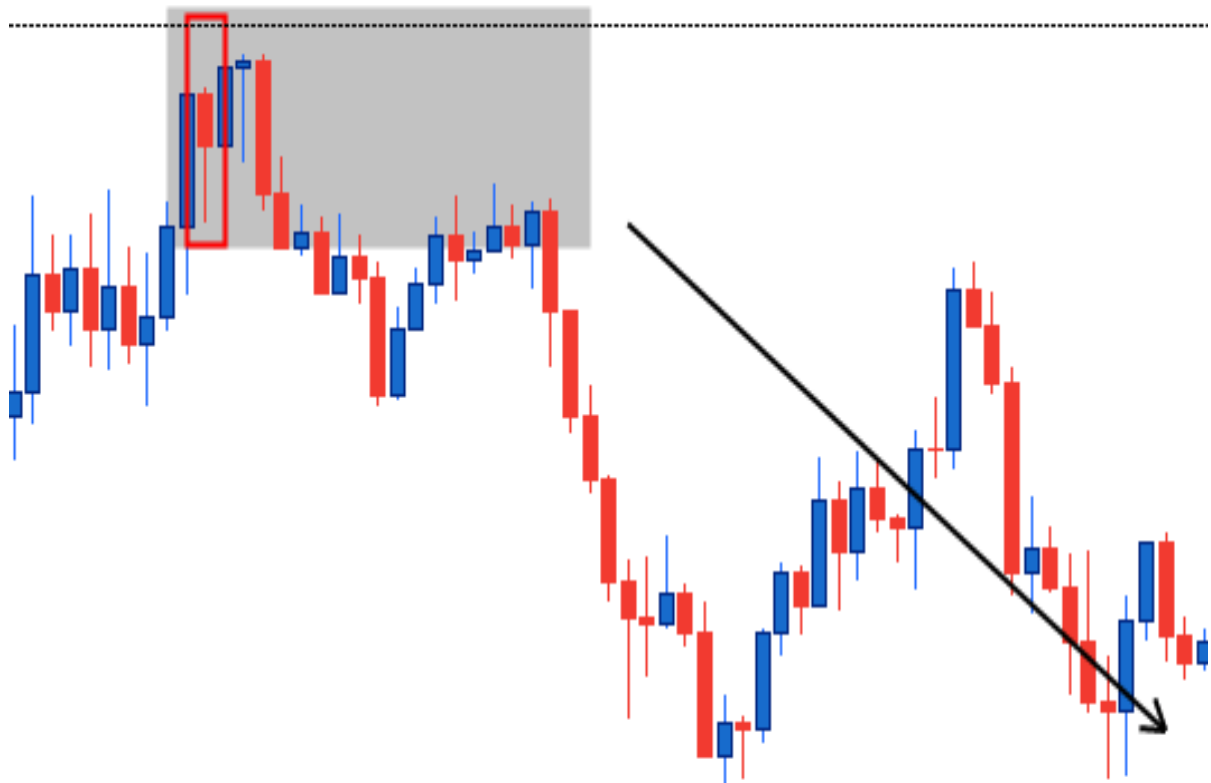
### **Hanging bearish man (left)**

This figure appears in the end of an uptrend, indicating that buyers have lost control, there is a sell even if buyers continue to want to push the price a little down.

With an example, it will be easier to understand



The image below shows a candle "bearish Hanging Man". It is important to mention that this is one of exhaustion trend patterns. This means that the price is likely to change of direction.



## MARUBOZU:

### **Marubozu Bullish:**

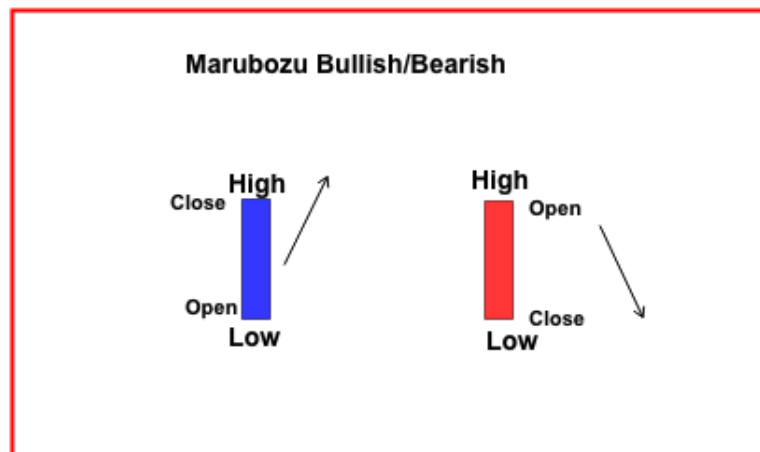
The bullish Marubozuis formed by a long body without wick. This candle is considered a very bullish candle. It indicates that buyers control all the session.

In an uptrend, the Marubozu bullish confirms a strong continuation of a strong trend in which there is not enough sellers. Nevertheless, in a downtrend, it may indicate the beginning of a reversal momentum in which buyers has arrived with high pressure.

### **Marubozu bearish:**

The Marubozu bearish consists of a body without long wick around the closing price. It is considered a very bearish candle.

In a downtrend, the Marubozu confirms a continuation of a very strong trend because there are not enough buyers participating. However, in an uptrend near a supply level, it may indicate the beginning of a reversal as sellers show pressure by surprise in just one session.



### **Reversal:**

-When a bearish Marubozu is formed in a supply is considered as a reversal pattern.

-When a bullish Marubozu is formed in a demand is regarded as a reversal pattern.

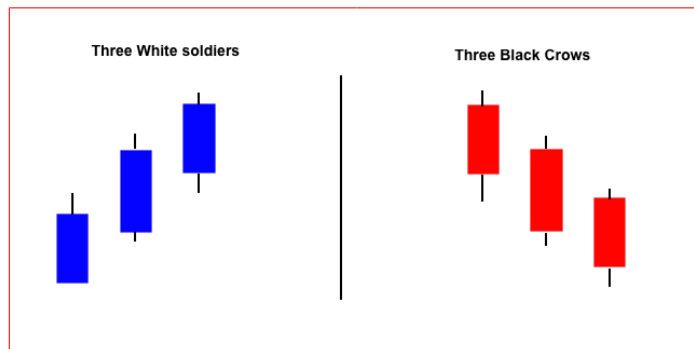
### **Continuation of the trend:**

-When a bearish Marubozu bearish is formed in a trend to the downside, it is a figure that indicates an acceleration of the trend

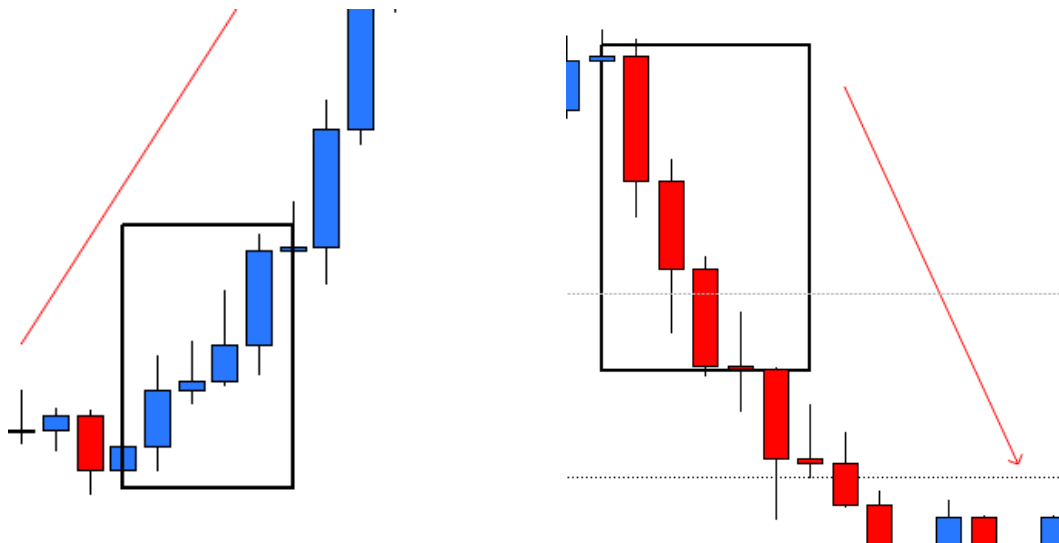
-When a bullish Marubozu is formed in an upward trend, this is a model indicating an acceleration of the trend.



### THREE WHITE SOLDIERS / THREE BLACK CROWS



When you see a sequence of candles with small wicks make sure to understand that this candlestick sequence indicates a strong trend momentum or continuation of the trend. Make sure to look for entries according to the trend.



## Conclusion:

Candlestick patterns are very important in order to trade using Price action. The previous patterns gives reliable indication of what the market really wants to potentially do. Every trader should know and master the psychology behind each pattern. We invite you then not necessarily to learn the nicknames, but to know the psychology behind each pattern

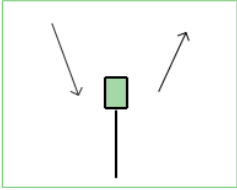
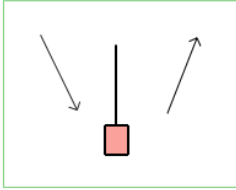
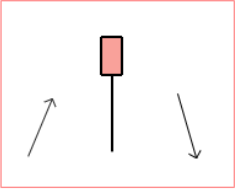
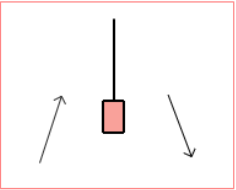
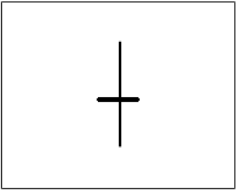
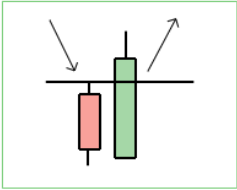
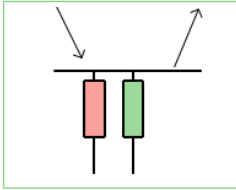
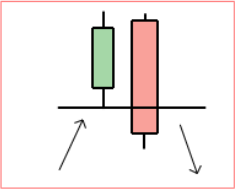
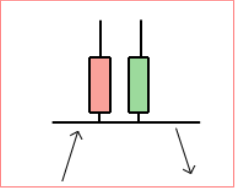
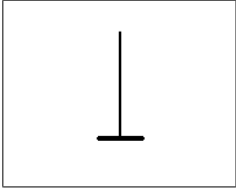
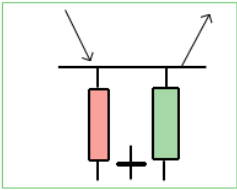
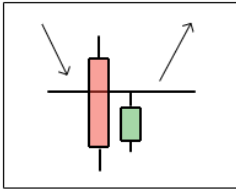
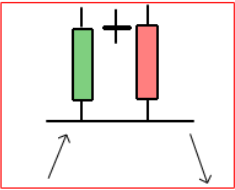
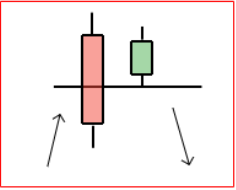
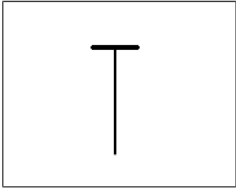
Furthermore, we invite you to open your charts and start assimilating supply and demand with these candlesticks and also try to understand what the market want to do after the formation.

Candlesticks are going to help you validating micro signals in macro buy and sell zones. In the next chapters we are goinf to explain you how to properly use them.

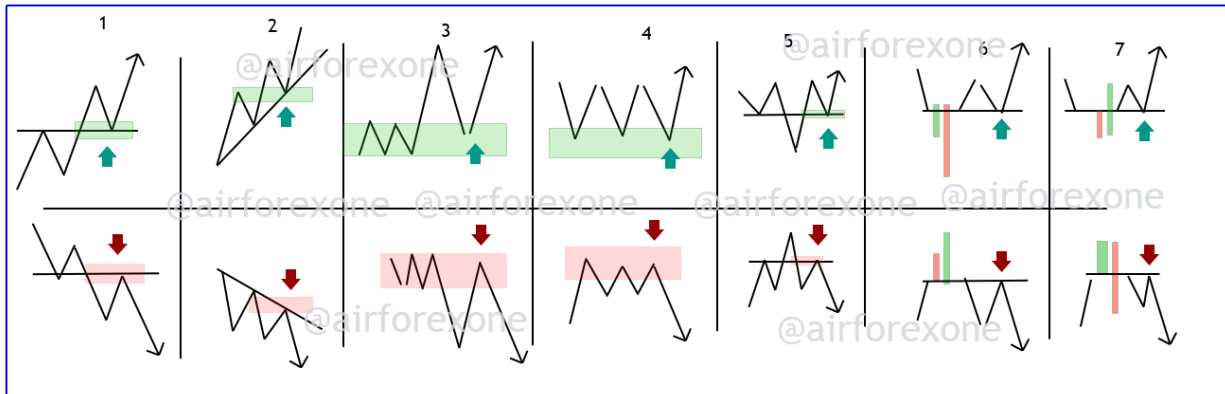
By other side our main goal is to trade with the trend . open your charts and try to take trending trades respecting the previous criterias

## Candlestick patterns cheat sheet:

BULLISH			BEARISH			NEUTRAL
REVERSAL		CONTINUATION	REVERSAL		CONTINUATION	
Hammer 	Inverted Hammer 	Bullish Three Line Strike 	Hanging Man 	Shooting Star 	Bearish Three Line Strike 	Doji 
Bullish Engulfing 	Tweezer Bottom 	Rising Three Methods 	Bearish Engulfing 	Tweezer Top 	Falling Three Methods 	Gravestone Doji 
Morning Star 	Three Stars in the South 	Bullish Mat Hold 	Evening Star 	Advance Block 	Bearish Mat Hold 	Dragonfly 

Bullish		Bearish		Neutral
				
Hammer	Inverted Hammer	Hanging man	Shooting Star	Doji
				
Bullish Engulfing	Tweezer Bottom	Bearish Engulfing	Tweeze Top	Gravestone
				
Morning Star	Bullish Harami	Evening Star	Bearish Harami	Dragonfly

## CHAPTER 5: AFX1 TRADING STRATEGY REVEALED



The patterns from above are the only ones we trade, the following explanations are trade explanations of the previous patterns

### 1) BREAKOUT AND PULLBACK

It's really frustrating not knowing when and how exactly to take a trade in the market

#### TYPES OF ENTRIES IN THE MARKET

It is necessary to know the types of entries that exist because although there seems to be millions of ways to enter the market, all entries can be summarized in two basic techniques:

- **Breakout (entering at break) more dangerous**
- **Pullback (entering in a retracement) (safer)**

You probably don't understand but is normal, do not worry, we'll explain everything.

If you enter the market with these two techniques, your chances of success will increase dramatically.

#### HOW TO TRADE A BREAKOUT?

A breakout occurs when the price breaks a level and the candles closes beyond a certain level.

These levels can be support areas and resistances, a trend line, a structure (channel flags triangles, rectangles etc ...)

For an entry in breakout validated it must respect one criteria: The candle and the price must **close** above the previously indicated level.

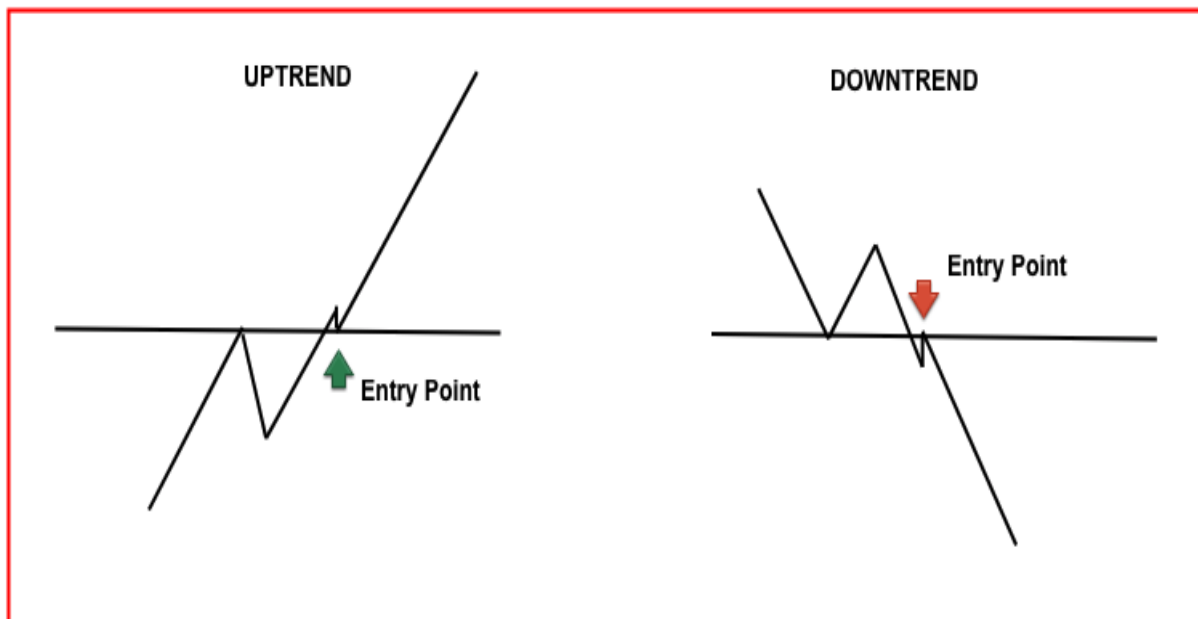
**For example :**

If our execution is in a time frame of M30, traders wait for the closure of the M30 candle expecting for the market to do something for them..

There are so-called famous fake breakouts, we'll show you in the section of market manipulation of what is that.

AIRFOREXONE does not focus on this type of market entry as simply the ratio risk reward is not interesting.

Another reason why we are not using this strategy is that when the price breaks a zone most of the times it tends to make a pullback to test the area before continuing his trajectory.

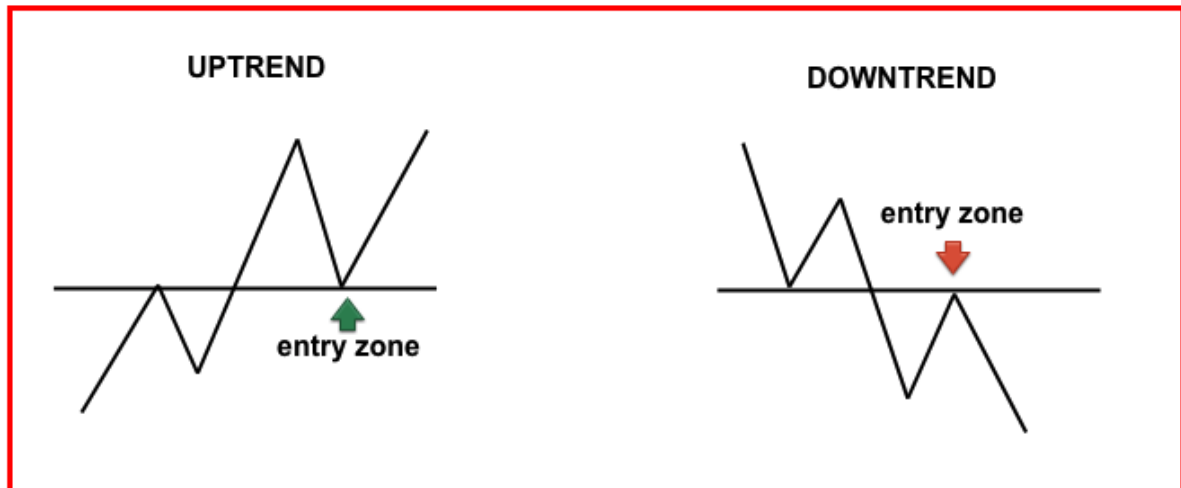


#### HOW TO TAKE A CLEAN ENTRY BREAKOUT AND PULLBACK?

Okay now let's talk about how we trade. This strategy is very simple and very effective. As the name suggests, this type of market entry is given when the price makes a retracement or a pullback.

To enter the market in this way, it will be necessary to have a strong established previous trend( in other words it has to align with the macro direction). **This is going to give us a lot of high probability trades (HPT TRADES)**

If we are in an uptrend, we will look for buy entries , so we will wait until the price makes a pullback (retracement) in some demand level If instead we are in a downtrend, we will wait until the price retraces slightly to reach a supply so to sell at that level.



The great advantage of this entry is that it bring safer signals than breakouts.

With this, we can take trades with good risk reward. This is one of our most traded patterns

The big problem is that many people tend to fall into the psychological symptom called FOMO (Fear of Missing Out). it means the fear of missing an opportunity so they quickly lose control ( in the psychology section, we will explain what it's detail).

### How to trade a pullback ?

As we have mentioned in previous lines, when there is a pullback, it is necessary to have an previously established strong trend.

#### •Phase 1. The price totally breaks an area

The first thing to look for in our charts is to find a price that has broken an established area.it can be in h1 or h4 A new low has been created or new high

#### -Phase 2. The price starts to slowly retrace and makes a pullback

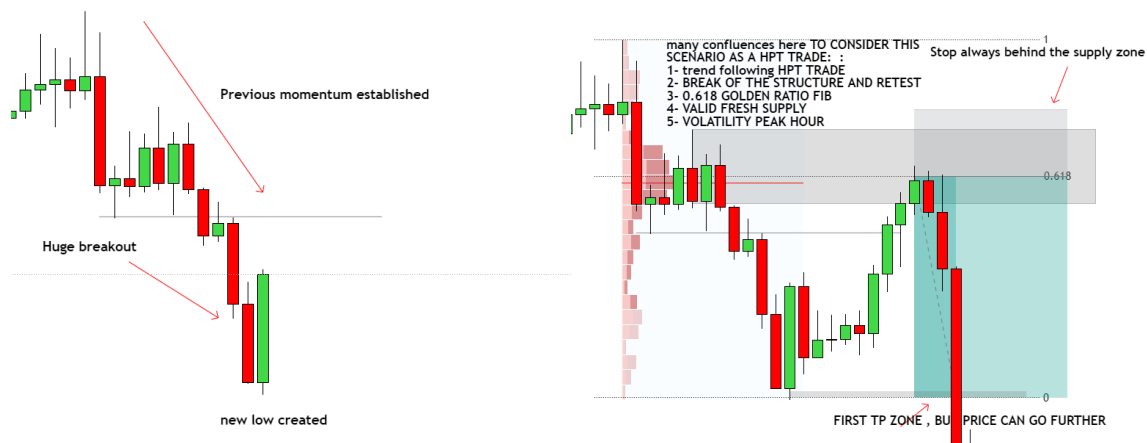
#### Step 3. Find the level of pullback

This phase tries to regroup a maximum confluence of factors so the probabilities are in our favor, to position us at the arrival of the pullback.

We will be using Fibonacci retracements, trend lines, supply or demand, round numbers, moving averages, and supply and demand levels etc ...

Let's look at a concrete example of this strategy. it's a very simple strategy yet with positive outcome. The more confluence factors we have , better for us.

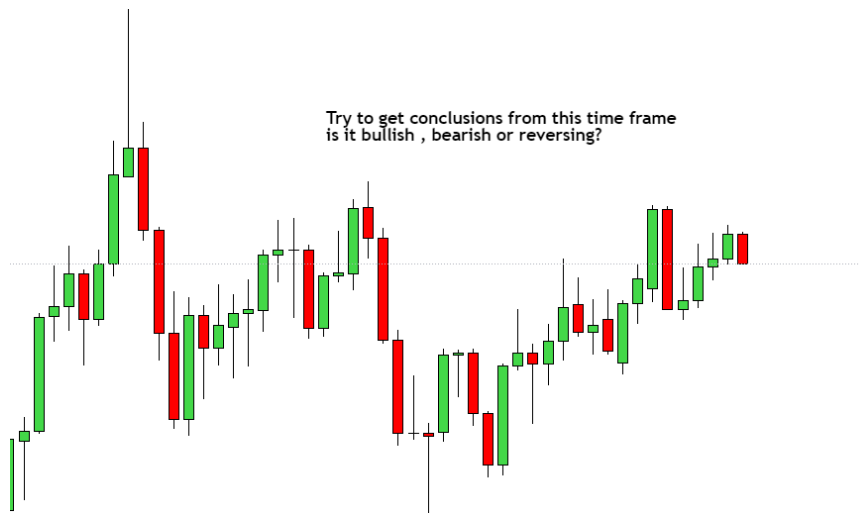
### Concrete example



### HOW TO TAKE REVERSAL TRADES?

This is how we trade reversals .The first thing to do in any situation is to open a chart and start analyzing it in the higher time frames ( monthly Weekly, Daily and h4 and h1). Major time frames have influence in lower time frames . The goal is to establish a long-term vision.We build in macro time frames but we execute in micro time framesj

Try to get conclusions in the following image

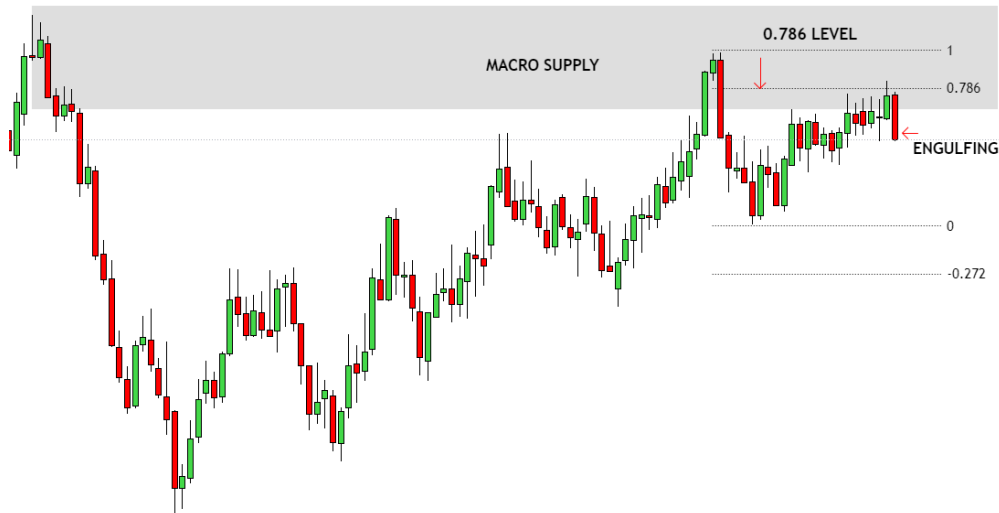


The above image is USDCAD in monthly (each candle represents one month).

If you have difficulties check the next image



The image from above has more information. Still monthly TF, what we have done is draw and major supply zone. As we can see the price tried to go twice without success. On the other hand, if you look at the supply zone you can see that we first had a massive bearish marubozu printed in the supply zone after that we had few corrective months with small candles. That indicated a potential reversal



The above chart is USDCAD but this time in a weekly time frame nothing has changed just the time frame (each candle represents one week).

### What can we see?

1. Price did a 0.781 retracement coming from the massive macro supply
2. Candles printed a bearish engulfing. previous week = bearish.

Candles tell us that the price in the past 4 weeks was consolidating and making indecisive (Spinning tops at the resistance)

In the last week (the last candle), we can see that the price indicates a bearish engulfing. Therefore we still have reasons to look for sells. Let's see what happens after.



The image from above still being USDCAD in Daily, we proceed in the same way

As we can see, we can identify a wedge reversal pattern.

On the other hand, we find a massive breakout with candles printed to the downside. The structure looks bearish

The price, shows us a nice long-term clean breakout.



In the image from above we can see usdcad in h4 time frame we can see the beginning of a massive retracement, we add our fibo, and the fresh supply area

Many people tend to sell overextended movements, but that is not smart at all.

## Remember Chapter about moving averages?

The price is far from the moving average 200, and we already know that moving averages can act as magnets price needs to retrace deeper before thinking about sell.



The chart above is USDCAD in a time frame of 4 hours (240 minutes).

We can see that the price has started to make a pullback, what we do in this case? Well, we'll use the moving average and Fibonacci we combine many confluence factors to look for the next sell zone.

As we had already explained the prices tend to test the golden ratio 0.618 level.



The image from above still being USDCAD in 4 hours TF (240 minutes).

As we can see the price has reversed to touch the 0.618 Fibonacci level; Here we have a many confluence of factors in our favor: long-term trend is bearish, breakout and pullback strategy valid supply zone... All we have to do now is wait for confirmation of candlesticks or take an aggressive entry



What we do then is to set our stop loss level behind the supply, our first take profit near the last low and we execute at the volatility peak hour (new york and london session).



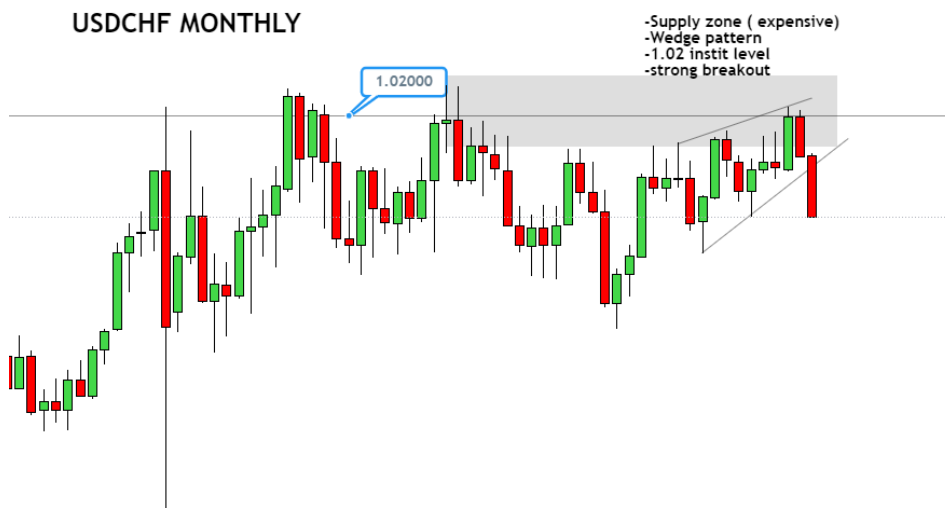
**Conclusion:** This example of trade show us a classic way to trade we look for trending markets breakout and pullbacks , confluences and nothing more.

**Let us see in detail another example : USDCHF**

As always, we proceed in the same way. We Start with bigger time frames 1M



We proceed in the same way , we try to understand the price in the long-term context.



If we use what we learned above, we can see that the price has hit a massive supply zone and failed to continue to the upside. By other side price broke a massive wedge reversal pattern.

On the other hand, price broke to the downside .Now Let's see what happens r in lower times frames.



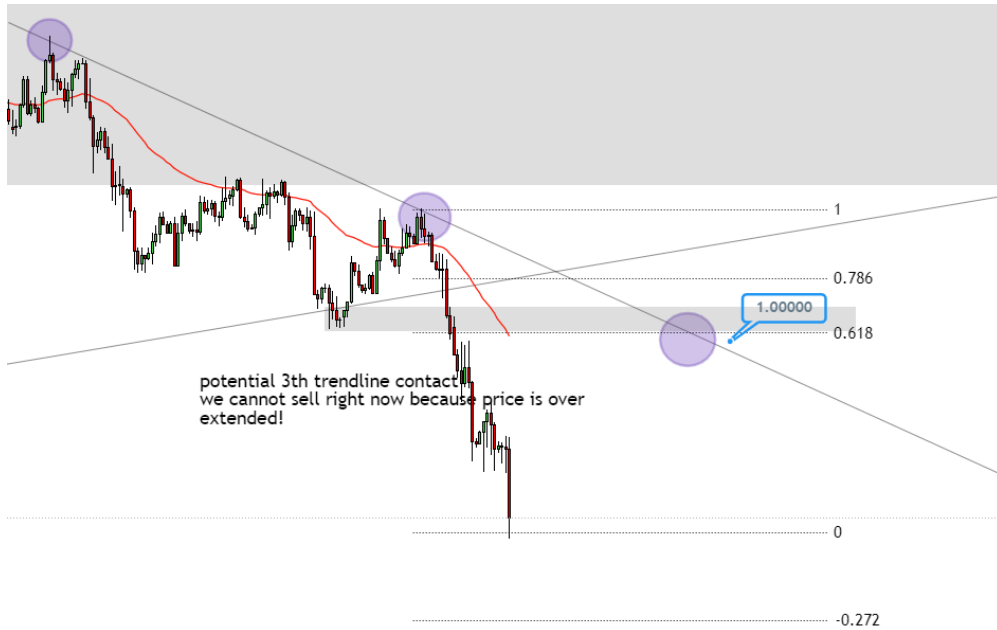
The chart above is in weekly time frame, as we can see nothing has changed price just broke that wedge reversal with a lot of mometum time

The question is where and how do we position ourselves in order to sell?

-We must therefore find a series of confluence of factors.in low time frames



The chart above is USDCHF in Daily, the scene always shows us the same thing. We have a wedge reversal pattern.

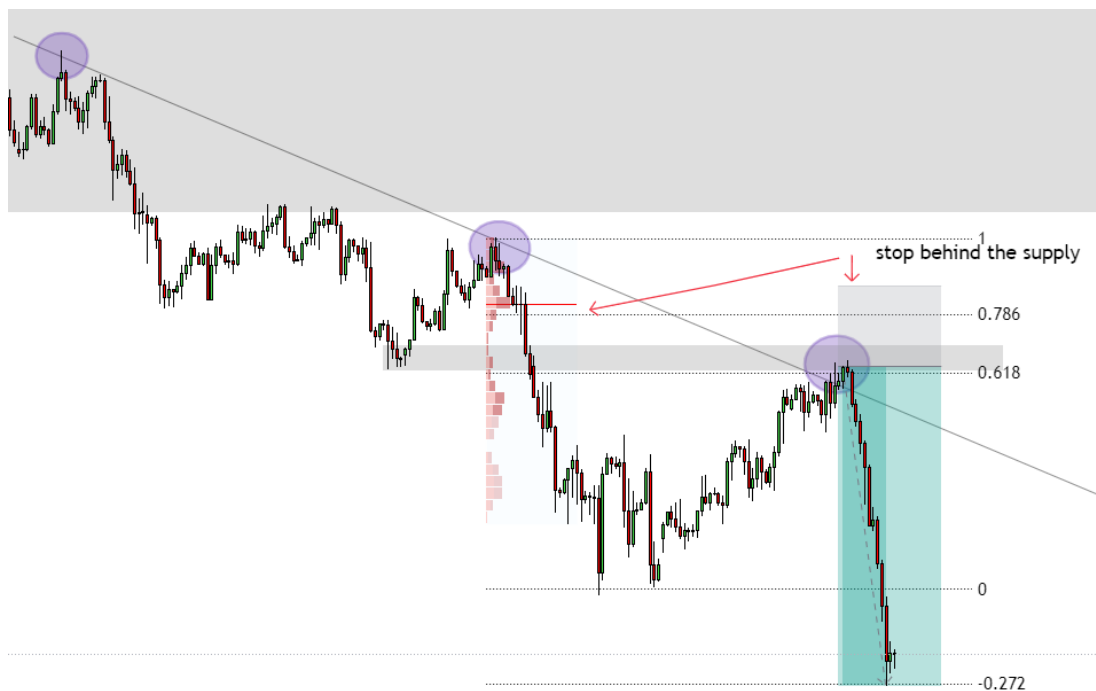
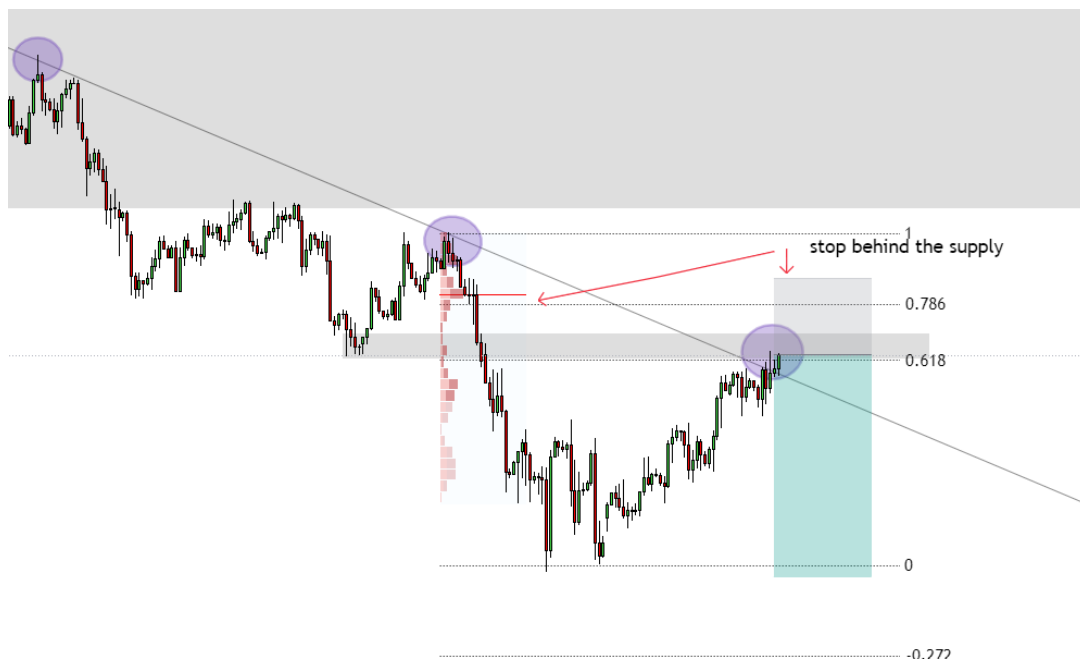


The chart above is USDCHF H4, as we can see, we found a trend line, especially an old support zone already broken t. However, we can not sell at this time because price is overextended



The chart above is in USDCHF in H4 time frame later. We can see price making a retracement.

As usual we use Fibonacci retracements to find potential areas of potential reversal.



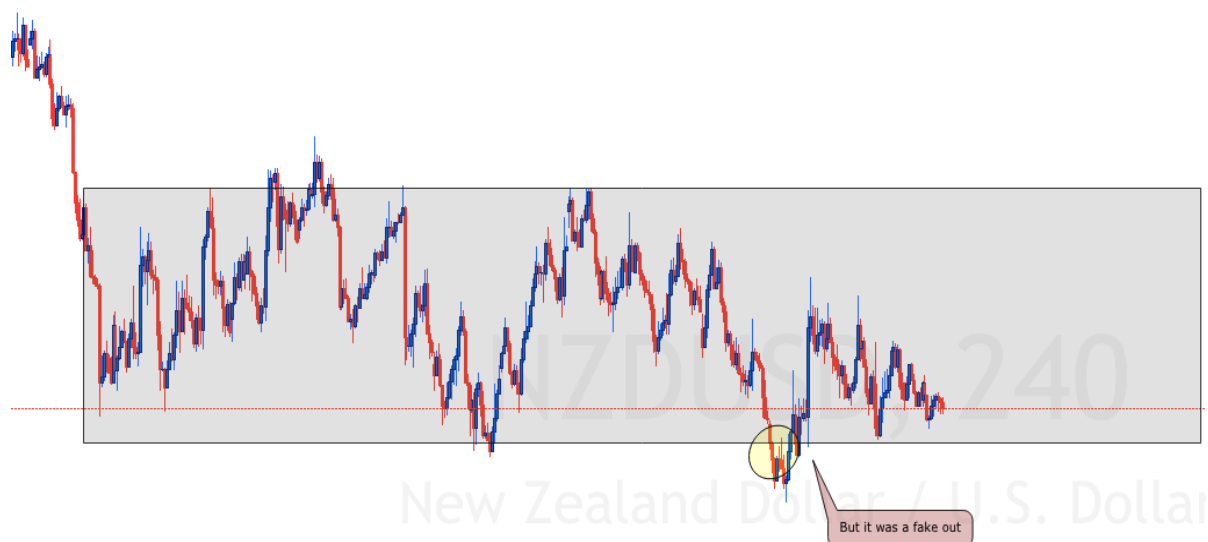
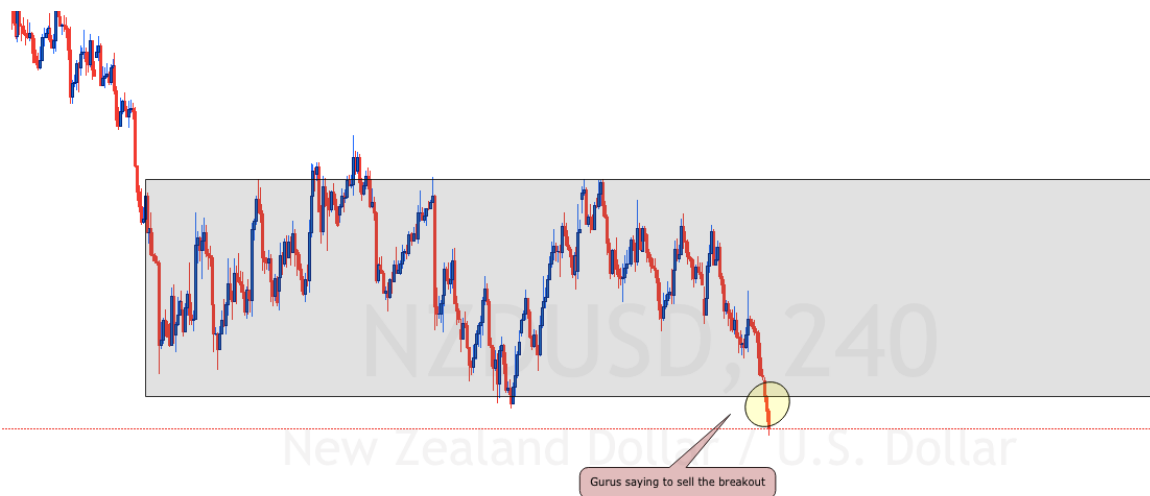
This strategy is very simple : you just need a strong trending market , a breakout , a pullback into a confluence, add more confluences such as trendlines , supply and demand areas institutional levels or key areas in h4 or daily.

## Conclusion:

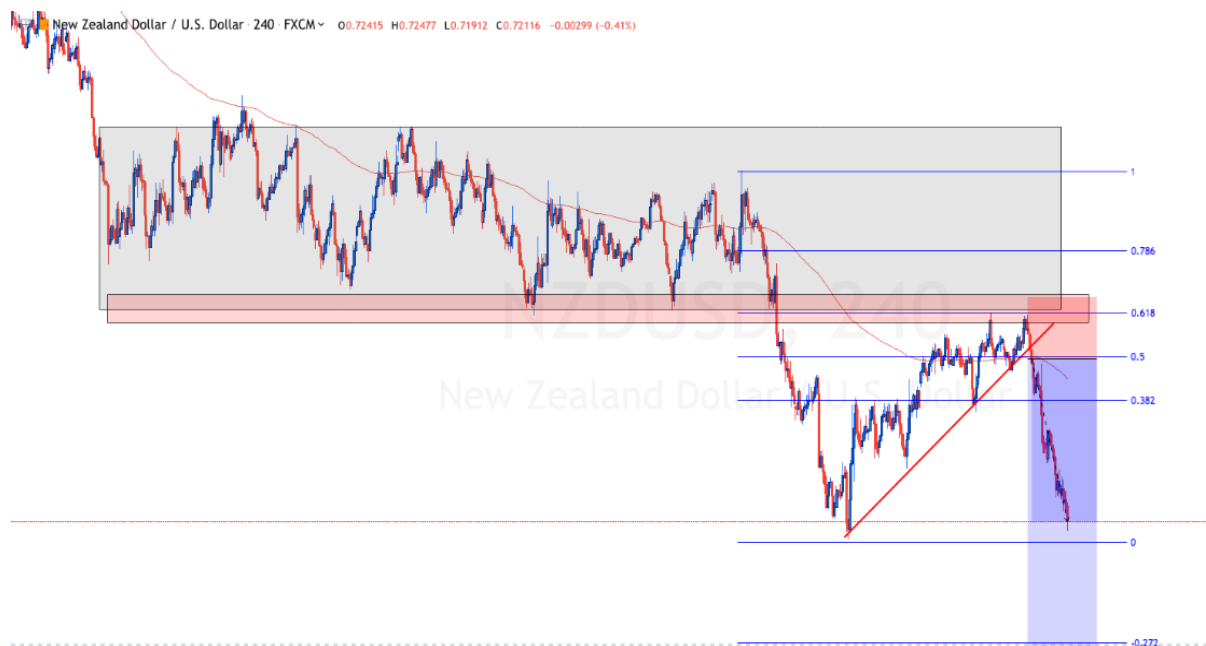
This is what we call HPT TRADES we trade with the market direction we wait for proper breakout and pullbacks , we combine confluences and we trade. You must learn and build in macro and execute in micro .

## HOW TO TRADE RANGE BREAKOUT WITH PRICE ACTION

Many forex gurus tend to say that the best way to trade the breakout of a range is when a candle closes on the other side of the range. Nevertheless, market-makers benefit from the naivety traders it creates fake breakouts.



To avoid selling at a false break, the best we can do is to wait until the price breaks the structure completely in bigger time frames. Our goal is simply to find a pullback and then position ourselves to continue with the trajectory.



The image from above shows the right way to trade the breakout of a range with greater probability of success.

As always, we expect the price to come back to position ourselves in the pullback. What we do is to help us with Fibonacci retracements, and counter trend lines breakout and candlestick patterns. Please note that this strategy with confluence can be used in all time frames however we are swing traders so we like to trade in h4 h1. We have members that use this strategy in m15 or m30

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## OUR STRATEGY

### **Another example :**

Note that this strategy is valid in all possible time frames. However we mainly trade and execute in m30 and h1 , we use h4 and daily to find opportunities. The simple key ist to apply confluence to your entries. At least 3 to have a high potential setup. Anyway we will show you more advanced strategies in the next chapters

The example below is a trade on h1.

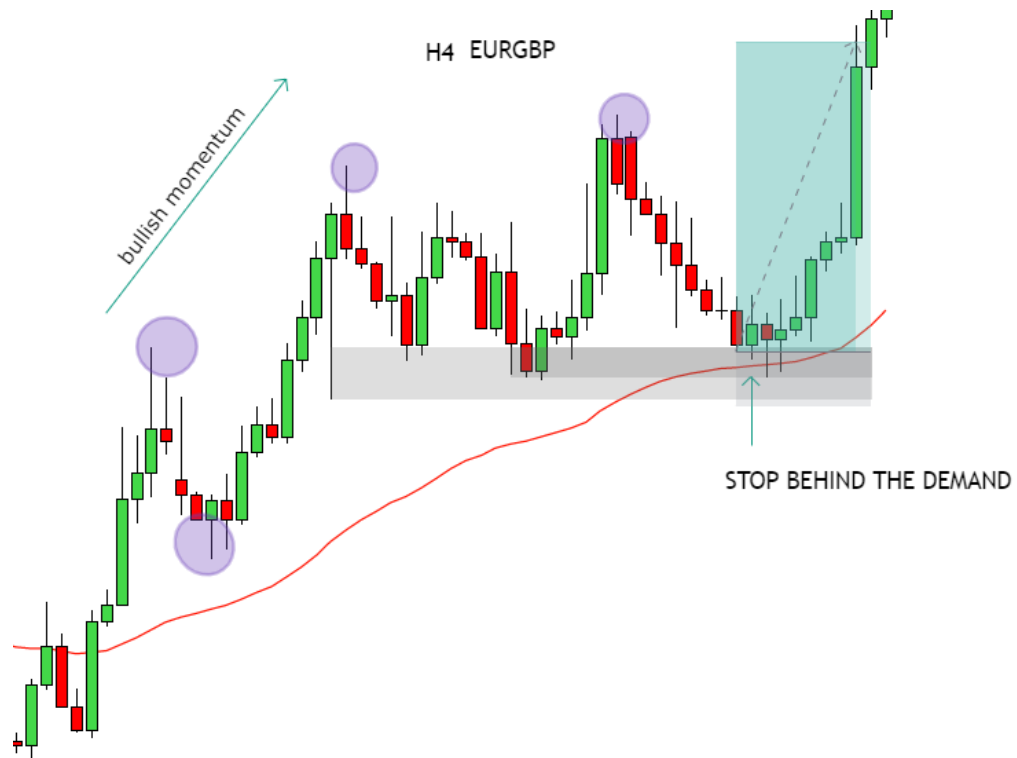
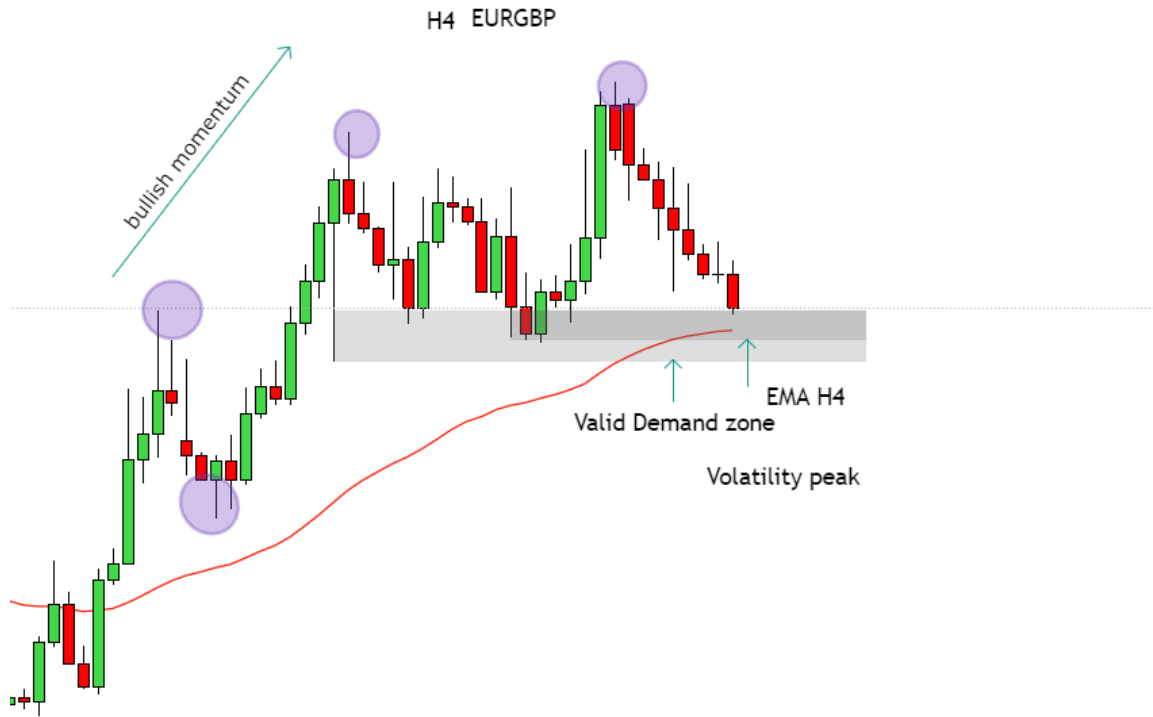


As usual we expect a pullback, we draw Fibonacci retracements, we seek the confluence of factors (, 0.618 level, supply zones etc..) and we execute either in limit order in the supply zone



**Another example :**

We found a trending market making higher highs and lower highs, we found a massive impulse creating a new high we used confluences to wait a proper pullback in a demand level. The demand level was in confluence with the 50 ema and there was a massive demand zone.



## Another example AUDJPY H1



## Okay so now what if we add supply and demand more in detail ?

Having a trending trade bring us more chances but what if we add a fibonacci retracement , a key level in h4 and a demand level? Tha't is what we call a **5 stars trending trade** . Let's us show you how does it look like and then. we invite you to please backtest this pattern , you will be surprised by the efficeince in trending markets. Please note it can be tested in any time frame but we mainly trade in h4-h1 time frame.

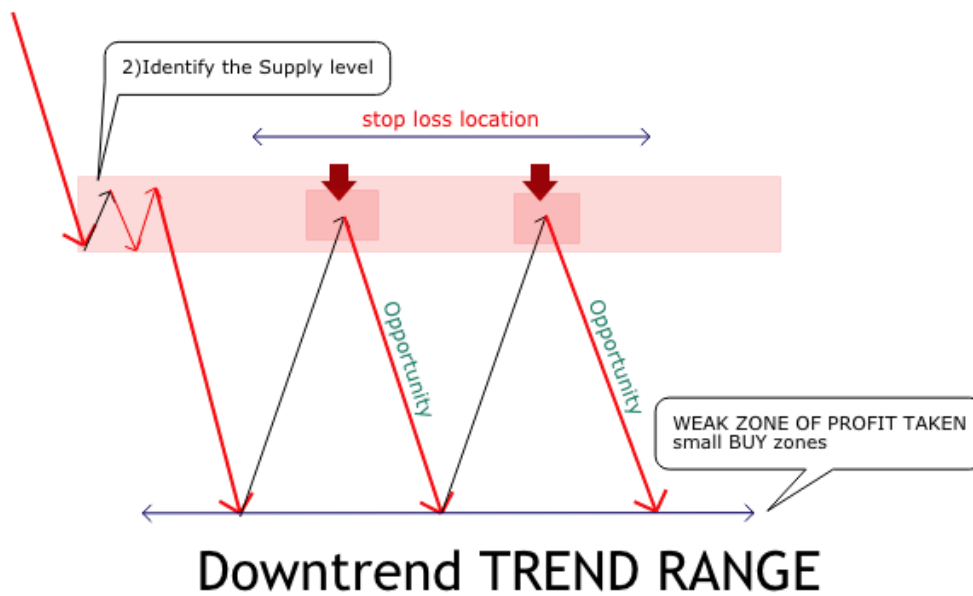
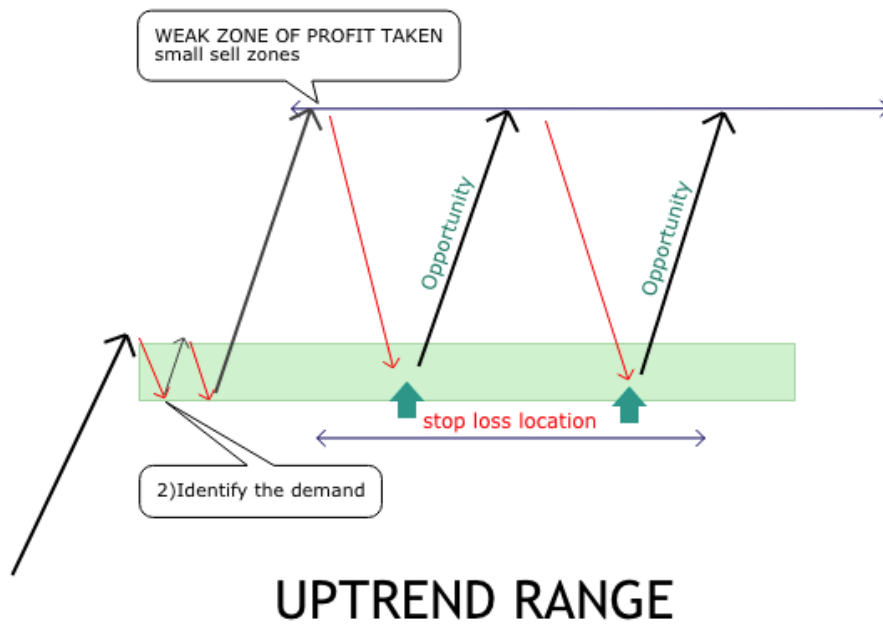
We trade this pattern multiple times and we can proudly say it's very profitable



We invite you now to start backtesting trending trades. You have to train your eyes! We know we have a positive edge with this system.

## HOW TO TRADE A RANGE PRODUCED BY A CONSOLIDATION OF A TREND USING MARKET MANIPULATION?

As we know a Range occurs when the price starts bouncing between 2 levels. The ranges are not infinite, but you never know when the range will finish.

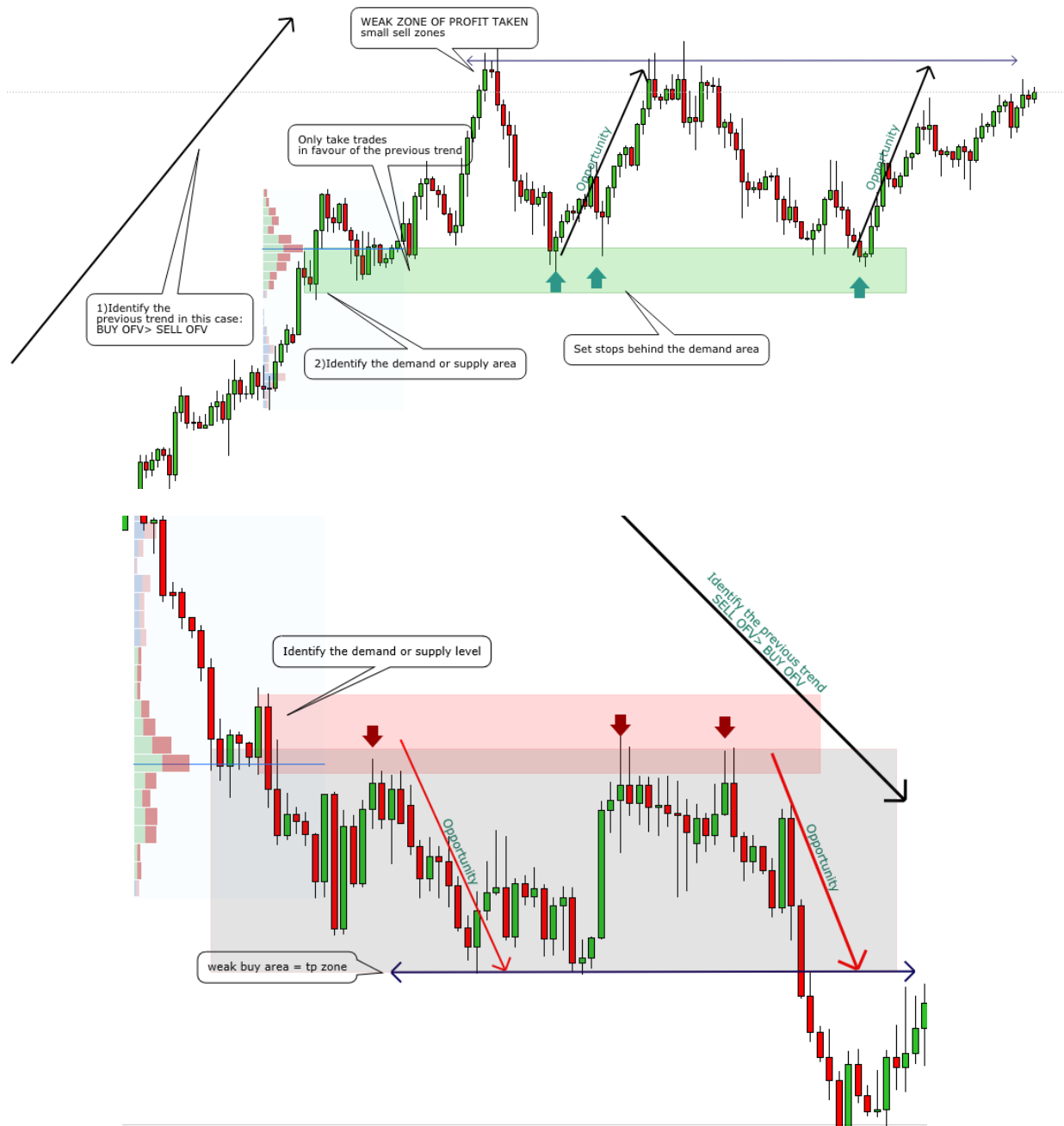


To play with probabilities in our favor, the best is we can do is to consider the underlying previous trend domination from before. This means that if the price was bearish the best is to prioritize sells because the range is likely to break to continue to the downside. It may be simply a re-accumulation.

-If before the price was in a downtrend, it is better to prioritize sells in the the supply level. If the price breaks, it is very likely that he continues with the basic trend that is to the

-If before the price was in an uptrend it is better to prioritize buys in the demand level HPT TRADES!

The image below illustrates how eurUSD, was previously in a uptrend and if we had been aware of this range we could had two trade opportunities!



## CHAPTER 6 RISK MANAGEMENT STRATEGY

No matter whether you are good analyzing a chart, being a successful trader requires strict risk management. With this chapter, if you apply it step by step, you will avoid blowing your trading account like an inexperienced beginner. Rather, we teach you how, with proper risk management, you can increase the amount of your account even having a bad win rate.

Each trade has a certain level of risk. And it's up to you to decide how much risk as a percentage of your capital will you afford to lose.

Before opening a trade, you should always consider the amount of money you are willing to put at risk. The risk is very important for trading; know the amount of risk in each Trade will limit and protect your capital !

### **What is risk management? (Money Management)?**

Risk management is simply the way we manage our capital so that we can make as many trades as possible to protect our capital and to increase it effectively.

The application of money management is very simple: Just apply a simple formula and observe some correlation law to avoid mistakes.

For beginners, every single time they open a trade they consider that trade as the opportunity of the century. "I can't lose trade" However when the market shows them the opposite they end up losing a lot of money of their trading capital.

That's why many people assimilate trading with a casino because they think it's a matter of lucky ... While it's not the case at all !!!

The reality of trading is that nobody knows what will happen in the future. There is an uncertainty to know which trade will be the winning and what the losing trade. It often happens that the trade we thought we had a 100% chance to win disappoint us, Because uncertainty is very strong, we have to be rigorous with our risk management.

It is entirely possible to know if our risk management system will be profitable in the long term or not. However, it will never be possible for us to know exactly when the next trade will be a winner or not.

The origin of this random phenomenon comes from a famous statistical concept called the "law of large numbers". This law explains the following:

"When you repeat a random experiment a number of times, the relative frequency of each elementary event tends to approach to a fixed number, called the probability of a successful event"

What does that mean ? The more we trade, and more the percentage of winning trades will be closer to the real probability, but we will never know if the next trade will be a winner or a loser.

Take the typical example that we learned in school : flip a coin in the air:

The probability that our coin is the heads or tails is the same , exactly 50%. Now let's flip a coin in the air 4 times. In theory, it should fall heads 2 times and 2 times tails, but in practice, we know that this does not occur... It may be that we have 4 times heads , 4 times tails, 2 heads 2 tails, 3 heads 1 tail etc ...

### **What does this have to do with trading?**

Very simple. Even if we do everything right, we have a good trading plan, perfect psychology, we do an amazing analysis and apply any technical analysis concepts that we already know, we're going to lose trades, trading it's like that; losing is part of the game. The problem is that there will be times when the losses come as a machine gun, losing more than 10 consecutive trades ... Nobody knows ...

This is where risk management comes and saves our capital, as it will allow us to: From now you are not longer a trader you are a risk manager.

- Protect our capital in case of consecutive losses.
- Increase our exponentially capital in winning trades even with a low win rate.

But how to implement good money management? The answer is very simple, in risking in each trade an amount that we are willing to lose several times. This is usually a very small part of our capital, between 0.5% and 2%.

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### **HOW TO AVOID BLOWING ACCOUNTS?**

In other words, the importance of risk management is defined as the ability to support a number of consecutive losing trades while having the opportunity to make considerable gains for proper growth of our capital in order to win money in the financial markets.

With the law of large numbers, we realized that to make money, we must take more quality trades as much as possible. However even if we have a good system , we will always have losing trades.

In fact, sometimes we lose more trades than we win, but with proper risk management, we can finish winning money.

In the table below we can see what would happen if we had a sequence of 10 consecutive losses with each trade risking 10% per trade with a capital of \$ 5,000.

As we can see, after the last trade, the remaining capital is only 38%, meaning that with only 10 trades we lost 60%the amount of our capital!

Trades	Account balance	Risking 10% of total account per trade
1	Start — 5000	500
2	4500	450
3	4050	405
4	3645	364
5	3281	328
6	2953	295
7	2658	265
8	2392	239
9	2153	215
10	1938 — over 60% of the account has been lost	

---

Now consider what would happen if we risked less, 2%. Notice what happens if we have a sequence of 10 consecutive losses risking 2% per trade on a capital of \$ 5,000.

As we can see, after the last operation, we have lost 17% of our capital. You've seen the difference? The purpose is to stay longer in the game.

Trades	Account balance	Risking 2% of total account per trade
1	Start — 5000	100
2	4900	98
3	4802	96
4	4706	94
5	4612	92
6	4520	90
7	4430	89
8	4341	87
9	4254	85
10	4169 — 17% of the account has been lost	

---

## HOW TO CALCULATE THE RISK AND MANAGE IT PROPERLY?

Now that we know why it is important to avoid risking like crazy, we'll show you how to apply good risk management as a professional.

To implement an effective risk management, 3 steps can be taken:

1. Buy a certain lot size and adjust the size of the stop-loss based on a percentage of defined risk. This will give us less risk if we reduce our stop-loss.
2. Vary the size of our position. Our stop loss will vary in each trade. Sometimes it will be of 20 pip sometimes 60 etc .. The way we keep our risk parameters will be by adapting the size of the position. This means that we will adjust the size of the position in order not to risk much. In addition we will calculate our position size.
3. Avoid using anything that happens in our head . Sometimes doing less is doing more. Not every day is made to trade. Sometimes not to trade is to trade

### **How to apply each of the options mentioned above?**

Forex, as mentioned is traded in lots. This means that you have the power to choose what lot size you want to trade with

The number of lots that we trade is our position size (simply)

Lot Size	Units of Base Currency	Volume	Pip Value (base: USD)
1 Standard Lot	100,000 units	1.0	1 pip = \$10
1 Mini Lot	10,000 units	0.1	1 pip = \$1
1 Micro Lot	1,000 units	0.01	1 pip = \$0.10
1 Nano Lot	100 units	0.001	1 pip = \$0.01

You probably do not understand the above table it is normal, with the examples below, you will understand much better what we are talking about.

For example, if we open a trade and choose one lot, for each 1 pip positive movement, we will be 10 dollars of profit but if the price moves against us -1 pip, it means a loss of \$ 10. Many risks for a small capital, is not it?

On the other hand, if we open a trade and choose a mini lot, ie 0.1 for every 1 pip positive movement, we will be one dollar of profit, but if the price moves against us - 1 pip equivalent to a loss of \$ 1. Much less risky for capital is in it?

Finally, if we trade and choose micro lot 0.01 for each pip of positive movement, we will be at \$ 0.10 (or 1 percent) of profit. But if the price moves against us, -1 pip equivalent to a loss of \$ 0.10 (or 1 percent).

### **But why is it important to know what is the size of a position?**

Depending on the number of lots that we choose, the number of pip, we win or lose will produce a different amount as shown in the table above.

This will cause the price change costs us more or less money. And as our stop-loss will always vary, we will change the size of the position based on this, so we can risk always the same small percentage of our account (no more than 3%)

---

## HOW TO CALCULATE THE SIZE OF A POSITION?

When calculating the size of a position before taking a trade, we will need the following data:

1. The pip value for a standard lot (1)
2. Distance in Pips from the entry point to the the stop-loss In other words, the size of your stop loss in pips
3. Capital to risk per trade. There will always set a percentage of the total of our account. for example: We decide to respect our maximum exposure to 3% and we decide to trade trade always risking 1 % then we will only have only 3 trades opportunities to open.

Once you have all these ingredients, you should apply the following formula.

**Lot to use( POSITION SIZE): (capital to risk / distance of the stop loss in pips ) x (100 / pip value of lot).**

### **Concrete example of a trade in EURUSD :**

1. Capital: \$ 1000
2. Capital risk: 1% = \$ 10
3. Distance to Stop Loss: 50 pip
4. Standard pip value: \$ 10
5. **Lots to trade with** =  $(10/50) \times (1.00 / 10) = 0.02$  lots

According to calculations, to risk 1% of our capital in a trade that has a distance of 50 pips between the entry and stop-loss, we will use a position of 0.02 lot.

If that can make your job easier, use the following tool via the website Myfxbook:

<https://www.myfxbook.com/es/forex-calculators/position-size>

## Position Size Calculator

Values		
Account currency	USD ↕	Required
Account size	<input type="text" value="1000"/>	Required
Risk Ratio, %	<input type="text" value="1"/>	Required <input type="button" value="Switch to Money"/>
Stop-Loss, pips	<input type="text" value="50"/>	required
Currency pair	EURUSD ↕	Required
Current (USDUSD) Ask price : 1		
<input type="button" value="Calculate"/>		

Results	
Money, USD	\$10.00
Units	2000
Lots	0.020

The calculations has to be applied to each new trade and independently. The more we want to increase our risk exposure, the more we will open trades.

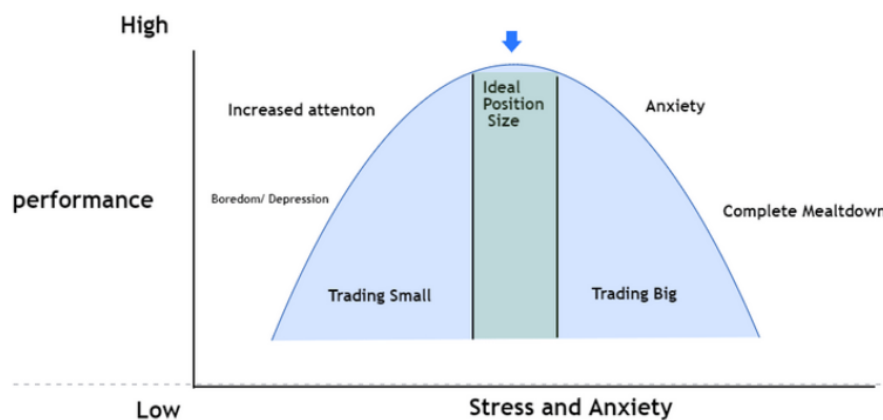
If we calculated the risk individually, we need only consider the fact that we will not be able to risk more than 5% of our account simultaneously. In other words, if you risk 1% of your capital in each trade, you will not be able to open more than 5 trades at a time before you move a stop-loss at zero risk. You have to limit your risk exposure. For example :If we trade with 2% of risk, the maximum number of trades will be 3 to have an exposure of 6% Already decides how much each exhibit, AIRFOREXONE decided to exhibit up to 5% of the capital.

Keep in mind the following steps:

-No more that 2 % per trade!

-Set a limit exposure of open trades (5%) it's a good exposure

## 1) PROPER POSITION SIZE



- Now the big question is how the money is made in forex?

Before entering a trade, it's important to consider the amount of risk associated with this particular operation. The risk is very important for trading. Knowing the level of risk in each transaction is one way to limit losses and protect your capital.

The risk / reward or (RR is one of the most effective money management tools to determine the level of risk associated with a transaction and the amount of profit that we can get.

This relationship shows how you take risk per trade and how much is the potential return (or gain). While this may seem simplistic, many traders are not aware to take this step in a serious way for them resulting significant losses and small gains and thus lower profitability.

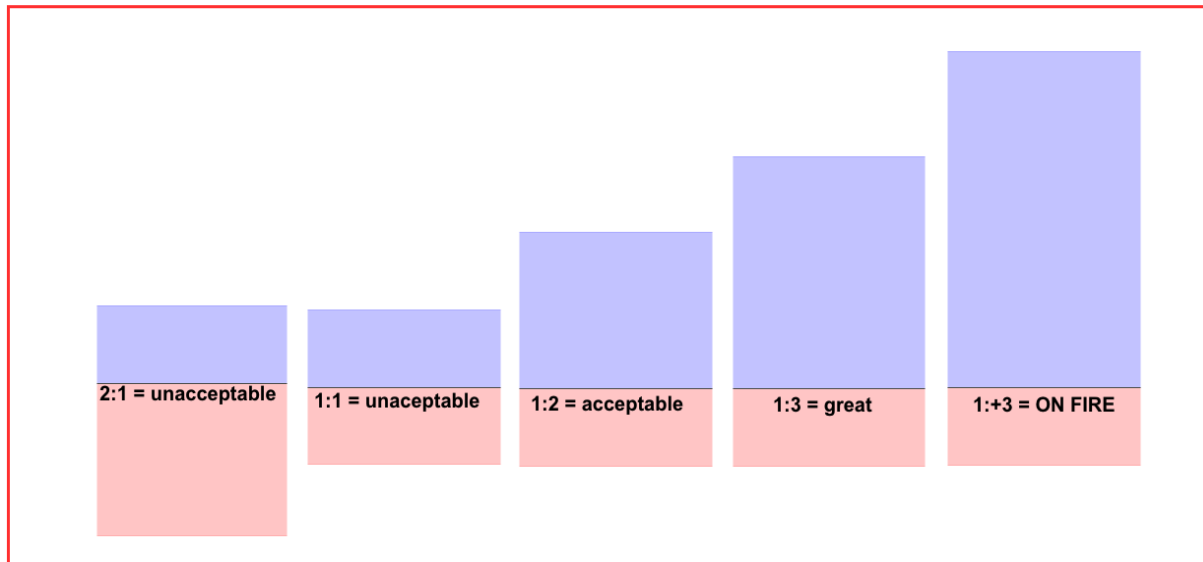
For example, if you have an account of \$ 1,000 and you decide to risk \$ 30 on a trade or 3% of the account, a good RR would be 1: 3, which means risk 3% to earn 9%

In other words, risk \$ 30 to win \$ 90.

Calculating RR is very simple and we will need only 3 variables: the entry point of the trade, the stop-loss level and the take-profit.

1. After the entrance, stop loss and take-profit are set, we measure the distance between the point of entry and the stop-loss.

2. Once done, we will see how many times that distance is repeated from the entry point at take-profit.
3. The number of times that distance is repeated determines the RR. For example, if the distance from the entrance to the stoploss is repeated twice from the entrance to the TakeProfit, we have a RR of "1: 2".



### What is a good RR?

The risk-reward ratio a minimum acceptable trade must be 1: 2.

**You should never enter a trade when the risk reward ratio is equal or less than 1: 1, because the loss exceeds the reward.**

-The experienced traders who can find the best opportunities trade setups with risk-reward ratio of 1: 5 or more

-Find a trade that has a good RR may take some time if we trade the medium and long term . However, the benefits to expect a greater reward that the risk is worth the effort and patience.

If you want to make a nice trading career, you must develop a discipline, master the good risk / reward and enter only if you trade good risk rewards. This is the only way to make money in forex.

<b>Win rate</b>	<b>Minimum RRR</b>
25%	3:1
33%	2:1
40%	1.5:1
50%	1:1
60%	0.7:1
75%	0.3:1

The above table expresses something very important when considering the management of our risk.

1. The left column shows the percentage of winning trades.
2. In the right column, we can see a certain percentage for each RR.

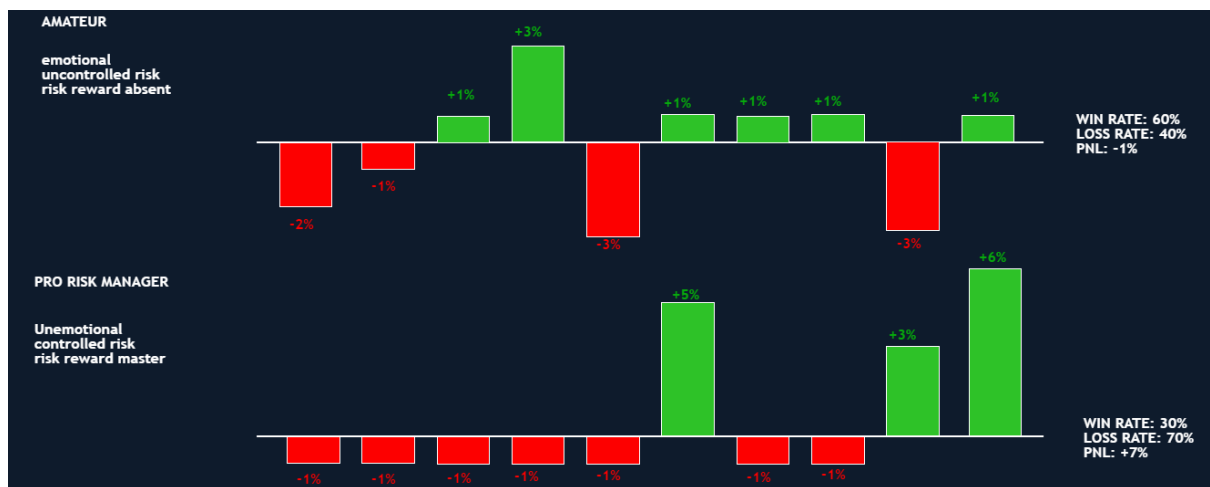
The table indicates the minimum RR that we must have with a percentage of winning trades to finish profitable. On the basis of the first row, if we have a RR ratio 3R, with the victory of a 1 in 4 trades (25%) we will not lose money. To exceed the line between profitable traders, we must take one of the following measures:

- Increase the RR for a certain number of winning trades.
- Increase the percentage of trades earned by maintaining a descent RR.
- Reduce max losses.

By controlling these variables, we can take advantage of the markets. Pro traders tend to focus more on average win > average loss ( Risk reward).



## HOW PROFITABLE TRADING LOOKS LIKE ?



Let's talk about simple math : This is simply a conceptual series of 10 trades risking the same amount of money. One after one the from a amateur perspective.

Let's us act as a the first example from above: if at the beginning you risk more than expected then it will take you a lot of work to recover from that DD%. Make sure to have a proper risk modelling and follow the rules to survive. New traders execute trades with certainties.

" this loos good", "I will risk more", " I can't lose in this trade ", "I will risk more in this one because I need to recover my previous loss", "I lost the previous one "I will risk less because it looks risky"

Here is where the problem occurs: When you modify parameters in your risk modeling it will have a strong impact in the final outcome. That is not proper speculation.

Usually shitty mentors will say : risk more in this one , risk less in this one: that's absolutely crap.

This example was clear. Our dear Mr amateur risked more in the first trade and ended up losing more ( uncontrolled loss) , then took another normal loss , after that he has two winning trades but guess what? Mr emotional became greedy and risked more after having two profitable trades and guess what ? just after those two profitable trades he decided to bet more money, He just distributed all the money back. **See how his biggest losses come after the biggest wins .This is a big quote to keep in mind from my personal experience.** After that big loss Mr amateur is scared to pull the trigger and of course he cut winners very quickly in the next trades because he's afraid to distribute money back .he might also be risking less in the last trades because he's afraid Well for him trading becomes a nightmare . Markets are consuming his pocket and soul . If you feel identified with this , it's time to stop doing that right now.

Now Let us analyze the second example say for example that you took 10 trades with proper risk management ? With a probabilistic approach?

the outcome is totally different. Even if he had a win rate of 30 % he ended up making 7%! . See how he controlled the losses and risked the same amount. Guess what there is no magic trick . Profitable trading is a unemotional it's a risk manager game , Chose wisely . Here is where the solution is :

**EVERY TRADE IS UNIQUE , ANYTHING CAN HAPPEN.**

**MANAGE YOUR EXPOSURE OR YOU WILL HAVE NOTHING LEFT TO  
MANAGE PROPER POSITION SIZE IS IMPORTANT.**

PRO traders understand that in order to have results they must adopt a series per trade approach There is no secret behind profitable trading , control your losses , be patient , have a good timing , have a proper risk reward and follow your plan.

**Is not how many trade you win or lose , is how much you make when you are right and how much you make when you are wrong.**

<b>Income</b>	<b>Expenses</b>
<b>+300 dollars</b>	<b>-95 dollars</b>
<b>+250 dollars</b>	<b>-50 dollars</b>
<b>+350 dollars</b>	<b>-100 dollars</b>
<b>+350 dollars</b>	<b>-50 dollars</b>
<b>+1250 dollars</b>	<b>-345 dollars</b>

Every business has an income and expenses. An organisation in order to be profitable must have an income superior to the expenses. That doesn't mean they don't have expenses . Yes they have natural expenses

The company stops to generate cashflow the moment the organisation lose control of the expenses.

As a trader you must do the accountability to avoid expensive trading error that can lead your organisation to stop being profitable because you are losing control of your expenses. Be like a company control your expenses and increase your income.

## WHY DO WE HAVE TO ACCEPT LOSSES?

When a trade is running in loss for even the smallest amount, some traders will try to open another additional position. This is called suicidal stacking . Instantly, they double the loss suffered by the trade just because they have hope in the trade.

The trader will believe in the following cases:

- With this movement I will double my victory; this is a chance to re-enter
- I will be able to get even more pip, and get better prices

Novice traders often assume that the trade will "return", they have hope .The lack of patience incentivize to enter the trade again and again.

The term suicidal stacking is given to the situation that arises when you have no limit loss and you have a trade going in the opposite direction of what you predicted. The term is appropriate because it will do just that. They even start to hedge trades! .

The problem with this kind of actions is that it creates what they call “ perpetual blindness “

The reason why he suffers is because he is expecting something from the market! In fact this traders has the ability to perceive downticks that prove a

strong sell Order flow volume but he is blind , he's afraid of being wrong and he has self protective mechanisms that work on a unconscious level that set his mind to feel some sort of relief only when the market prints bullish candles. He is going to forget the information of the bearish candles.



The image above shows how a novice trader (buy) and does not put a stop-loss. He believes that the price will go in his favor. Indeed, he let run its losses , create hope and the price has not the slightest intention of continue to the upside

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## HEDGING

The Hedging is a strategy used by many novice traders who believe the stoploss is not necessary; instead, when a trade is losing, they will want to cover the latter with a new trade but in the opposite direction to the first.

For example, after a trade has been taken in sell and the trade goes in the opposite direction, it will place another trade in the opposite side (buying) assuming it will cover the negative balance of the previous trade. This type of

trader will try to exit the trade when the price starts to drop to hope to reduce reduce the losses.

This is not profitable in the long term. This just means he don't likw to be wrong This kind of behavior will push the trader to panic, the situation will get worse and if the market consolidates neither one nor the other trades will make profit ....

It is mandatory to accept losses when one is trading. You should always enter a trade with the recognition of a single direction. If the trade goes against you, you have to understand that losses are part of trading.

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## THE REALITY OF RISK MANAGMENT

First, we must eliminate the idea that in each trade everything is going to be fantastically well. Quite the opposite , we never have to create any attachment with one single trade , even if it looks fantastic.

We will have some consecutive winning trades, there is no doubt of that, but the losing series can occur at any time! Every trade can be a lossing trade, even the one with most confluences . It is our responsibility to be prepared for this and still keeping a good state of mind after losses

It's a simple mathematical probability, we must understand the discipline. We must not bring emotion when a losing streak occurs. Once the risk is accepted everything is different.

You must stay focused and relaxed when we are affected by some consecutive losses, because if you have emotions, your actions may be based on revenge and you'll end up crying once your account is gone. Trading requires military discipline of yourself.

Finally, you just need to have to have 60% of winning trades to consider forex as a recurring source of money and a comfortable income.

As long as your RISK / REWARD is adequately controlled and big . Obviously, you can reduce this percentage to 50% by controlling a RR of 1: 3

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## AIRFOREXONE RISK MANAGMENT STRATEGY TO REDUCE LOSSES AND MAXIMISE PROFITS:

Okay let's take an example very simple.

Imagine we have an account of 1000 euros and we risk in every single trade 10 euros and we only trade opportunities with a risk reward of 3.

Breaking down: 1000 euros at 10(1%) of risk per trade means that we risk 10 euros per trade.

10 Euros per trade gives me 100 losing trades before We blown an account of 1000

In other words I have a 100 trades account if I risk 10 euros per trade.

We must view our account as opportunities. We will use sticks to simplify this :

In this case we had an account of 1000

IIIIIIII.....IIIIIIII : 100 OPPORTUNITIES

I will set 5 losing opportunities as my trigger to be reviewed

IIII

Every time y take a loss : I must remove one stick :

Ex:I lost a trade I have  $5-1=4$  sticks left as my trigger to be reviewed

IIII

But if I win one trade I will add 2 sticks :

Ex: I won a trade I have  $5+2=7$  as my trigger to be reviewed

IIIIII

If I lose all my sticks I have to stop trading for some days because that means that we are having a bad losing streaks trades due to overtrading and trading emotionally. Or just trading without a plan. Once we take a break we have to recognize what mistake are we making : find the problem . Backtest and practise to avoid that mstake and finaly you can start trading again.

This example is very simple to apply. We advise you to set a limit of lossing trades opportunities as tour trigger to review in order to avoid big drawdowns. In

This case we are teaching you to reduce losses intelligently in order to protect your capital.

**Now try the same with your trading account :**

- Find the % that you are going to risk per trade
- Find the amount of opportunities before blowing your account
- Set a limit of opportunities as a trigger to review

By other side we have an advise for you:

When you start trading with a new real account first we advise to risk less than usual: for example at the beginning instead of risking 1% , risk 0.5% once you start making profits increase the risk as usual :1% the aim is to have a very low drawdown and avoid losing your initial amount invested.

**STOP LOSS / TAKE PROFIT: THE CORRECT WAY TO USE IT**

**STOP LOSS:**

If you have not yet started trading let me tell you that with this chapter, you will save the time you would have spent searching for hours and hours to assimilate the use correct use of a stop loss and a take profit.

On the other hand, if you are already trading, I am sure that when you start trading, all you were concerned was to find the perfect market entry. You've spent hours and hours looking for a clean, winning strategy. Whenever you thought you had found, the price touched your Stop Loss (SL) to continue in the direction you had anticipated.

It happened to us all and it still happens to us several times, and it will happen to us, it's part of trading. The problem is that the vast majority of traders, especially new ones , focus too much on market entry and they forget where to exit.

It is essential to master the use of a stop loss order to be automatically expelled from a trade market if the price goes in the opposite direction of the direction we have set.

As will gradually, it is a great tool and will serve for things like:

1. Determine the Risk / Reward (RR)
2. Avoid blow our account with high exposures
3. Limit losses
4. Protect capital

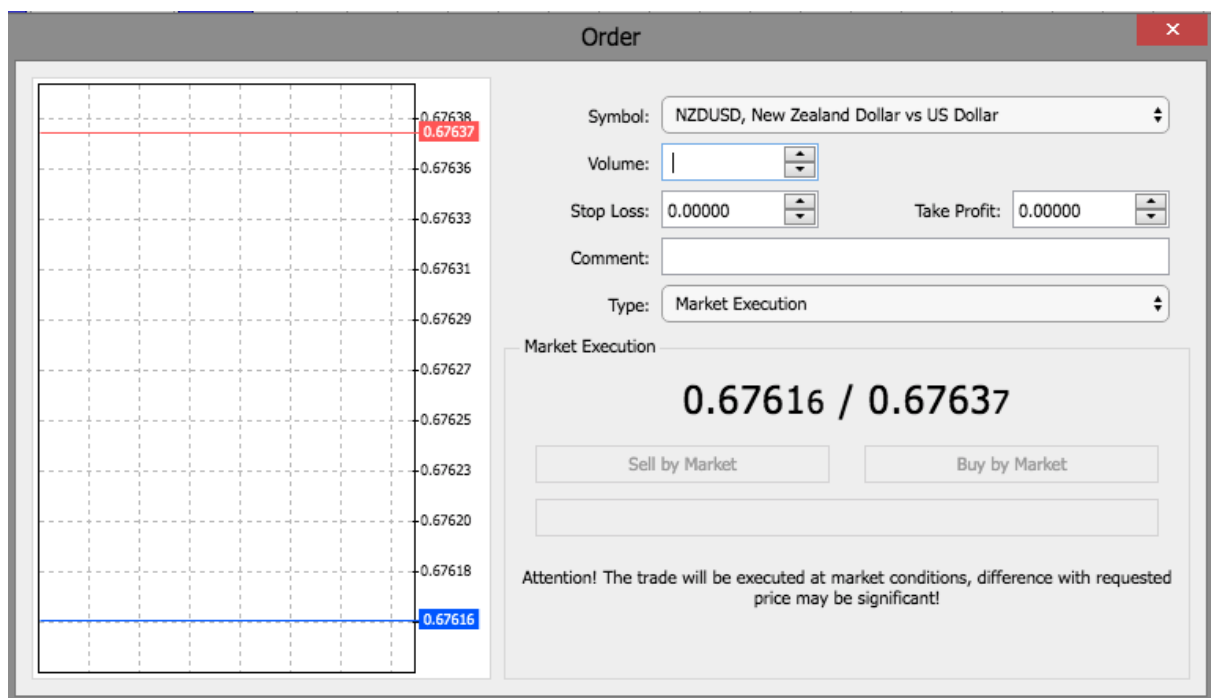
Put a stop loss can become extremely confused. But first, it is important to determine the loss limit before the trade is entered, according to risk.

There is a rule that says you should not touch the stop loss once it is placed! The more you play with him, and more things will be complicated!

The stop loss is directly related to the risk. For example, a novice trader who may have suffered a few losses in a row will try to keep his stop loss as small as possible and thus will not leave the market breathe and he will end up blowing with little hits his account .

Other traders will panic when they see that the price approximates to the loss limit, that will incentivize them to move or eliminate them completely.

Although all those traders who have the hope that there will be a reversal and don't use stop loss will leave their accounts with unlimited loss potential, they expose 100% of their account.



The image from above is inadmissible, the stop loss is equal to 0.0000 so if you open a trade like this, the entire account is exposed. The first thing we need to do is put the price of our level of stop-loss and take-profit after. Before taking a trade we should know when to enter and where to exit.

## **Put a stop-loss**

The best way to place a stop loss under the trading style of Price action is based on two parameters

-Structure

-Fibonacci.

-supply and demand

---

## **STOP LOSS STRUCTURE PROPER PLACEMENTS**

As the name suggests, this Stop Loss placement method is based on the structural logic of the market and price. We must distinguish between entering in a breakout or in breakout and pullback. There is no fixed amount like the others gurus say. It's not a 25 pips SL.

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## **BREAKOUT ENTRY: STOP LOSS PLACEMENT**

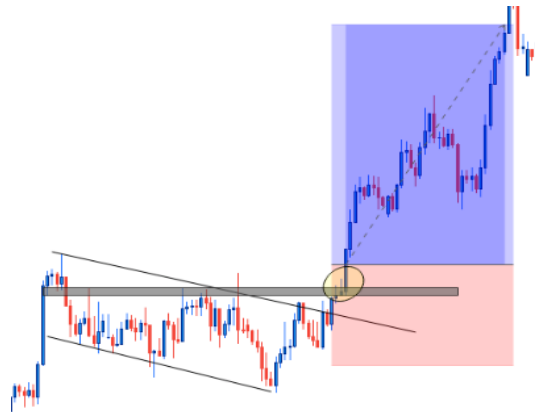
Breakout is when a candle closes beyond a zone : support line, structure resistance or a trend line etc... Therefore, we apply the following rule: If the price breaks a resistance zone, we will put the stop loss below this resistance. If the price breaks a support, we will place our StopLoss above the support zone.

Now, even if we know we have to place the SL above or below a certain level, it gives us a lot of space in the chart to place it. Well, the stop loss of the trade depend on the exact location of the breakout candle.

If the candlestick is big, we will place the stop loss at a minimum of the candle that breaks resistance and maximum candle that breaks a support. Always protected by the level.

If the breakout candle is small, we will place the SL depending on the direction of the break. If the break is to the upside, we will place it below the previous low peak and if the break is to the downside is above the previous maximum. peak

The example from below shows a breakout to the upside , as you can see the stop loss is positioned just above the last minimum or last high.Let's supposed you missed the initial risk but you believe in the momentum , then make sure to properly set a stop loss behind the structure.



The following image is one that you must keep in mind if you are about to trade breakouts.



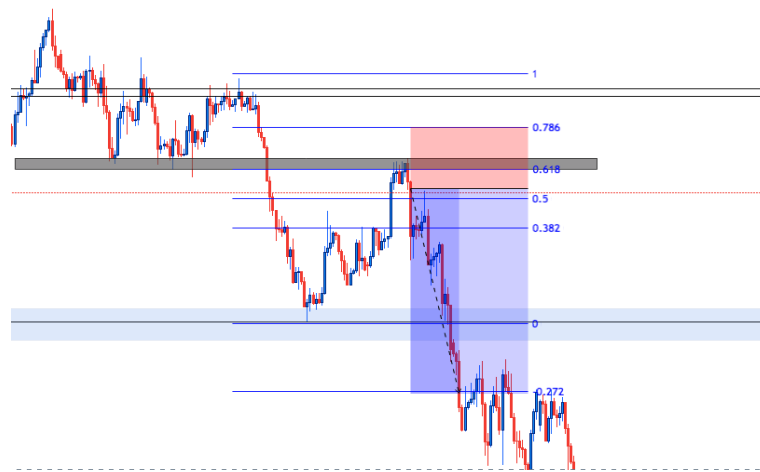
In other words if you take a breakout trade , make sure to set a stop behind the structure

---

#### HOW TO USE A STOP LOSS IN PB

As we explained earlier, pullbacks often occur in strong and significant trends. The good thing about trading pullback is that the reversal has already occurred and, theoretically, the price would have to follow his direction after the retracement.No matter whats the case the stop loss should always be set behind the supply and demand level , and if there is no one because you took a 0.618 retracement trade then set a stop behind the 0.718 level or just behind the structure.

The stop loss placement can be at the 0.718 level , or behind a supply level or resistance , but it's never fixed to a certain amount of pips!



Another main criteria when setting up the stop loss is that we must leave the trade "breathe."

When you enter any trade, you must understand that the market must find its flow and calm, almost like breathing, flowing from top to bottom before finding its direction.

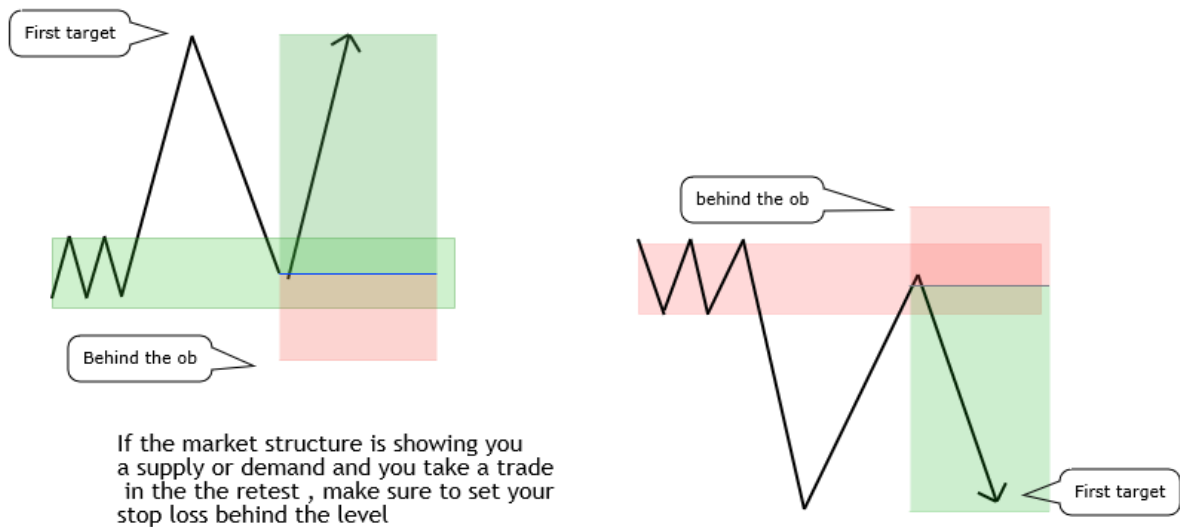
A common problem faced by novice traders is that they despair when they see that the market is heading in the opposite direction of their prediction.

However, not all trades that are executed will not be directly positive in one second. Psychological preparation is the key, therefore, you should not panic,

you have to let the market move at his own rhythm, since the risk has already been calculated previously everything should be okay for you.

Remember: the trades do not generate profits when you want them to do, in fact, 80% of the time, a trade may remain in the range (range; consolidation) fixed for some time and at this stage , you must be patient. Trust yourself.

## STOP LOSS AND SUPPLY AND DEMAND



Okay , this part is very important. You might have seen the way we place our trading in the vip and free group when we share the trades we take .

It's fundamental to spot those demand and supply levels in order to set your stop loss if you have the chance to set a stop loss behind a supply and demand area = you add an additional protection to your trade



## HOW AND WHEN TO MOVE THE STOP LOSS TO BREAKEVEN (BREAKEVEN)

Place a Trade at Breakeven means to let the trade run in our favor, then move our stop loss to entry price cutting the risk. We talk about "eliminating the risk" When that happens, we have two opportunities: the price reaches our target and eventually we earn money or that the price comes back and touch the breakeven and we are out without winning or losing anything win without losing, Magic ? We completely eliminated our risk trade.

Many novice traders tend to put the trade the breakeven prematurely for fear of losing. The problem is that as we have already explained above, the price must breathe and they do not let the price breathe.

The big question is when to put the price in BE.

To answer this question it is important to mention that there is no perfect time, to put your stop loss to breakeven. We just need to let the market breathe but we don't have to do it too late because the main objective is to cut losses very quickly.

For example, when there are important economic news, volatility tends to increase significantly in these cases, before sleeping the best is to stay informed when news arrive and protect the trade before their arrival.

But there is something magical that we show you in the next paragraph.

---

## MAXIMIZE PROFITS THROUGH A STOP TRAILING

There are people who do not like to put Take-Profit levels. We understand perfectly because most profits are maximized, the more our account increase. In fact, our goal is to follow the trend as long as possible to collect the most possible pip.

Consequently, in Forex there is the possibility to modify the stop loss as the price moves in our favor, thus being able to eliminate the risk first and then block the benefits gradually, allowing us chasing the big trends.

There are two types Trailing stop: automatic and manual

The Trailing automatic stop is that we can simply program on our platform of trading as the Trailing stop manual is done by moving our stoploss from a certain amount of pip gain. The problem with the automatic stop Trailing is that does not let the price breathe, although it can save our lives from time to time . We believe more in the manual trade management

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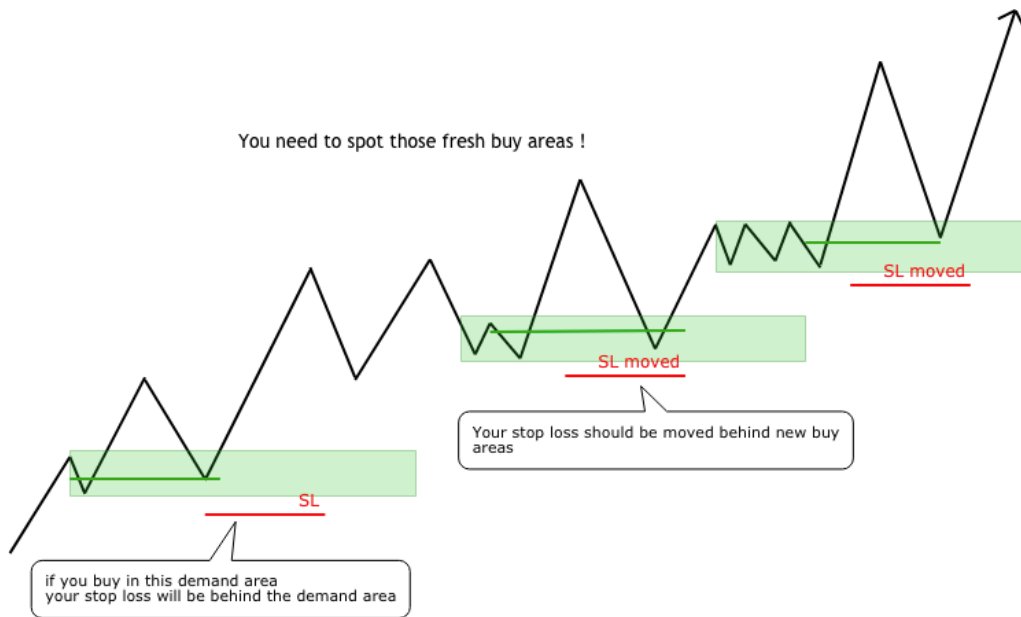
## HOW TO MAXIMIZE TRAILING STOPS USING S&D

As we saw earlier, a bullish trend is created when the price makes higher highs and lower highs, and a bearish trend is when price makes lower lows and higher lows. We will use these simple structure to establish criteria for moving our stop loss.

In this way, when we take a trade in a bullish trend, we will move our stoploss (SL) to lock profits when the price makes a new impulse , just behind those buy areas( demand levels).

Similarly if we take a short trade in downtrend, we will move our SL blocking the profits when price creates a impulse or sell zone.

The following image shows how theoretically how we should move our stop loss, you should see those areas as shields this example is only valid for HPT TRADES.



## DEFINING (TAKE PROFIT)

To be honest with you, we do not want to teach you the same thing than the other mentors, everyone is not made to drive the major trends and have the

composure to let the price run for months or weeks , this is not that simple for retailers. The purpose of this book is to give you strict rules to be applied beneficially in your trading. in this section, you will learn to master the Take-Profit orders (TP).

As its name suggests, this order is made to take you out of the market with profits well defined in advance. We recommend place this order when we consider that the price approaches to high barriers and will not be able to break them, but also when your risk ratio looks correct for your trading system

With that being said, consider the methods to determine our take profit targets based on market conditions and the secrets to maximize profits.

The ultimate goal is to have a profitable risk reward ratio and that's it.

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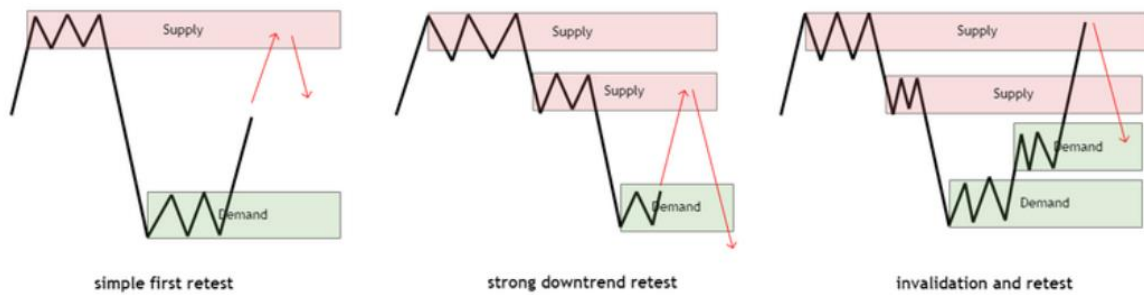
## HOW TO DEFINE A TAKE PROFIT STRATEGICALLY?

Don't overcomplicate the things . your tp should be in a supply or demand in h4 or daily that can act as an obstacle.

Before establishing an exit point of a trade, we will define the direction (we believe) prices will take. For example, take the case of a trade on the uptrend.

We expect that the price increases but we will identify obstacles that can be found on the way. This means that a good place to put a Take Profit in a trade up will be few pips before the most visible key supply area on h4 and otherwise a good place to place a take profit on a trade in down trend should be before major and visible demand level (few pips before)

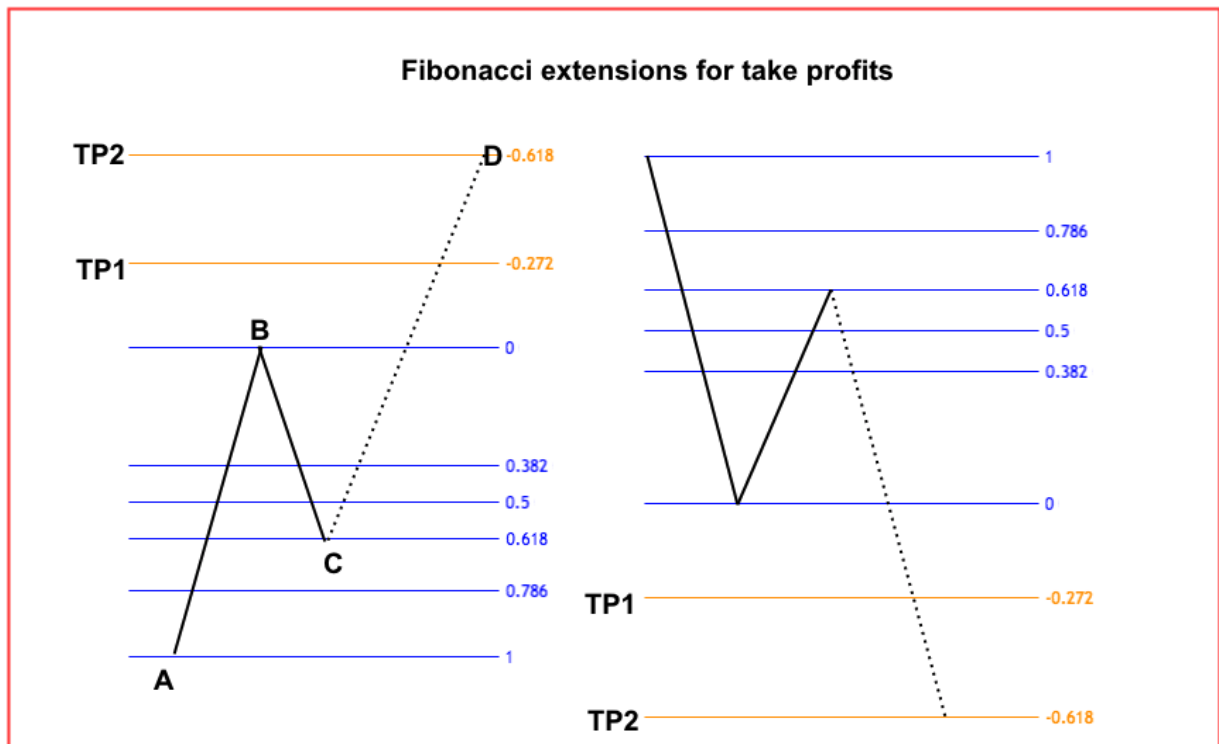




## HOW TO DEFINE A TAKE PROFIT WITH FIBONACCI

We will use the tool called Fibonacci extension, which is based on Fibonacci ratios with additional levels that exceed the 1 most used extensions 1272 (or -0272) and 1618 (or -0618).

The way we translate the extension in a chart is similar to what we do with the retracement: in an uptrend we will use it in the last high and low of the structure. This will give us the Fibonacci retracement with new additional levels above the maximum (as we have configured these levels in our tool). For example, if one is positioned in buy (either with the break of one zone or a bounce in a support area), these additional levels may be a good place to profit-taking, particularly -0.272 and -0.618



When we reach 1:2 or 1:3 we are more than satisfied because we are following our trading system , that´s why we advise you to always take some profits no matter the circumstance.

## PARTIAL PROFIT TAKING

Taking partial profits is simply the fact to close a portion of the profits of a trade already in profit and let the remaining part running to maximize profits without risk of losing everything when the price turns against us.

The way to do this is, once the determination of the objectives of profit taking is made , instead of completely closing the trade, we close only part of the trade (1/2, 1/3) and let the rest run. When we decide to quit the trade, we will certainly use the methods seen in the chapter above. So we can increase our consistency by taking partial profits while leaving partial trades running and maximizing profits.

We personally advise to set a first partial TP once the price reach the initial risk amount.

As we already know a trade may face many obstacles, so we recommend to put at least two areas of partial TP in this way once the price reaches this area, we are not closing not all the trade and we can maximize profits.

A very helpful hint before closing definitively a Trade in profit is to ask yourself whether the Trade still has potential to continue in our direction or not. We must

look at higher time frames and see who is dominating the battle in the long term through the identification of buy and sell zones , key areas , institutional numbers trendlines.

-Some people like to set the first take profit in a level in which they can get back the initial risk and then if the price continues , the rest is “bonus “

- We like to let the market define where to close a trade for example once the price reaches our take profit we analyze the market again to see if we still have potential or no.

I will share more in detail my trading plan later.

It is very important to build the habit of getting paid , we don't want to work for free here.

## CHAPTER 7 FUNDAMENTALS AND ITS EFFECTS ON THE FOREX

In this chapter we will talk about fundamental in a different approach (macroeconomic news). Fundamental news move the markets and we will teach you how to master them. Many mentors say to forget fundamentals that's absolutely wrong ! stay way from them

Although they seem complicated, news are responsible to move the market in a crazy way and they can hit our stop loss or in better cases make our profits skyrocket. People usually say to forget fundamentals and stick to technicals . If you don't understand the market sentiment you are dead

### MACRO ECONOMIC DATA

Each day, the markets see the publication of important macroeconomic statistics. For example, it may be the BOE (Bank of England), which publishes the rate inflation, unemployment, etc ... By other side it can be the Brexit news , the US announcing the number of jobs created per month (NFP), the index of consumer prices, manufacturing figures and interest rates etc ... We will explain everything in detail below. We think is very important to talk about it.

Indeed these fundamental news can affect a currency in a positive way by increasing its value in the eyes of investors / traders or negatively making lose it's value in the eyes of investors.

We want to point out that our system is based by 70% technicals and 30 % fundamentals

### THE IMPORTANCE OF FUNDAMENTALS IN FOREX

One thing that beginners in trading always do is often being unaware of the extent world of macroeconomic news that are published daily. This causes that financial markets breathe and constantly move which can be dangerous for those who do not know how to interpret them. The market sentiment changes

The nature of technical analysis makes the price direction in the medium and long term almost predictable (with some exceptions), so no matter the number of news published.

However, the problem with the fundamental do not affect the price in the long term but in the short term, especially in Intraday charts: one hour, 30 minutes, 15 minutes, etc ...

Fundamental news are an essential part of trading in forex. They help the markets move faster, creating huge liquidity in less time. They also create a lot of volatility, this can be combined with liquidity. The general consensus is and has always been that "markets will follow the economic numbers." That's why it is necessary to learn to interpret these data to improve our trading.

In Forex, fundamental in our charts illustrates the confrontation between an economy and another. For example, the charts will show us the EURUSD will show us EURO currency depending on the DOLLAR from the United States. It's very important to know how to interpret the important data for the following countries:

Macroeconomic data from the US dollar affect the USD Those of Britain affects the GBP, those of Australia affects AUD, Japan (JPY), Swiss (CHF), New Zealand (NZD).

Let's go to the heart of this chapter. From now on, we will analyze these macroeconomic data to understand the impact they will have on our pairs.

When a new economic news arrives, it is impossible to predict the reaction of prices in the short term. Usually, after a new fundamental published, volatility increases and makes the market move very aggressively. =MANIPULATION



The image shows the volatility produced on each red arrow caused by a major economic announcement. In fact the news has brought a large volume, resulting from very large candles. Do not confuse this type of candles with candlestick patterns as engulfing or Marubozu. Indeed this kind of result is due to volatility in the short term market. News and candlesticks produced by news are not confirmations to take a trade.

Our mission is not to guess the direction of the price after the news was announced.

Indeed we can not control that. Nevertheless we will focus on what we can control, that means , the technical aspects of trading risk management and how to interpret the news.

Indeed we want to say that many people in this industry tend to pretend to be the new financial prognosticators, AIRFOREXONE don't want to be that kind of mentors that teach you to expose your capital in high volatility moments. Instead, here we come to teach you how to protect your capital and trade smart.

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HOW TO BE INFORMED OF THE ECONOMIC NEWS THAT WILL IMPACT THE FOREX?

<https://www.forexfactory.com/calendar.php>

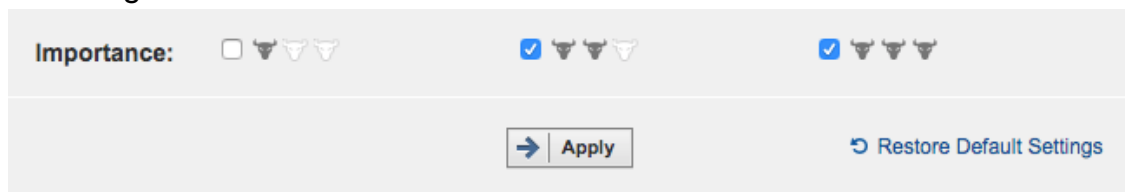
<https://www.investing.com/economic-calendar/>

The websites listed above have weekly schedules with all the news that are coming in the week and that affect not only forex but all financial markets.

There are also other websites such as CNBC , bloomberg , Market Watch , Forex factory and obviously important Tweets














However, all the news does not have the same impact, so it is advisable to filter the most important news as the picture below shows.

Investing.com



With this configuration, only the news that will really have a big impact on forex will be visible.

The image below is an economic calendar that we can find in investing.com that shows the most important news.

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
<b>Tuesday, July 23, 2019</b>						
16:00	 USD	▼▼▼	Existing Home Sales (Jun)		5.35M	5.34M
<b>Wednesday, July 24, 2019</b>						
09:30	 EUR	▼▼▼	German Manufacturing PMI (Jul) <small>P</small>		45.1	45.0
16:00	 USD	▼▼▼	New Home Sales (Jun)		659K	626K
16:30	 USD	▼▼▼	Crude Oil Inventories			-3.116M
<b>Thursday, July 25, 2019</b>						
10:00	 EUR	▼▼▼	German Ifo Business Climate Index		97.1	97.4
13:45	 EUR	▼▼▼	Deposit Facility Rate		-0.40%	-0.40%
13:45	 EUR	▼▼▼	ECB Marginal Lending Facility		0.25%	0.25%
13:45	 EUR	▼▼▼	ECB Monetary Policy Statement <small>📄</small>			
13:45	 EUR	▼▼▼	ECB Interest Rate Decision (Jul)		0.00%	0.00%
14:30	 USD	▼▼▼	Core Durable Goods Orders (MoM) (Jun)		0.2%	0.4%
14:30	 EUR	▼▼▼	ECB Press Conference <small>🗣️</small>			
<b>Friday, July 26, 2019</b>						
12:30	 RUB	▼▼▼	Interest Rate Decision (Jul)		7.50%	7.50%
14:30	 USD	▼▼▼	GDP (QoQ) (Q2)		1.8%	3.1%

As we can see, on the right, we have a column "previous = last results" and in the center "forecast" and left "Actual, the expected result."

### How to interpret this?

When news happens, the current column is updated to a figure equal, lower or higher than the forecast column.

Simply if the result comes with the green color, it has a very positive impact on the currency in the game, while if the result are red color the impact is negative.

## MACROECONOMIC APPROACH TO UNDERSTAND THE MARKET

### INTEREST RATES:

Among the many existing news, there are some more important news that could increase volatility and strongly impact a currency.

A Government modify interest rates if he wants to increase or decrease the currency value

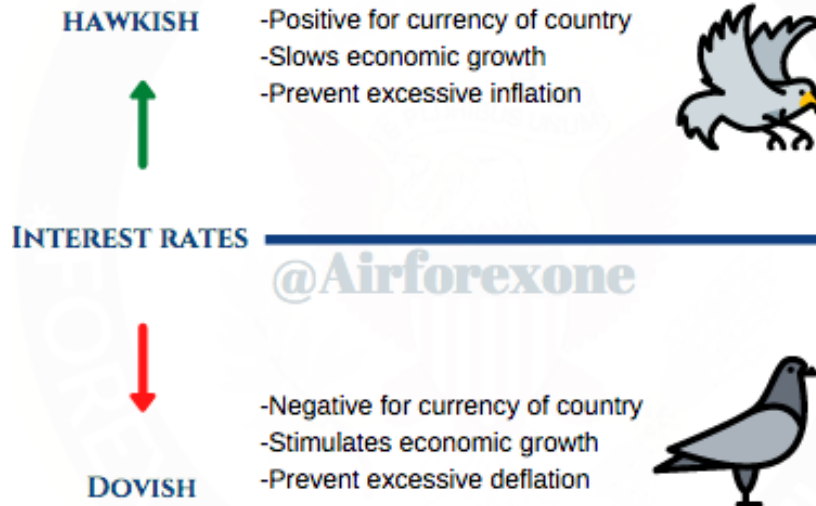
**High interest rates:** Higher interest rates mean that the currency appreciates in value due to increased investment in higher interest rate climate. However, a stronger currency has its own problems, it will make exports more expensive, and higher interest rates also make the cost more expensive loans. Furthermore if a country provides for an increase in interest rates that can greatly increase the value of the currency. In this case a country has an Hawkish monetary policy.

A country keep high interest rate in order to slow economic growth and prevent excessive inflation. So next time you see strong inflation don't be surprised if interest rates are high and they are about to cut it.

**Low interest rates:** When a currency cut its interest rates, the currency is devalued. In fact that happens because a country is having a bad moment. There is less investment, due to the lower rate of return. The low interest rates stimulate the flow of money, which is the backbone of forex. They adopt a “dovish” monetary policy in order to stimulate the economic growth and fight against that “bad economics moment”

A country keep low interest rates in order to stimulate economics growth and prevent excessive deflation. So next time you see low inflation or strong deflation. Don't be surprised if they reduce interest rates to stimulate the economy.

# MONETARY POLICY



## Manufacturing data :

This is an indicator for industrialized countries. It can have a bullish reaction if the published results are higher than expected, and bearish if the published results are below expectations. USD and GBP pairs are very very sensitive to PMI manufacturing data

## Employment data:

The published results higher than expected will be considered bullish for this concerted currency. Since job creation is directly related to the economic growth of a country. Low unemployment data is good for the country

The published results with lower expectations will be considered bearish for a currency, since job creation is low.= High unemployment data is very very bad for a country

## Inflation and consumer confidence:

- Higher inflation is a greater consumer confidence. This is a positive economic signal, so it brings a positive effect on a currency. Exesive Inflation can lead to a further hawkish monetary policy

-A lower inflation and lower consumer confidence brings bearish momentum for the currency. In that case that can lead to a further dovish policy in order to stimulation inflation.

### **GDP (gross domestic product):**

Considered a popular indicator: A higher GDP favors a bullish price for the currency. The higher the GDP, stronger will be the currency.

### **FOMC Meeting:**

These are meetings where the Fed communicates if they plan to change interest rates. Then he published a statement explaining the decision. Meanwhile, during the meeting the volatility tends skyrocketing and it is better to wait for the announcement and interpret the results of the meeting as positive or negative.

### **Non Farm Payroll:**

Non-agricultural jobs in the United States, announced on the first Friday of each month. This news is probably the one that has the most impact on financial markets and with which we will be more cautious.

### **What exactly is NFP?**

It's just a sign inform made by the statistical office of employment in the US. This statistics reproduce the total number of paid workers in the United States of all businesses, excluding:

- Employees government.
- Domestic private -employees.
- Employees form non-profit organizations that provide assistance to individuals.

This monthly report also includes estimates of the average workweek and weekly incomes of all employees excluding agriculture sector. Indeed the total study sample represents about 80% of workers who contribute to US GDP! This statistic is published every first Friday of each month. The statistical assistance to government and policy makers to determine the economic health assessment and forecast future decisions.

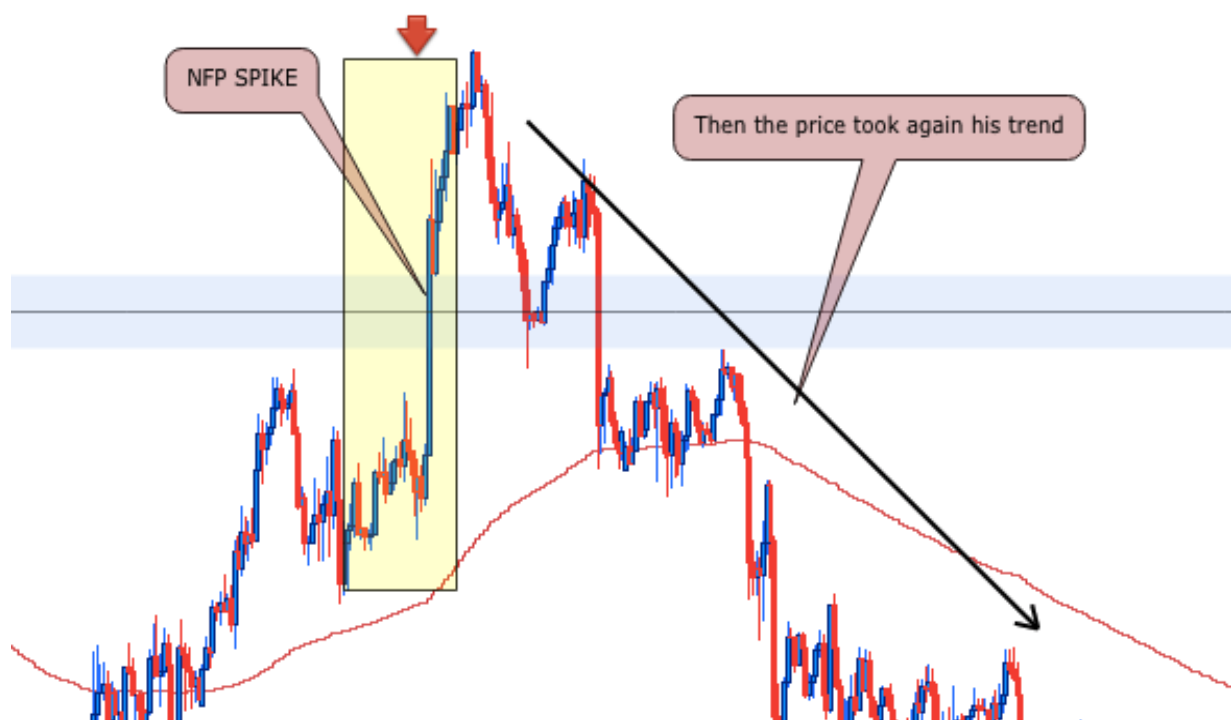
NFP generates a lot of volatility in the market and sometimes become a market carnage immediately after the publication of the data, there will be a large price movement on all USD pairs. It is recommended to not to trade the NFP day and wait until next week to see a less random movement in the market.

If the statistics show positive figures, the dollar appreciates in value. Normally this should raise all currencies starting with USD / XXX and bring down all the XXX / USD including gold (XAU / USD).

If the statistics show red numbers, they are seen as negative for the dollar. Normally this should bring down all currency USD / ... and raise all currencies ... / USD including gold (XAU / USD).

You will understand more of this in the chapter of correlation.

Although it is sometimes said the price tends to ignore that. This is why it is often advised to avoid the first Friday of each month.



Now that we have seen the most relevant news, there are many minor news such as:

- **Durable Goods Orders** (Request for durable goods)
- **Housing Starts Building Permits**, (Authorizations of new housing and permission to build)
- **Industrial Production-Capacity Using** (Industrial production and industrial capacity in use.)
- **Initial Jobless Claims** (Weekly News petitions unemployment insurance)
- **ISM Non Manufacturing Index** (Non-Manufacturing Index)

- **New Home Sales** (Sales of new homes.)
- **Trump tweets**

To find out what impact the news will have on the currency, what has to be done is to check the economic calendar and compare the projected values with the results out to an interpretation of how it could affect the result of the currency.

Here is the example of the interpretation of the new USD New home sales.


Latest Release	Actual	Forecast	Previous
Jun 21, 2019	<b>5.34M</b>	5.29M	<b>5.21M</b> ●

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Existing Home Sales measures the change in the annualized number of existing residential buildings that were sold during the previous month. This report helps to gauge the strength of the U.S. housing market and is a key indicator of overall economic strength.

A higher than expected reading should be taken as positive/bullish for the USD, while a lower than expected reading should be taken as negative/bearish for the USD.

Importance: ▼▼▼

Country: 

Currency: USD

Source: [National Association of Realto...](#)

As a personal recommendation, every morning or before the beginning of the week, we recommend to open the economic calendar to see if the day you want to trade, there will be new high volatility. If you can not find 3 bulls, you are looking to trade in a quiet day. If instead they are present, be careful because it is possible that the price makes a sudden movement in any direction.

In this way, before taking a position make sure there are no news related to this pair, so there will be no surprises for you. When you see news that arrive while you have an open trade, you can close or wait to see how the price act.

## HOW TO PROPERLY UNDERSTAND THE MARKET SENTIMENT ? RISK OFF/ RISK ON

When we trade forex we don't only have to check the pairs we also need to see the other values. To be honest it's better to understand this concept because market has two types of sentiments

		RISK OFF	RISK ON
<b>Equities</b>	Stocks	Down	UP
	Indicies	Down	UP
<b>Commodities</b>	OIL, cooper	Down	UP
	GOLD, SILVER	UP	DOWN
<b>currencies</b>	commodities currencies: AUD/NZD/CAD	UP	DOWN
	safe haven currencies: CHF/JPY/USD	UP	DOWN
	OTHERS: EUR/ GBP	DOWN	UP
<b>Bonds</b>	Gov	UP	DOWN
	Corporate	DOWN	UP
<b>credit spread volatility</b>	GOV VS CORPORATE	Widering	Narrowing
<b>Volatility</b>	VIX/OVX/GVZ/TYVIX	UP	DOWN

**When a market has a risk off sentiment :** Stocks are to the downside , Oil and Cooper to the downside , Gold to the upside because is a safe haven value, Commodities currencies like aud nzd and cad are to the upside , Safe haven currencies like CHF and JPY and even USD are to the upside... Volatility index to the upside. , EUR and GBP to the downside

Normally that happens when we have crisis for example with the coronavirus during the lockdown period market was with a risk off sentiment.

And right now (march 2022) with this conflict between Russia and Ukraine we have a massive upside momentum in gold , dollar , nzd , aud , and jpy We also have a downside momentum in GBP , stocks indices and also EUR. (risk off sentiment)

For example There is no sense in trying to be short in AUD or nzd during that kind of periods ,

**When a market has a risk On sentiment :** Stocks are to the upside ( optimistic perspective) , Oil and Cooper to the upside , Gold to the downside because investor don't need to protect themselves, Commodities currencies like aud nzd and cad are to the upside , Safe haven currencies like CHF and JPY and even USD are to the downside... Volatility index to the downside.

Normally that happens when we have an optimistic perspective about the financial markets.

Of course this might vary in some aspects depending on the context and degree of aggressiveness but it is in a certain way a general rule .

What we advise to you is to see the news and try to determine in what kind of sentiment we are and in that way start finding opportunities to trade.

### **Conclusion:**

The News are a key point in forex, it is very important to know that trading during the news market carries a higher risk, it will always be advisable to avoid days charged of news because volatility tends to increase and you never know how the market will react. However, despite increased volatility, with good risk management, we can interpret the news and use them.

It is therefore essential that before opening a trade, you check if there is no news coming, otherwise you may see many surprises. You just have to understand what the world is doing and trade accordingly .

## CHAPTER 8 CORRELATION IN FOREX

In this chapter we are going to teach you a topic not much discussed in trading and yet one of the most important, the correlations between instruments. In addition to all that we have learned to avoid traps and take trades if we add the fact to never trade currencies correlated together, your chances are going to increase. We will teach you how to use correlations in the correct way. Indeed beginners tend to unintentionally double their risk by ignoring correlation. In this way when they take trades with the same currencies or both correlated. If one fails, the other correlation pair has also chances to fail.

Nevertheless know how to use intelligently correlation can contribute to our chances of winning. Financial markets are just money transactions from one value to another.

### WHAT IS CORRELATION?

In the financial world, the correlation is a statistical measure that shows how two instruments are moved each other using a mathematical relationship.

The financial markets are a volatile market and most of the time, currency pairs, crypto, commodities, equities or indices are affected by fundamental and economic factors that make them move in the same direction, opposite or random, for a certain time.

The correlation action is quite visible on the charts of financial instruments that we will mention later. Considering the correlation, you can improve your trades and maintain good risk management, and improve the technical analysis to avoid critical mistakes that beginners do.

Please take notes because more than half of traders have no idea of how correlation works.

### HOW TO UNDERSTAND RELATIONSHIPS?

The amplitude coefficient of the correlation is between -1 and +1.

#### **Positive correlation (between 0.01 to 1 or from 1% to 100%):**

A currency pair is positively correlated with other if their values move in the same direction and at the same time. (One rises, the other also rises.)

#### **Example:**

Gold and silver (XAUUSD and XAGUSD) are both positive correlated. They generally move in the same direction. As we can see on the following chart.

Gold Spot / U.S. Dollar · 1D · IDC ~ o1417.85 H1429.52 L1416.52 C1424.00 +6.15 (+0.43%)



### Negative correlation (between -100% to -0.1% or from -1 to -0.01)

A currency pair is negatively correlated with another if their values if they are moving in the opposite direction at the same time (One goes to the upside - The other to the downside). In other words, they take distances between themselves.

#### Example:

DXY (dollar index) and EURUSD

U.S. Dollar Currency Index · 1D · TVC ~ o97.72 H97.81 L97.55 C97.74 +0.04 (+0.04%)



## No correlation (0):

The movement between two currencies is considered to have no correlation when their movement is completely random and independent with each other.

---

## HOW MEASURE THE STRENGTH CORRELATION ?

It is clear that the strength or the correlation percentage varies. Macroeconomic factors have an impact on the strength or the correlation percentage, which causes high and low correlation moments. The sentiment and global economic factors are very dynamic and can even change daily.

A strong correlation today between two currencies may not be consistent with the long-term correlation between two currency pairs. This is why it is also very important to take a look at the long-term correlation.

This gives a clearer perspective on the average correlation percentage as six months between the two currency pairs, which tends to be more accurate. Correlations can change for various reasons, the most common impact can be divergent monetary policies, the sensitivity of a certain currency pair price of commodities, as well as economic and geopolitical factors.

How about when the correlation is strong and when it is weak?

The link provided below gives you access to larger instruments that you will improve your trading as well as being able to understand it.

<https://www.myfxbook.com/es/forex-market/correlation>

Before taking a trade you can also look on google : (THE PAIR) +correlation .For example eurUSD correlation and you can check the strongest negative and positive correlations to see if technically the trade can work or not. We will talk more about just below.

---

## HOW TO UNDERSTAND MAJOR PAIRS CORRELATION

---

### NEGATIVELY CORRELATED (ONE GOES UP - OTHER GOES DOWN)

- EURNZD and NZDCHF
- EURAUD and AUDCHF
- DXY (DOLLAR INDEX) and EURUSD

- EURCAD and CADCHF
- DXY and GOLD
- USDJPY and GOLD

---

## POSITIVELY CORRELATED (ONE UP – THE OTHER TOO)

- XAUUSD and XAGUSD
- AUDUSD and AUDCHF
- AUDJPY and NZDJPY
- AUDUSD and NZDUSD

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## HOW TO STRATEGICALLY USE THE CORRELATION TO ANTICIPATE MOVEMENTS AND TAKE TRADES?

### YOU CAN GET AHEAD OF THE SLOW MOVEMENTS OF THE PRICE ACTION

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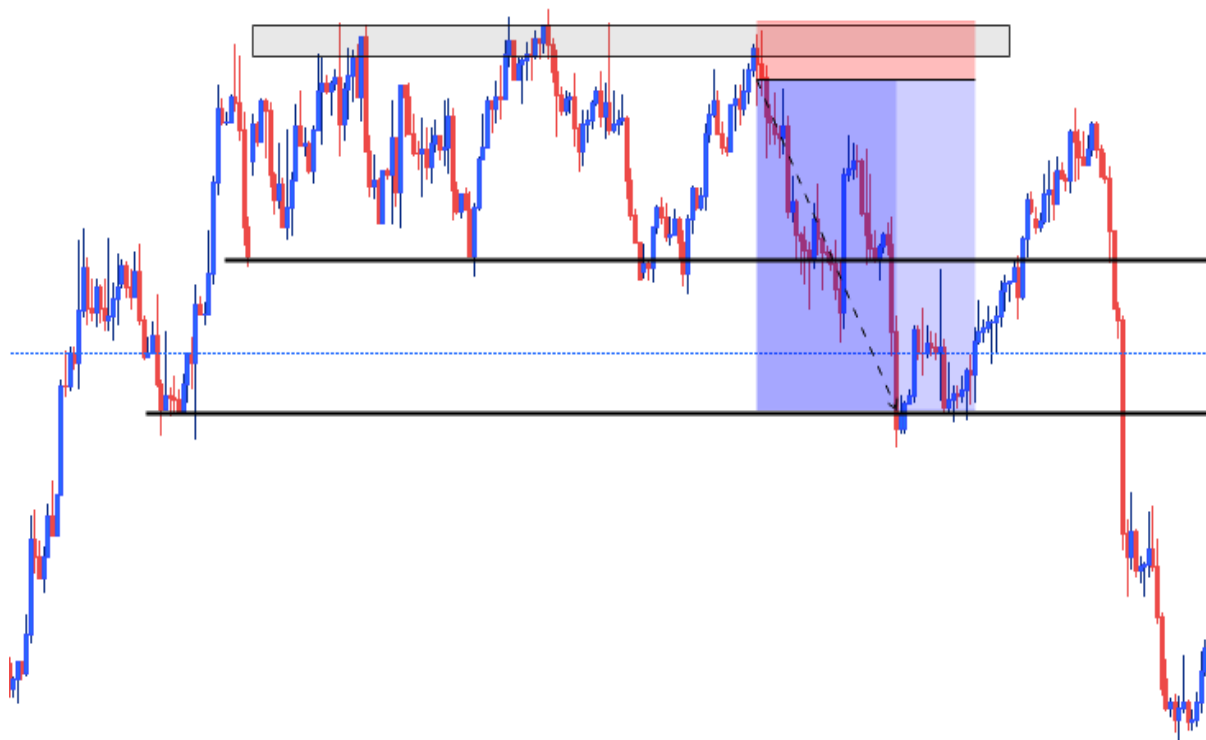
The currency correlation can help to anticipate movements thanks to the slowness movement of the price of a pair to another pair correlated.

Sometimes a correlated pairs (positive or negative) may be late or delayed in the reaction. This action can give to experimented traders the advantage to enter a trade with a tight stop loss to position itself in a trade with a Momentum that has already been done.

See a recent example: EURUSD and USDNOK (negatively correlated).

### **USDNOK (H4)**

U.S. Dollar/Norwegian Krone · 240 · FXCM ▾ 08.63279 H8.64840 L8.63187 C8.64770 +0.01491 (+0.17%)



**EURUSD (H4):the same date and at the same time.**

Euro / U.S. Dollar · 240 · FXCM ▾ 01.13341 H1.13409 L1.13120 C1.13199 -0.00142 (-0.13%)



In the EURUSD and USDNOK charts From above, prices are connected to an impulsive wave forming a corrective structure. However, the EURUSD was moving at a faster speed than USDNOK, giving it a strong momentum, while USDNOK was still barely in the resistance. EURUSD is said to be the leader and EURNOK considered the driven pair.

Knowing that USDNOK EURUSD reacts negatively correlated, it gave us this example, to open a premature position with small stop loss. This helped to limit the size of a stop loss and increase the risk / reward ratio.

In other words we know that one goes up and the other goes down , if the leader starts having a momentum ,the driven pair will also potentially have a momentum but to the other side

Correlations can also help us to filter bad scenarios and choose quality trades.

## 1. HELP TO CONFIRM SCENARIOS

Correlation analysis can help to confirm a technical analysis by having the decision to select and operate a pair or with a clear price action and strongly correlated. This can increase the confidence in the analysis and the chances of success.

The example of what we want to express is this NZDCHF and EURNZD, negatively correlated pairs:

### NZDCHF DAILY TIME FRAME



## EURNZD DAILY CHART



As you can see from the graphic above, NZDCHF approaches a resistance while EURNZD is close to a support level. NZDCHF showed price action with a IBear candlestick signal in the resistance level. On the other side EURNZD printed a bullish rejection candle at the support followed by another bull candlestick.

The current situation helps us make a better decision when seeing a bullish scenario on EURNZD pair with even more confirmation to take a sell in NZDCHF pair which print a bearish signal. This analysis produces a high probability of success when we open a short position on the NZDCHF pair.

See what happened a few days later in NZDCHF.



## PRO TIPS ABOUT CORRELATION IN THE MANAGEMENT OF OUR RISK

### DO NOT TRADE TWO PAIRS CORRELATED SIMULTANEOUSLY:

For example, if you enter a SELL position on NZDCHF and buy on EURNZD at the same time, your risk is doubled. It's Not because they are negative correlated that you can take two trades in opposite directions. If one stop loss is hit you risk having the other trade stop loss hit at the same time. In other words, if only one of the trades does not work because of any external factor like economic announcements on one currency. Obviously it might be rewarding if the price moves in the chosen direction, but it can cause more damage to our trading account that what we think. The correlation can be fast and slow. To remember the previous chapter a pair can confirm a scenario on the other.

To give another example, the same thing happens on AUDJPY and NZDJPY. A beginner may think that he will diversify his risk by trading on different and positively correlated pairs, but many pairs tend to move in the same direction. So instead of reducing the risk, it increases the risk!

Without knowing this , we can actually be exposed to two times the risk by trading two correlated pairs.

The best way to handle this situation is to divide all possible risks and use half the initial risk in each pair; This way, if a trade does not work we can count in the other even if it remains being dangerous.

To give an example: I risk 1% risk per trade and I want to trade on AUDJPY and NZDJPY simultaneously ( at the same time). The better instead of risking 1% on AUDJPY and 1% on NZDJPY, Better risk 0.5% on AUDJPY and 0.5 % in NZDJPY like that, the sum of the exposure of two it's just 1% . Of course We insists to simply trade a single pair.

### AVOID POSITIONS THAT ARE CANCELED BY CORRELATION (VERY IMPORTANT)

If you see that two currency pairs are negatively correlated or move in opposite directions almost all the time, you should at least make sure to trade in opposite directions.

Trading positions buying or selling in the same direction on correlated pairs can limit potential gains.

For example: If EURUSD and USD INDEX "DXY" are sold at the same time, there is a high probability that the market stop you from one of the positions. To avoid this, always go for a single trade. Of course in risky exceptions we have to make sure to trade negative correlated pairs in opposite directions . The examples below are classic mistakes that mentors never teach and that are very important to know.

EURUSD H1: buying position



**DXY H1**, the same day and the same hour that the chart from above. Position taken by a novice: Buy (= same direction than eurUSD).



In the charts from above, EURUSD and DXY were bought together at the same time. This caused a loss in DXY because the two pairs are negatively correlated and they will move in opposite directions.

## HOW TO UNDERSTAND CORRELATION BETWEEN CROSSED PAIRS

In Forex there are major pairs such as EURUSD, USDJPY, AUDUSD, NZDUSD etc ... but there are also famous crossed pairs such as , AUDJPY, GBPJPY, EURGBP etc ...

The mistake that many novices make is to simply consider crossed pairs as if they were independent of any other impact of the correlation, but the market does not work like that. The impact of major pairs can be reflected in crossed pairs either by pushing up the pair or pushing them down.

The image below shows exactly how the major currencies may affect the crossed-currency's. Note that the percentage or the correlation strength is variable as we have already explained before

For example, if you find a buy on EURUSD and USDJPY scenario, it is very likely that the EURJPY also increase, the opposite way, if EURUSD and USDJPY show weakness, you may have a weakness on EURJPY.

if EUR-USD ↑ and USD-JPY ↑ then EUR-JPY ↑↑	if EUR-USD ↓ and USD-JPY ↓ then EUR-JPY ↓↓
if GBP-USD ↑ and USD-JPY ↑ then GBP-JPY ↑↑	if GBP-USD ↓ and USD-JPY ↓ then GBP-JPY ↓↓
if AUD-USD ↑ and USD-JPY ↑ then AUD-JPY ↑↑	if AUD-USD ↓ and USD-JPY ↓ then AUD-JPY ↓↓
if NZD-USD ↑ and USD-JPY ↑ then NZD-JPY ↑↑	if NZD-USD ↓ and USD-JPY ↓ then NZD-JPY ↓↓
if GBP-USD ↑ and USD-CHF ↑ then GBP-CHF ↑↑	if GBP-USD ↓ and USD-CHF ↓ then GBP-CHF ↓↓
if EUR-USD ↑ and USD-CHF ↑ then EUR-CHF ↑↑	if EUR-USD ↓ and USD-CHF ↓ then EUR-CHF ↓↓
if AUD-USD ↑ and USD-CAD ↑ then AUD-CAD ↑↑	if AUD-USD ↓ and USD-CAD ↓ then AUD-CAD ↓↓
if EUR-USD ↑ and USD-CAD ↑ then EUR-CAD ↑↑	if EUR-USD ↓ and USD-CAD ↓ then EUR-CAD ↓↓
if EUR-USD ↑ and AUD-USD ↓ then EUR-AUD ↑↑	if EUR-USD ↓ and AUD-USD ↑ then EUR-AUD ↓↓
if AUD-USD ↑ and NZD-USD ↓ then AUD-NZD ↑↑	if AUD-USD ↓ and NZD-USD ↑ then AUD-NZD ↓↓
if EUR-USD ↑ and GBP-USD ↓ then EUR-GBP ↑↑	if EUR-USD ↓ and GBP-USD ↑ then EUR-GBP ↓↓
if USD-CHF ↓ and USD-JPY ↑ then CHF-JPY ↑↑	if USD-CHF ↑ and USD-JPY ↓ then CHF-JPY ↓↓

**Legend:**

- ↑ Pair is strengthening.
- ↑↑ Pair is moving up strongly.
- ↓ Pair is weakening.
- ↓↓ Pair is moving down strongly.

You need to understand that Crossed pairs are composed by major pair rates :

For example  $AUDJPY(PRICE) = AUDUSD(PRICE) \times USDJPY(PRICE)$

This example is a real time example right now

AUDUSD= 0.65590

USDJPY=107.848

AUDJPY(70.744)= BECAUSE = AUDUSD (0.65590) X USDJPY (107.858)

WHAT HAPPEN IF IN AUDJPY = AUDUSD AND USDJPY DROP at the same time ? ell let us show the image bellow

None of those instagram gurus are going to teach that... please if you trade crossed pairs understand their composition and behaviour according to the major pairs composition.



## HOW TO USE USE CURRENCY'S INDEX TO TAKE TRADES?

Let's go back to basics. Each financial instrument in the forex market is composed of currencies, and each currency is unique.

It is very important to consider each of them independently. When we talk about taking into account each pair independently of the other, we mean analyzing the index chart and understand their fundamental that can impact the currency in long-term view. It's important to know if one currency is going to increase in value or not.

To do this, we'll see each currency indices and understand how to anticipate movements.

With the abbreviations below, in Tradingview.com you can find the chart for future technical analysis for each currency.

1. US dollar DXY
2. Japanese yen JXY
3. Canadian Dollar CXY
4. Australian Dollar AXY
5. Euro EXY
6. Dollar New Zealand NZX
7. Swiss Franc SXY

Now probably are asking you, how this can help me to trade?.

This is a kind of correlation impact , but to answer this question in more detail , before trading , it is necessary to know the long-term vision of any currency. In this case, we will analyze each of these long-term currency.

### FOR EXAMPLE, CONSIDER AN EXAMPLE WITH THE DXY (US DOLLAR)

The purpose of this example is for you to understand how it is possible to use the correlation index to succeed in Forex. In this case, the first thing we will do is to analyze the dollar index.

**If the dollar ( DXY) decrease BECAUSE A - FACTOR FOR USD, it occurs the next**

1. All pairs USD / ... will go down
2. All pairs ... / USD will go up

And otherwise,

**If the dollar increase BECAUSE OF A + FACTOR FOR USD, it happens the next:**

1. All currencies with USD / ... will go up
2. All currencies with ... / USD will go down

The image below shows EURUSD showing on the same date a confrontation in a Strong demand level

As we already know, technically the dollar could go down because it was against a huge supply level.and eurUSD was in a very strong demand level

Price action In eurUSD was telling us a potential buy trade to take in eurUSD.



See how eurUSD respects perfectly the setup:.

I hope this example was clear for you.

If you apply this concept to the indices of each currency, you will be more likely to find probable scenarios.

Do not make the mistake of ignoring correlations.

## FINAL NOTE

The strength or the percentage of currency correlation often changes especially in the time frames (intraday). On the other hand, correlations between currencies in pairs can be strong or weak for days, weeks, months or years and may eventually change when you least expect it. In other words Strong currency correlations that you see this month may be totally different the next month. Due to constant changes in the foreign exchange market, it is very important to always ensure that you are aware of current currency correlations and not make mistakes novice mentioned above.

For an automatic update of the correlations, we invite you to analyze what you have learned in the following website:

<https://www.myfxbook.com/es/forex-market/correlation>

## CHAPTER 9 MARKET MANIPULATION

Take note of this chapter because what we will teach you here is something that few people teach you . There are courses that charge a fortune for what we will teach you. We have already learned,our goal is to share our experience gained over time and make you save money. This is not about any Smart money concepts or all those retail marketing sales speeches , this is proper trade

As everyone knows, the market is not a place of peace, in fact the financial market is a battlefield between buyers and sellers. Supply and demand

This means that the market does not move randomly, in fact, the big fish are responsible for the movement of the market this what we call market makers. They aim is to make move the market to their taste in order to make money so we do suffer losses.c

Market makers use unimaginable sums that move the market with a single click. They are not in the market to lose money or earn small sums of money. This way, they will be ready to move the market much as they want to protect their capital and at the same time make big money by subtracting the liquidity provided by retail traders, including us.

With that being said, we are an easy target and it is essential to know how they act. There are many ways to manipulate the market and not only with a fake out. We'll show you how you can recognize and prevent many types of manipulations.

When a trader ignores the Principles of market manipulation, it will fall easily on the programmed traps from makers markets and in this case, this trader will suffer painful losses. Our goal is to avoid manipulations and be winner. But of course no one really knows how can the market move in the future.

---

### HOW TO UNDERSTAND MARKET MANIPULATION?

Market manipulation is an intentional trap made by market makers, in order to guide the market price for them to make money.

Competition and money are at the heart of market manipulation. Unfortunately, there is even a general consensus that says that Wall Street brokers are willing to do anything to make a profit, even if it hurts other investors and traders.

Market manipulation is illegal in most countries; the United States is prohibited by the Securities and Exchange Act. 1934. However, there will always be present in one way or another.

Market manipulation comes in many shapes and sizes. Let's analyze.

---

## WHAT DIFFERENT TYPES OF MARKET MANIPULATION CAN WE RECOGNIZE ?

**Churning:** It is the attempt of a broker to increase the activity of a client account to increase commissions earned. Brokers motivate traders to trade more in any way whereas buying or selling, because when a Trade is open, they have already won the commission and if you open more trades more commissions they will win. That's why they push traders to do scalping in m1 m5 etc...

**Ramping:** Creating activities or rumors to make increase or decrease the price of the value of any assets improperly.

**Trading wash:** Generate activity to increase the share price by buying and selling assets. This eliminates both buyers and sellers in the market

**Bear raiding:** The attempt of the markets makers to sell an asset in very short term to lead the price at a very low price, allowing it to be bought at this price and in this way taking advantage of the difference made by the manipulation.

**Insider trading:** This is perhaps the most famous manipulation type in the stock market. He refers to when someone has access to internal and confidential information about a company before publication to make an early profit. This type of manipulation is more related to the stocks.

Market manipulation is part of the game, we have to learn to play well.

As individuals investors, we can not control or change the way the big play the game. Understand that manipulation can be for or against us, depending on the position that we take is important.

The best way to protect yourself and reduce losses due to manipulation is to understand and not to think like a novice trader but to think like a market maker.

## HOW TO IDENTIFY ZONES WHERE WE WILL POTENTIALLY HAVE MANIPULATION

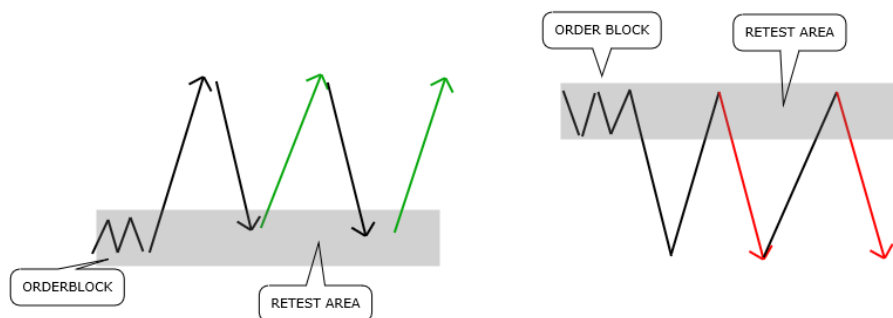
Before explaining all about manipulation we want to make sure you understand the concept of supply and demand.

When you see consolidations= accumulation of orders

When you see a lot of wicks – rejection = liquidity zones

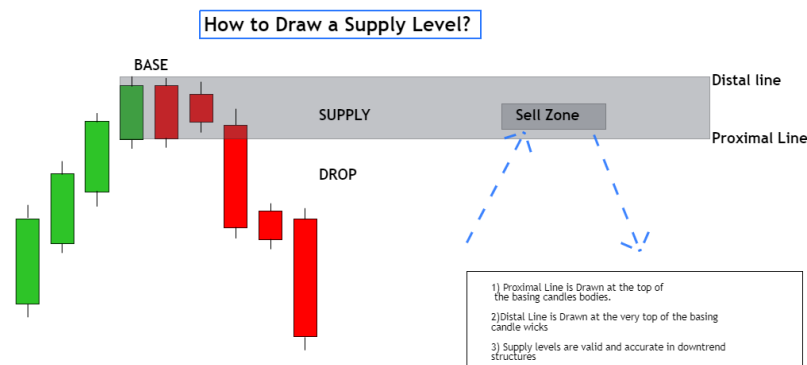
## HOW IDENTIFY A SUPPLY AND DEMAND LEVEL ?

First of all there are 2 aspects in that kind of zones the first one is the origin , it's what we call ORDER BLOCK(it's the first move) then we have the second part = retest of te zone = activation of pending orders = market makers push the price away



In order to draw a demand area you need to identify the orderblock, most of the time we can easily identify it by identifying the opposite color of the candle in this case for demand areas ( bullish scenario )= red candle here's how

Here's more explanation





## How to Draw it ?

You just need to start with current price on the chart . Then look left and down until you find the origin of a very strong drop in price. Understand that behind every drop and strong movement someone is behind leaving a footprint.

Identify the base and mark it from the messy top of the base to the extreme bottom.

## When to Know when we have a valid demand Level?

Rules:

When you have a very strong bearish monthly structure , supply levels tend to be accurate a stronger. In downtrend they are valid but less accurate. By other side we like to trade the first retest. The more a zone is being tested the less accurate it becomes.

## When to execute a trade in a valid demand area?

It is possible that price retest the zone. If that happens , from my experience you need to combine multiple factors. One of the most important is the fundamental.

when you have a strong fundamental trend confirmed , then a pullback into a supply level in a strong downtrend structure is valid. By other side when you have valid micro signals in a valid macro sell zone then, probably price will be using the supply level to continue to the downside

### When a Supply level is invalidated?

! The purpose of Supply levels are to push the price to the downside. in that way a supply level is invalidated when price cross beyond the base . By other side if price consolidate a lot in a strong supply level and slowly start to break the zone keep in mind that the price can slide up and totally invalidate and wipe out the supply zone . make sure to only trade the first retest of the zone. Never trade MULTIPLE retests

! Watch out for the big time frames trend

The same is applied for demand zones , We don't have to write it but try to understand the theory.



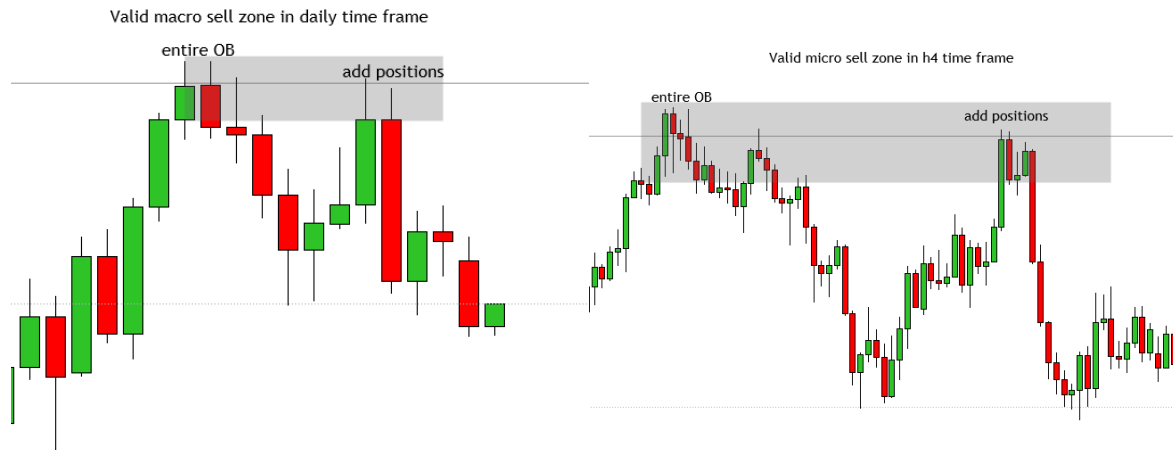
In order to draw a supply level you need to identify the OB, for that try to spot the opposite color of the candle in this case : green remember those that are in weekly monthly and daily and h4 have a lot more influence in those intraday ones



Your goal as a trader is to take the trades the same way market makers do.

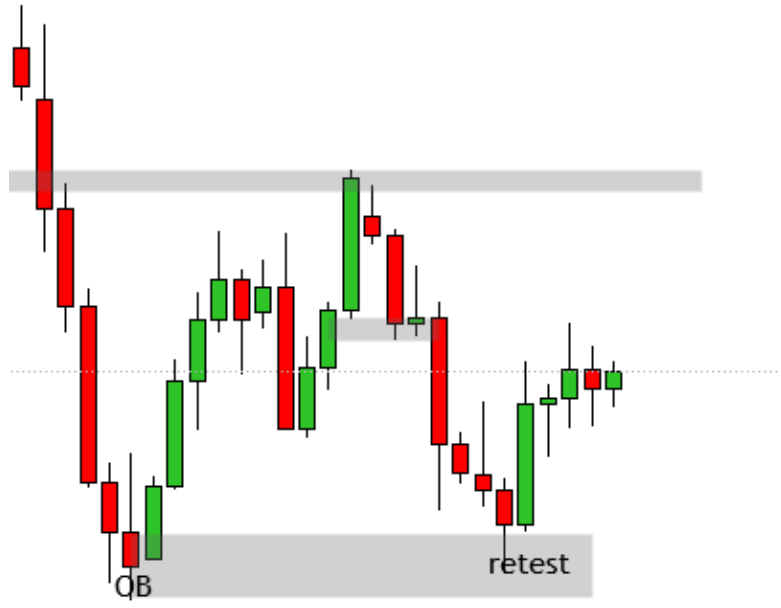


The example from below is the Same pair but in different time frames



SUPPLY AND DEMAND levels , are representing the market psychology= price moves from underpriced to overpriced again and again. You will be able to spot these areas in every single time frame daily -h4 h1 m30.

The following example is the same pair but in two different time frames , first we have the macro and then the micro , nothing changes the demand level remains the same.

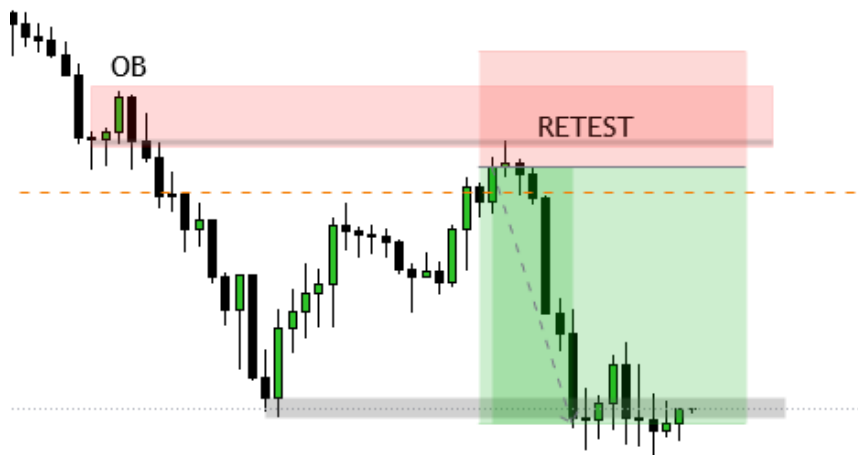
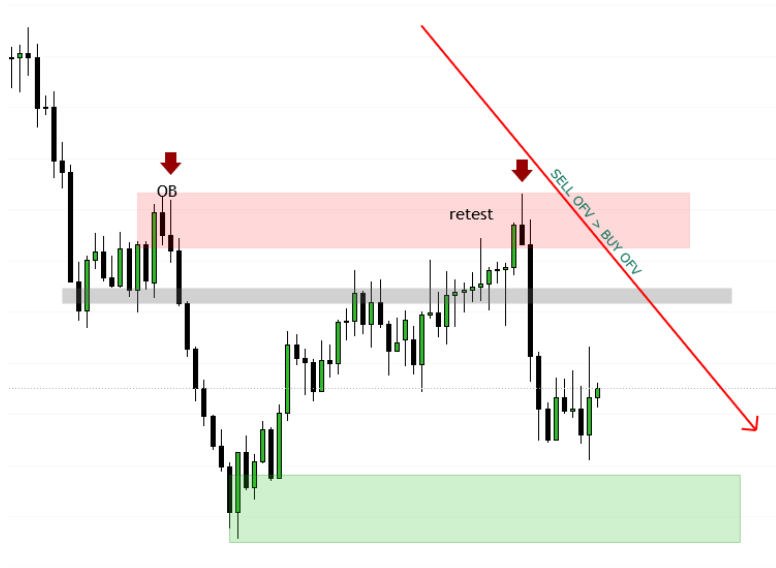


Valid macro buy zone daily time frame



Valid micro buy zone h4 time frame

You can literally find great opportunities by just trading supply and demand with confluence like us .We advise you to open your charts and try to spot those orderblocks in h4 h1 time frame. Here's more examples of supply and demand levels.



**SUPPLY AND DEMAN EDGE:**

Now you know how to draw and trade supply and demand zone, let's add an advanced point on it:



We have now our edge where we want to open buy or sell trade. Then measure mid-level of the zone by placing the Fibonacci tool from one of extreme of the zone to another and it give this:



For a supply zone: the upper edge is the best place to open sell trade

For the demand zone: the lower edge is the best price to open buy trade

Now if price let's see how to open trade: This method, we open trade after a candlestick confirmation closed (doji, engulfing, pin bar).



This is when price does not stay long in the zone and that is the best type of zone, the strongest, when price is quickly rejected and move away from the edge.

Now let see if price stay in the zone longer:



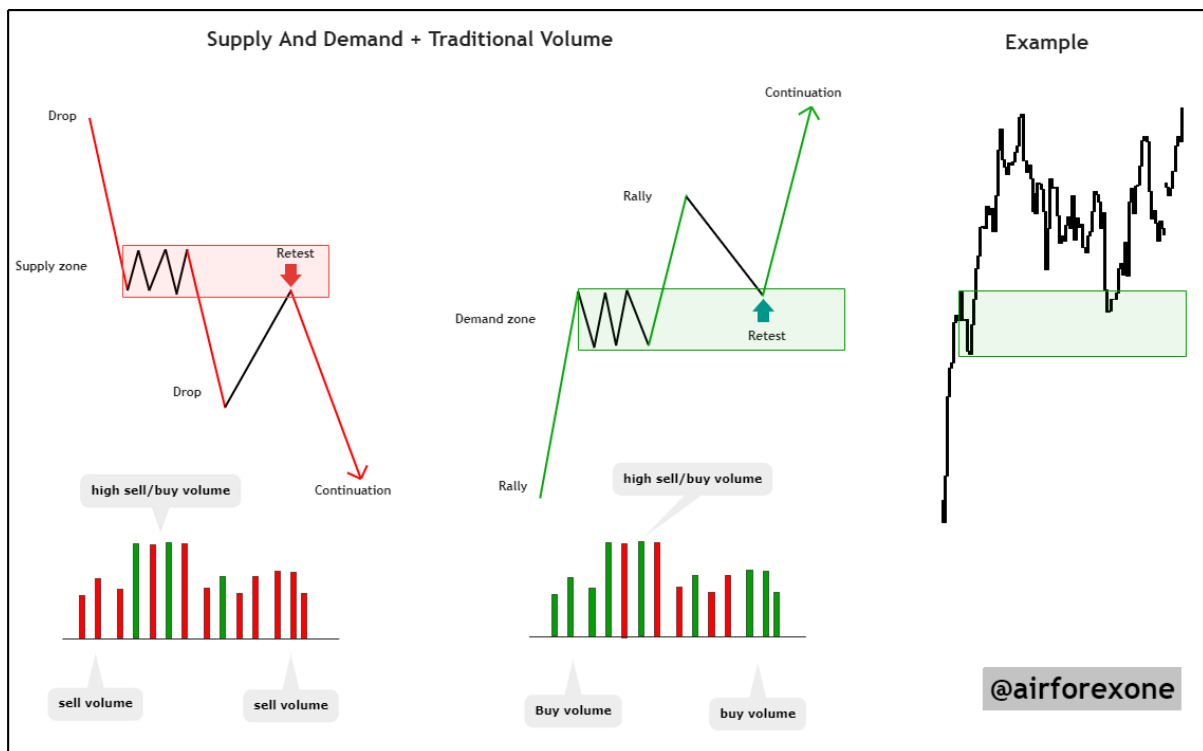
This give a nice 1 to 3 risk reward ratio which is what we are looking for the best.  
1 to 2 risk reward ratio trade is also great to take.



## HOW TO PROPERLY USE VOLUME PROFILE TO TRADE?

### TRADITIONAL VOLUME:

Historically, and this is especially true in traditional equity markets, volume is often the most important indicator out there. Some people argue that volume is not overly reliable in forex markets. There is a significant debate on whether volume should be considered as important in forex markets as it is in equity markets due to the drastic differences in the amount of volume from one broker to another. Others believe that it is already (we can see volume from many of the exchanges). For the stock market and futures and almost any traded instrument, volume tells you what people are doing. And what they are not doing.



### TRADITIONAL VOLUME WITH CANDLESTICK PRINCIPLES:

Volume is an extremely important component of any candlestick. A candlestick tells us what happened to move price in that period, but volume tells us how hard

people fought for that movement and how much conviction was in that move. Here are some principles about candlesticks to keep in mind.

1. The length of any wick, either the top or the bottom, is ALWAYS the first point of focus because it instantly reveals strength, weakness, indecision, and (more importantly) market sentiment.
2. If no wick, then that signals strong market sentiment in the direction of the closing price.
3. A narrow-body indicates weak sentiment. A wide-body represents strong sentiment.
4. A candle of the same type will have a completely different meaning depending on where it appears in a price trend.
5. Volume often validates price – Any candlestick that closes at or near an important high or low should be watched very closely for how much volume was involved. For example: A strong candle close with strong volume is a validate candle.

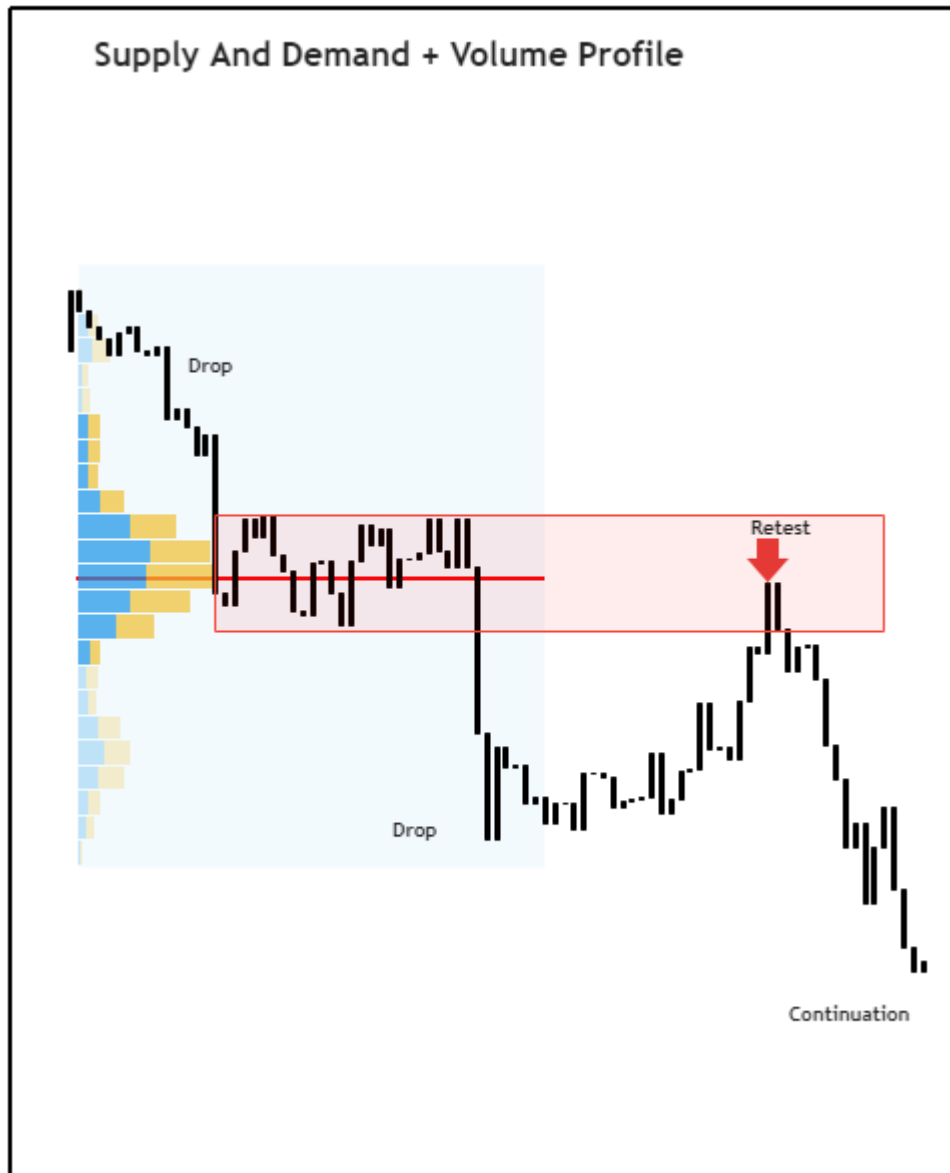
These are the key points about traditional volume. And after using traditional volume for months, I can confirm for my own perspective that it's not really reliable in forex markets.

That's why we are going to talk about another type of volume that is in my view most useful.

---

#### HOW TO TRADE AND USE VOLUME PROFILE:

Volume Profile is an advanced order flow study which displays volume distribution at price over time. Displayed on a chart as a horizontal histogram, Volume Profile can help reveal significant price levels including supply and demand and strong zones.



>>> Notice if you want to use volume profile from Tradigview, you will need a paid plan (at least a pro plan, that's all you need)

You can use this our referral link to choose a plan if only you want 😊  
[https://www.tradingview.com/gopro/?share\\_your\\_love=AIRFOREXONE](https://www.tradingview.com/gopro/?share_your_love=AIRFOREXONE)

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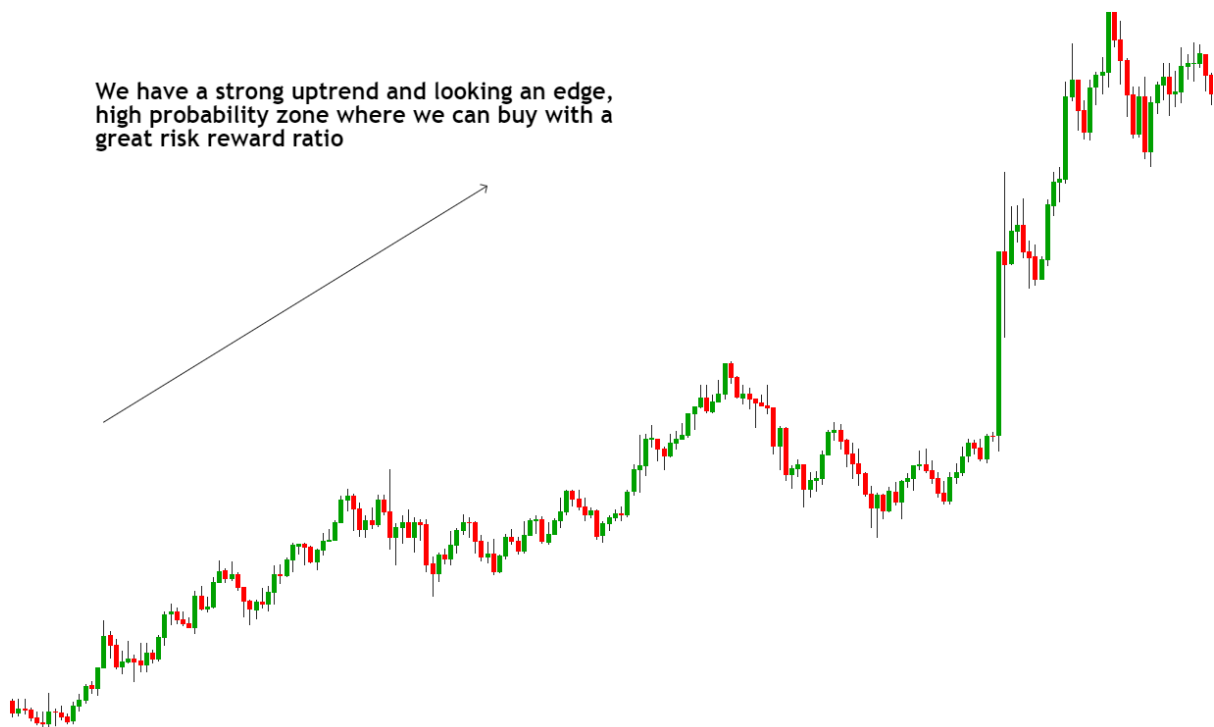
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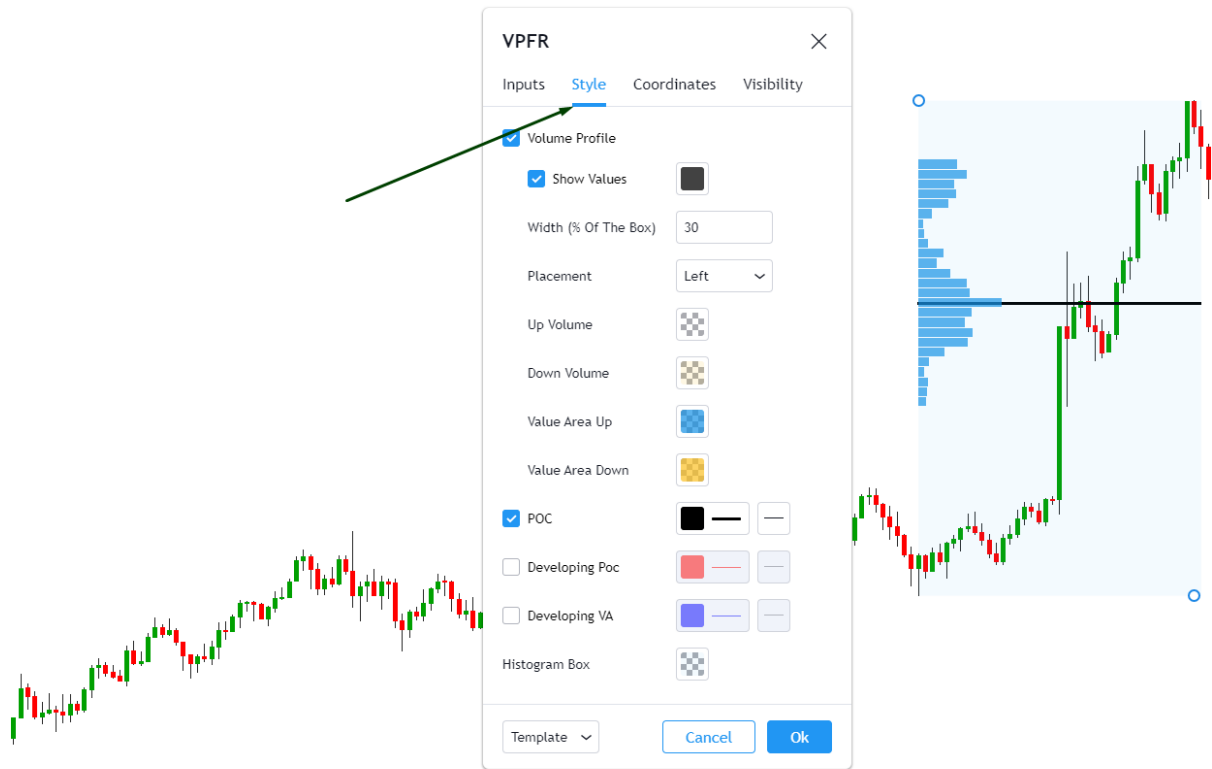
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Now let's get into business:

We have a strong uptrend and looking an edge, high probability zone where we can buy with a great risk reward ratio







Volume Profile is essentially volume data displayed on the chart horizontally in the same chart panel as price data. The ability to see volume at corresponding price levels provides further insight to how a market reached its current price and, more importantly, where it might move next.

As you already know how to drop and use supply and demand edge, the thing can be much more easier and you can see on this chart below, we use 4Hours chart to draw an accurate zone and we go to 1Hour chart to look for trade. You can see this is a pretty strong trend and price test the zone and get quickly rejected as it should be for strong zone.



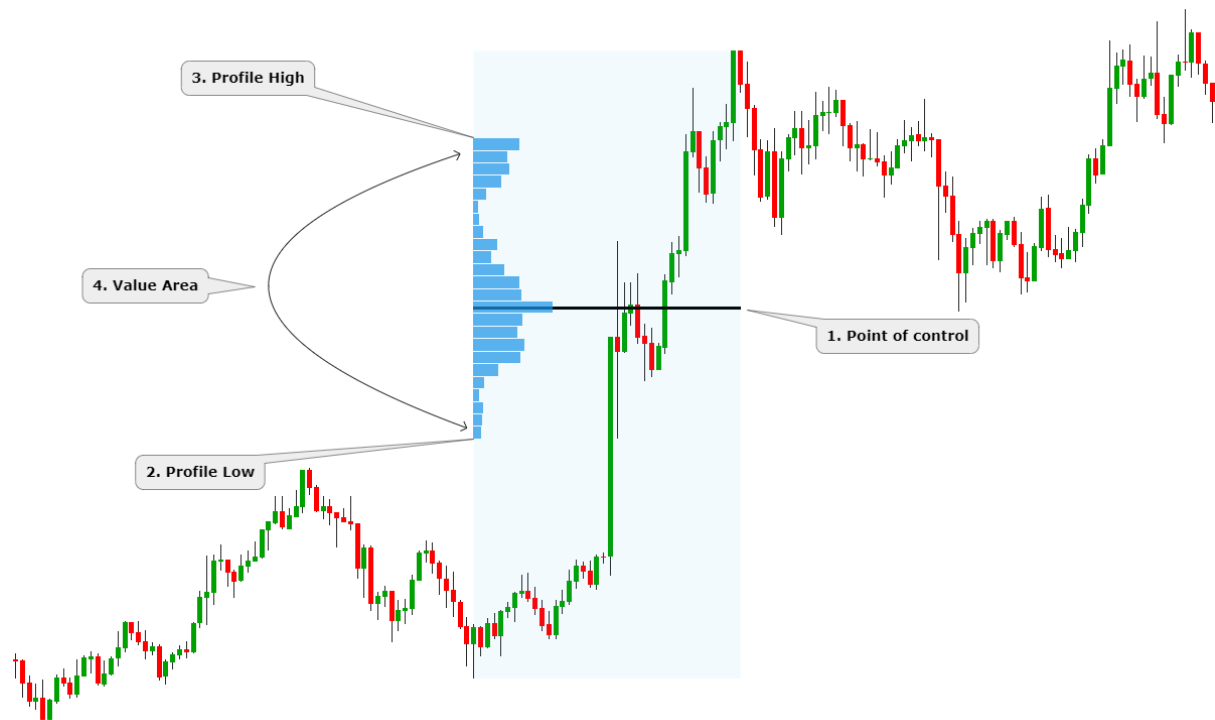
Now let's dive deep into our volume profile and explain it in more details.

In a nutshell, Volume Profile shows how much volume was traded there.

Since it's volume (buying & selling) and not time that moves markets, Volume Profile is considered more of a "true" technical analysis study by many traders.

## VOLUME PROFILE BREAKDOWN:

Below are common levels of significance within a Volume Profile



1. **Point of Control (POC)** – The price level with the **highest** traded **volume** within the profile, represented with a black horizontal line.
2. **Profile Low** – The **lowest** traded **price** within the specified time period.
3. **Profile High** – The **highest** traded **price** within the specified time period.
4. **Value Area** – The **range** within the profile where the most volume traded. The value area **high** and **low** are also considered significant levels within a Volume Profile. Those 2 high and low indicate strong support & resistance of price.

Now it's much more clear in your mind as you know the important thing to look for, let's see another example for more detail:



We can see how price reacted to the 3 most strongest level:

1. Point of control (acting as strong level of buy or sell volume)
2. Profile low (acting as strong support or resistance)
3. Profile high (acting as strong support or resistance)

**NOW LET'S SAY YOU WANT TO ADD MORE CONFLUENCE INTO YOUR ANALYSIS:**

We can add more confluence into our analysis and we like to use a Fibonacci retracement. If you add fib, you can see confluence price react once reach the 50 - 61.8 This is the golden zone where we like to open trade with more accuracy.





Once familiar with Volume Profile, traders can leverage this powerful tool help detect supply and demand levels, price reversals and more. As each individual trader's approach to markets is different, Volume Profile can be applied in various methodologies to assist with technical analysis. There is no right or wrong . there is just what works for us.

## WHAT IS THE MOST COMMON TRAP?

Breakout are very dangerous because they are often programmed with traps. A fake breakout is a form of manipulation to trap traders who operate the tentative breakouts. If a breakout trader sees that there is a big break around a strong area of supply or demand, he believes that the price will continue to move in that direction. However, sometimes the price does the opposite and then reintegrates the previous support or resistance zone.

## HOW TO TRADE AND AVOID THIS TRAP FOR BEGINNER?

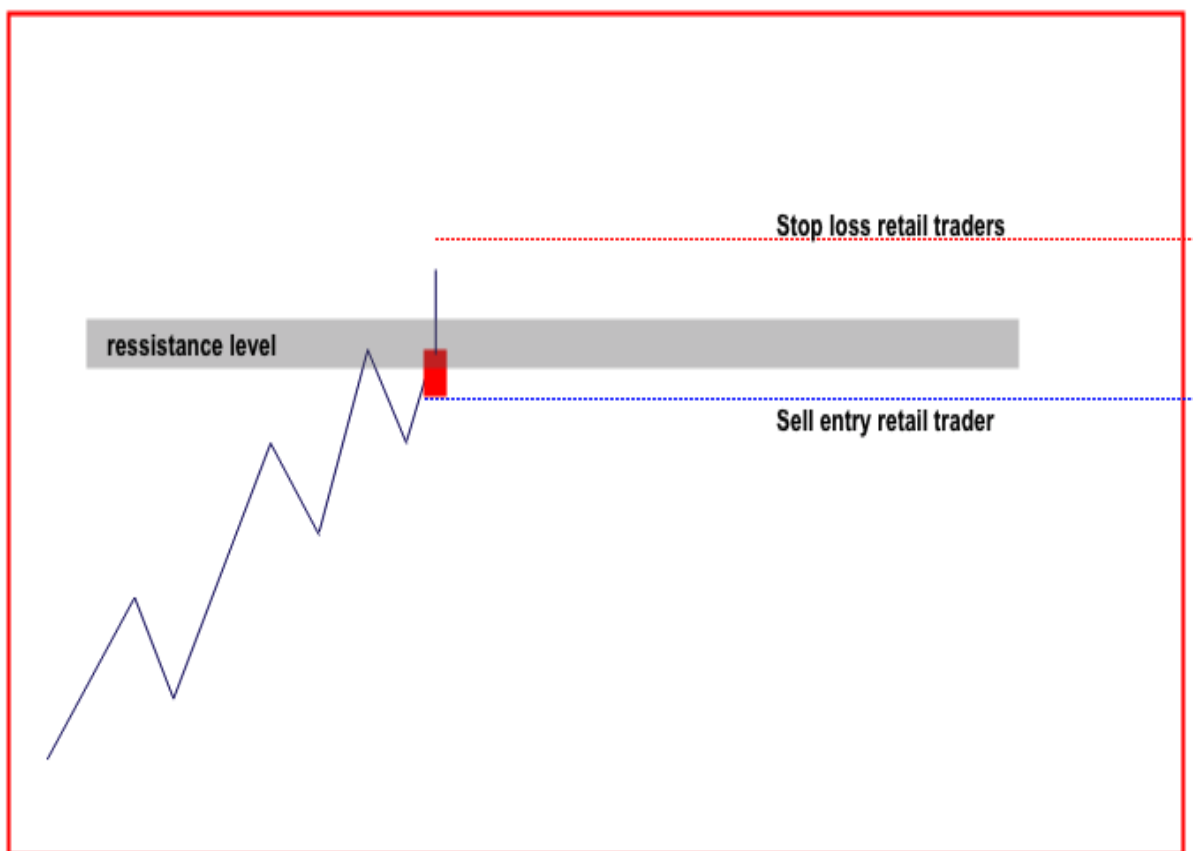
A false breakout is a very common forex manipulation. Market makers are able to play at what they call "support and resistance ". We don't want to play their game , we want to be part of the smart money game, and this is not about that shitty smart money concepts.

We'll explain a little more in detail, do not worry, you'll understand the concept.

By the moment we advise you to open your charts and try to spot supply and demand levels order blocks(base) etc..

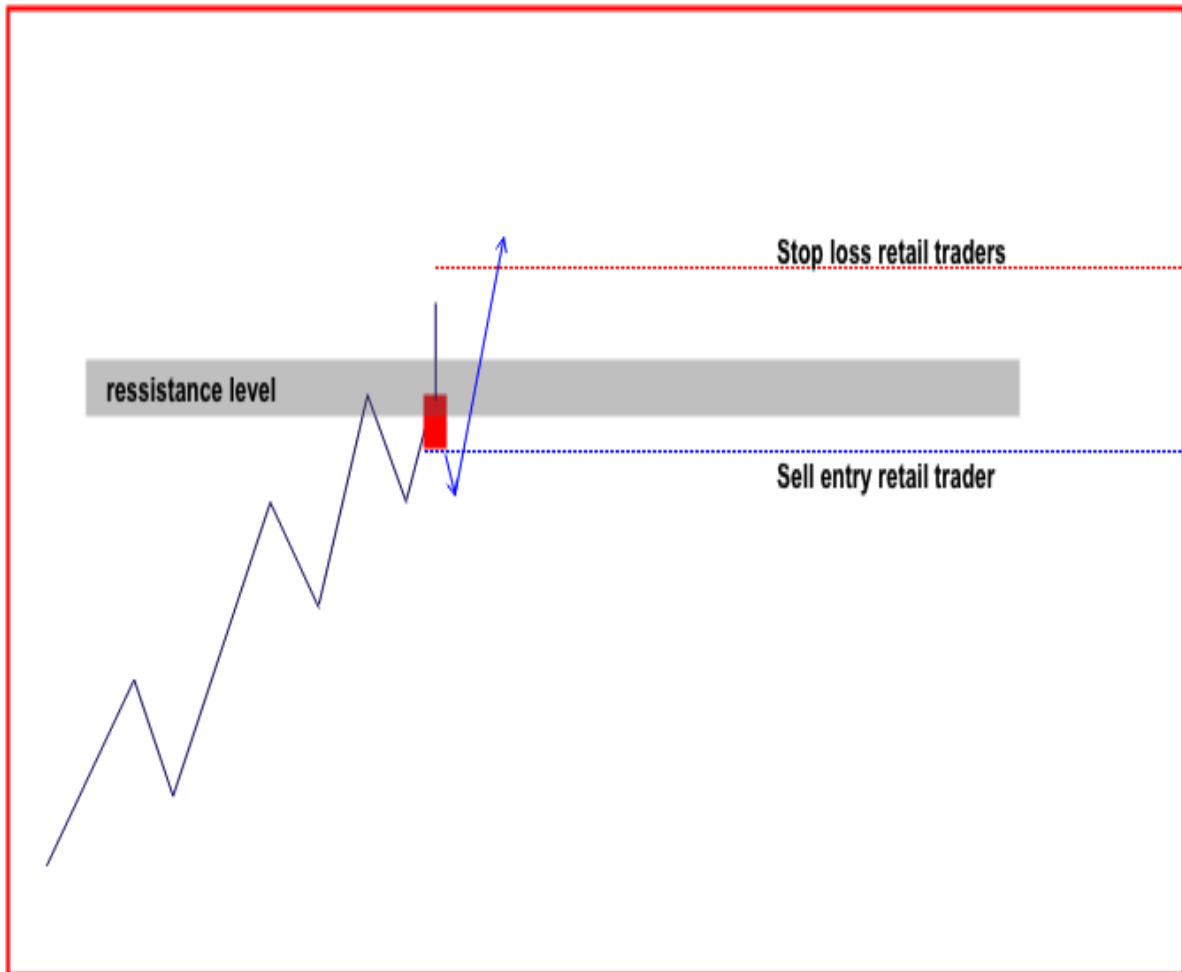
#### FALSE BREAKOUT:

The support and resistance traders enter the market in a support or resistance (logic). Generally there always candlestick patterns in these levels that confirm a reject signal and potential reversal momentum. The image below shows us how a particular trader that don't knows about market manipulation simply sells in a resistance. He just put his stop loss behind the confirmation candle and he is waiting for the price to reverse.

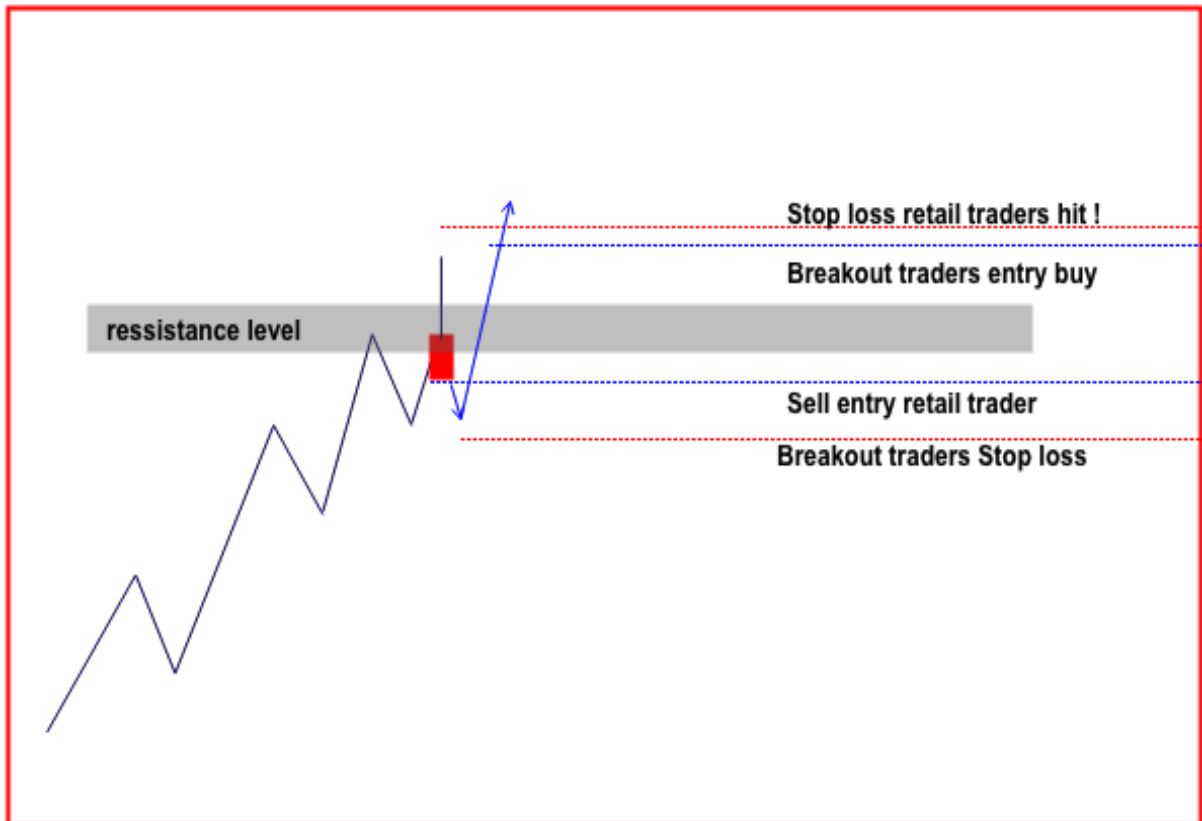


Market makers know that in this area, some traders will open sell positions and place their stop loss just behind this confirmation candle. This is where manipulation starts.

The first thing that happens is that market makers push the prices up to trigger the stop-loss order to make them lose money and collect liquidity on the market.

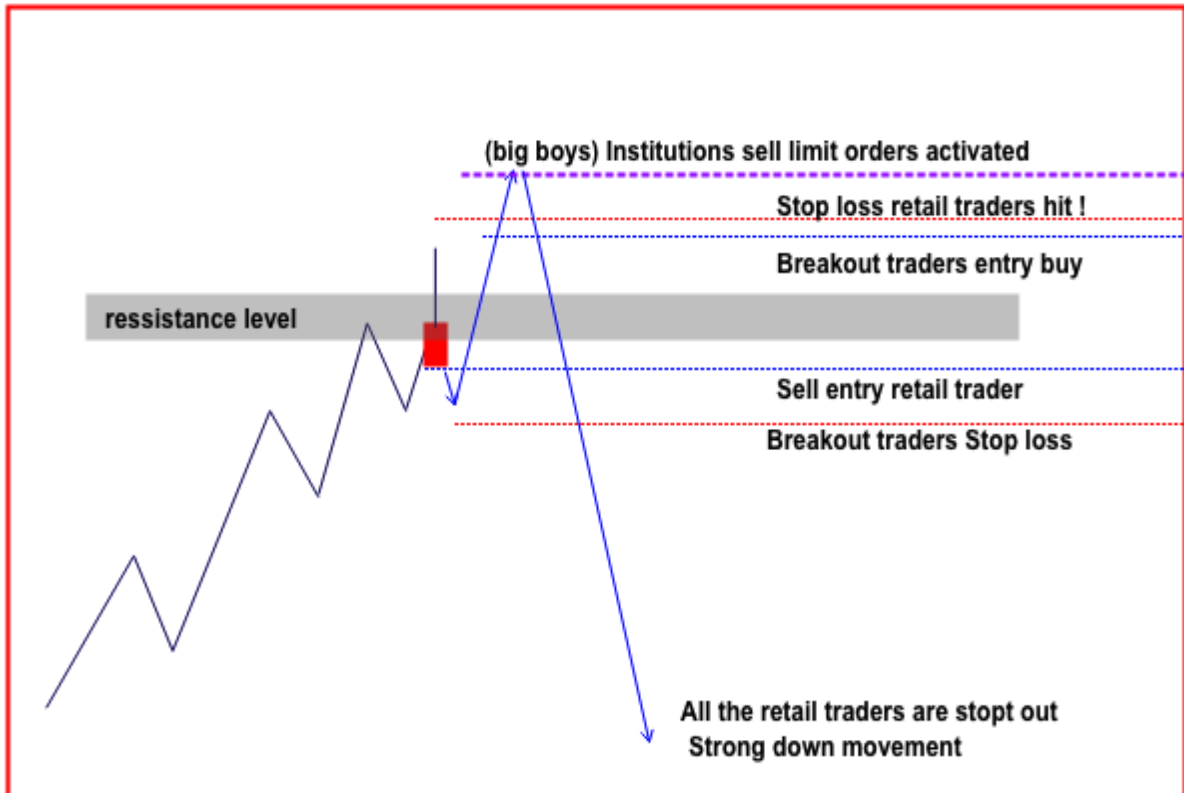


But the story does not end here, as the price is out of the resistance by the "false breakout" on the other hand there is another large number of individual traders who will see the break of this area and will buy in the excitement and fear of missing a big move of breakout. They are convinced that the price will break the area perfectly and will continue. So they buy a "break." They position their stop-loss, this time at the bottom of this zone like this:



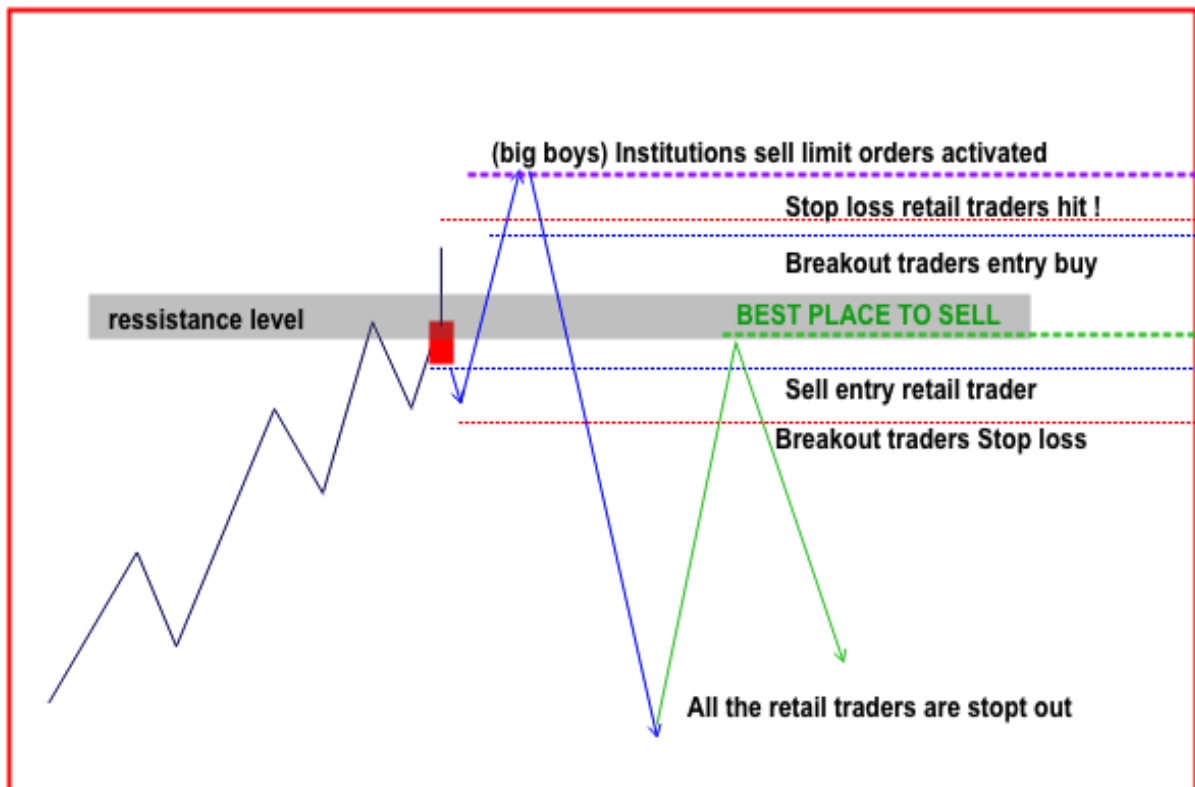
Many buyers and sellers unconscious and impatient are taken out from the market by market makers. As you can see, they eventually eliminate both buyers and sellers.

In fact what market makers do is: they push the price higher to go kick the stop loss of sellers and make them believe that the price will break the zone trapping breakout traders. In fact they push the price up to activate their institutional limit orders : sell limit orders.



Once these limit orders are activated (at the purple line) the price drops abruptly to go kick the stop loss but this time the stop loss from euphoric buyers who wanted to take advantage of the "breakout zone." Of course, a maximum of buyers and sellers novices are taken out of the market

Now that the market is quiet, all we have to do is wait for a pullback around the resistance and go in the direction of market makers. The following image shows the pullback we expect around this resistance.



To summarize this type of manipulation in resistance, we summarize the whole process into simple steps:

Step 1: The price approaches a resistance, and draws sells scenarios (reversal candle) >>> novice retail traders sell.

Step 2: The price breaks the resistance rapidly forming large candles, believing that the structure is broken >>> another part of traders novice buy the break and novice retail traders who sold to step 1 are expelled from the market.

Step 3: Following, the price reintegrate the area, and therefore the institutions have managed to collect all the liquidity from both buyers and sellers and they have enough money collected to make move the price down.

Step 4: If we are patients, we expect a simple pullback in the level of resistance and we get into the side of game of large institutions.

---

## HOW TO IDENTIFY A LEVEL WHERE A TRAP WILL BE DONE?

Many novice traders believe that the market moves between support and resistance. what they forget is that the major players in the forex : The market makers do not work in that way, they operate through areas of institutional supply and demand.

---

## SUPPLY AND DEMAND (INSTITUTIONAL)

Demand refers to the amount of a product or service that buyers want. The quantity demanded is the amount of a product that people are willing to buy at a certain price. The relationship between price and quantity demanded is known as the ratio of demand. The supply represents how much the market can offer.

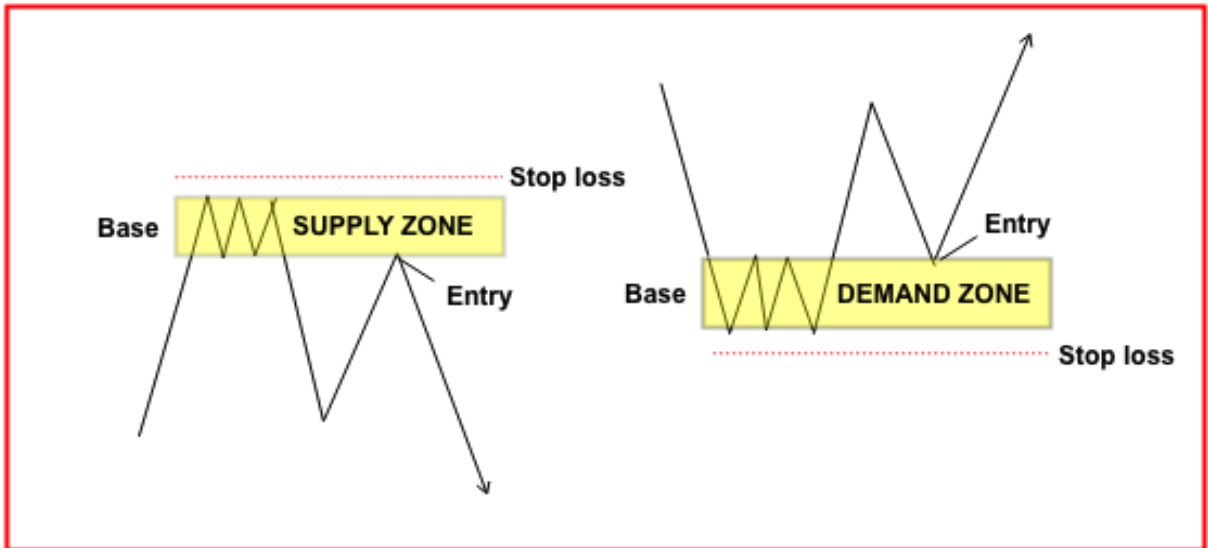
The trading supply and demand strategy is the same trading style applied by large institutions. This trading style describes two types of entries in the market: For sell in an area of supply and for buy in a demand zone.

Institutional traders work in this way, they do not work with the famous supports and resistances. They sell in supply zones and buy in areas of demand. Airforexone only uses resistance and support to have just an idea about the market setiment about where they can potentially manipualte.

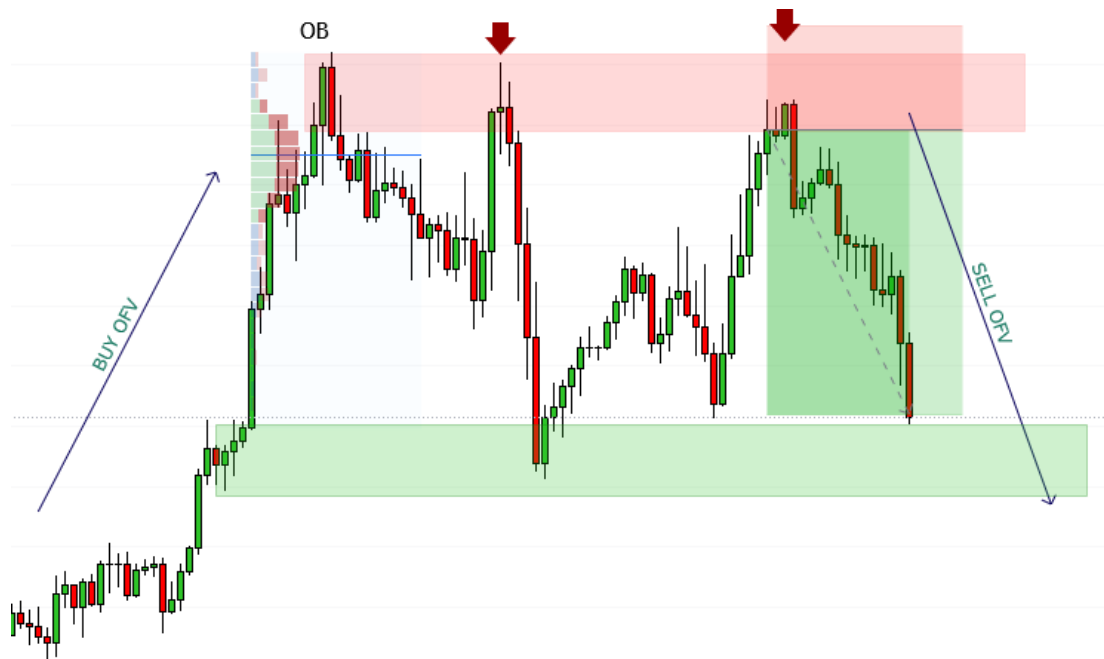
The image below shows how market makers work. We'll explain how to identify this and use it

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## (REVERSAL S&D STRUCTURE)



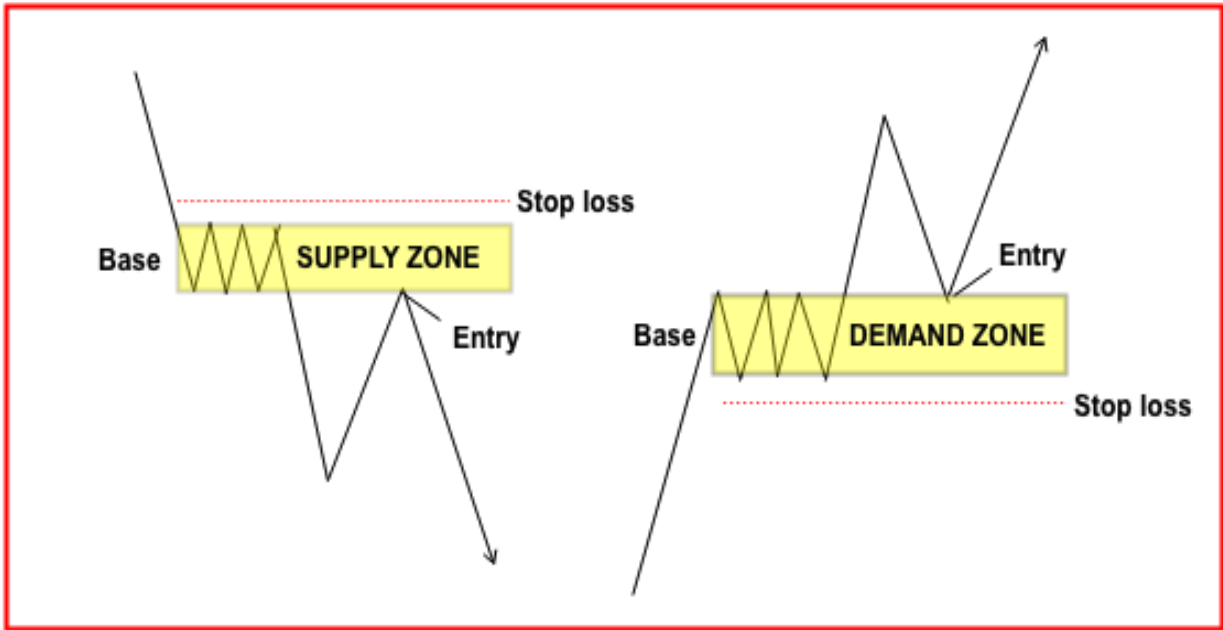
**Supply:**



**Demand:**



CONTINUATION S&D STRUCTURE



Supply continuation:



**Demande continuation:**



Then, they generate large movements which are characterized by large candles, and if there is a pullback in the base zone, they add more order on their position in the supply and demand zones and continue with the trend.

Indeed, because of their orders are placed around the order block is not in their interest that the price goes against them and active their stop loss that are located just behind the base areas, That why they keep another amount of limit order to protect themselves if prices come back. As a result when the price approach again into a supply or demand level , it bounce very quickly.

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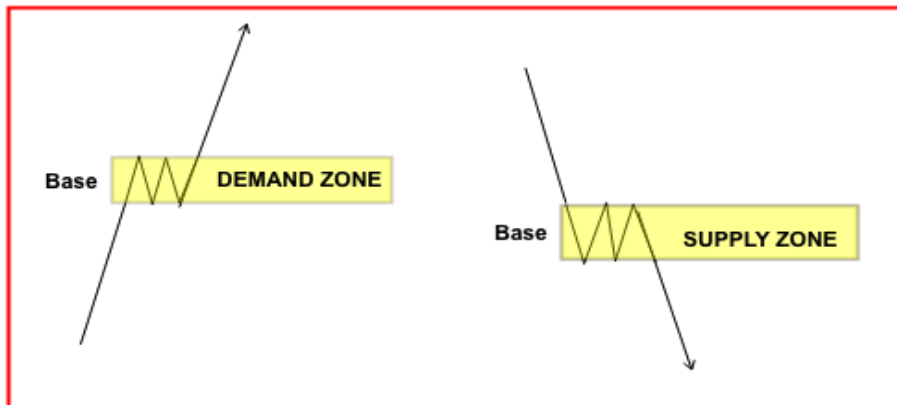
## BEHIND ORDER BLOCKS ( BASE )

Small consolidation periods means that a large amount of orders are being stacked ; heavy volume!

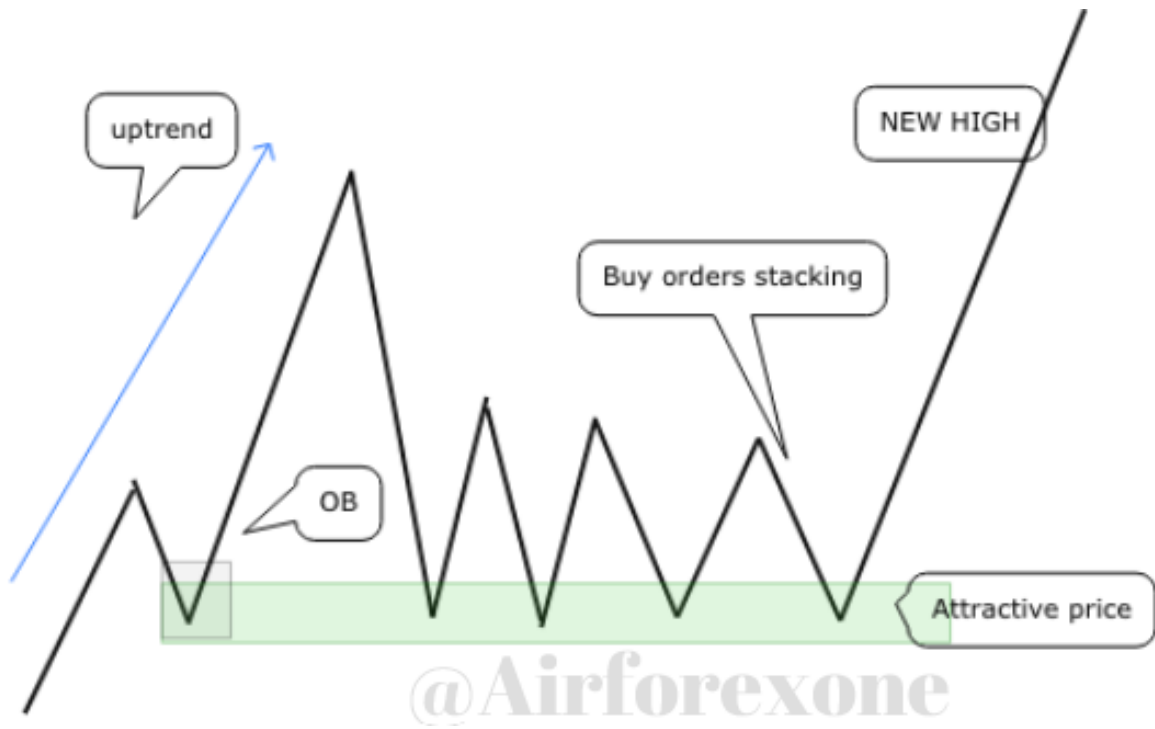
Most of The time , Order blocks will be indentified at the origin of huge price action candles

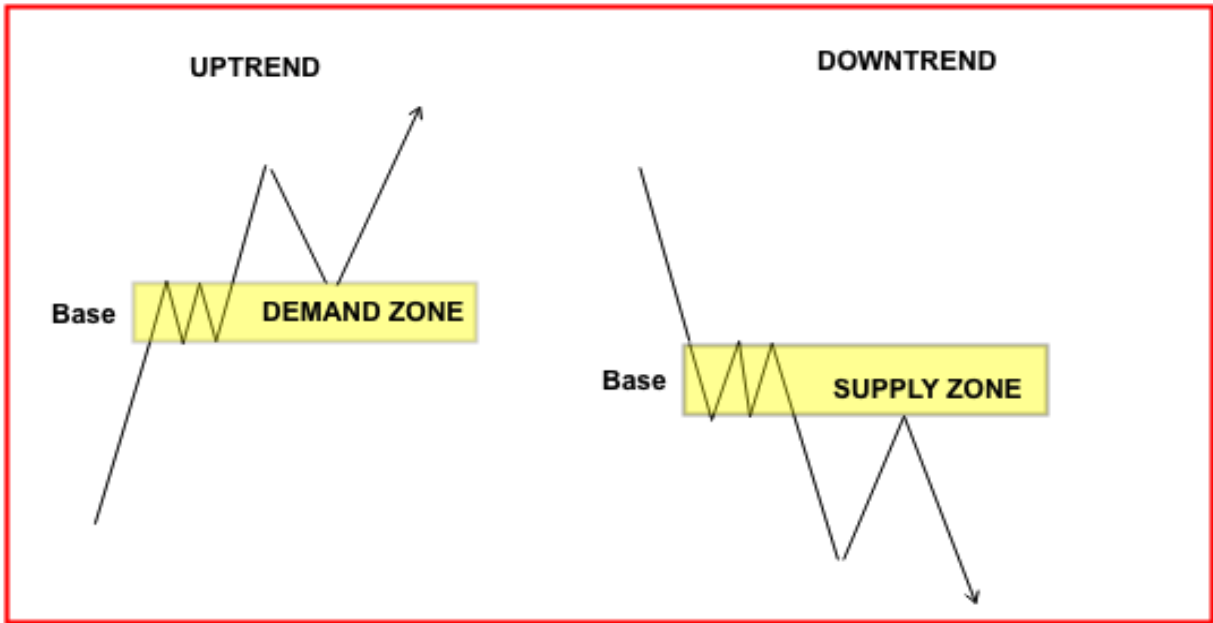


We can find order blocks in both directions, banks and institutions act both in buy and sell.



In the following example, you can see how these areas are delicate and very sensitive. If you wait the price, you wait for exhaustion and you put your stop loss a few pips behind the area, you can take very profitable entries, this not 100% efficient but you will get profitable trades because you will trade like institutions.







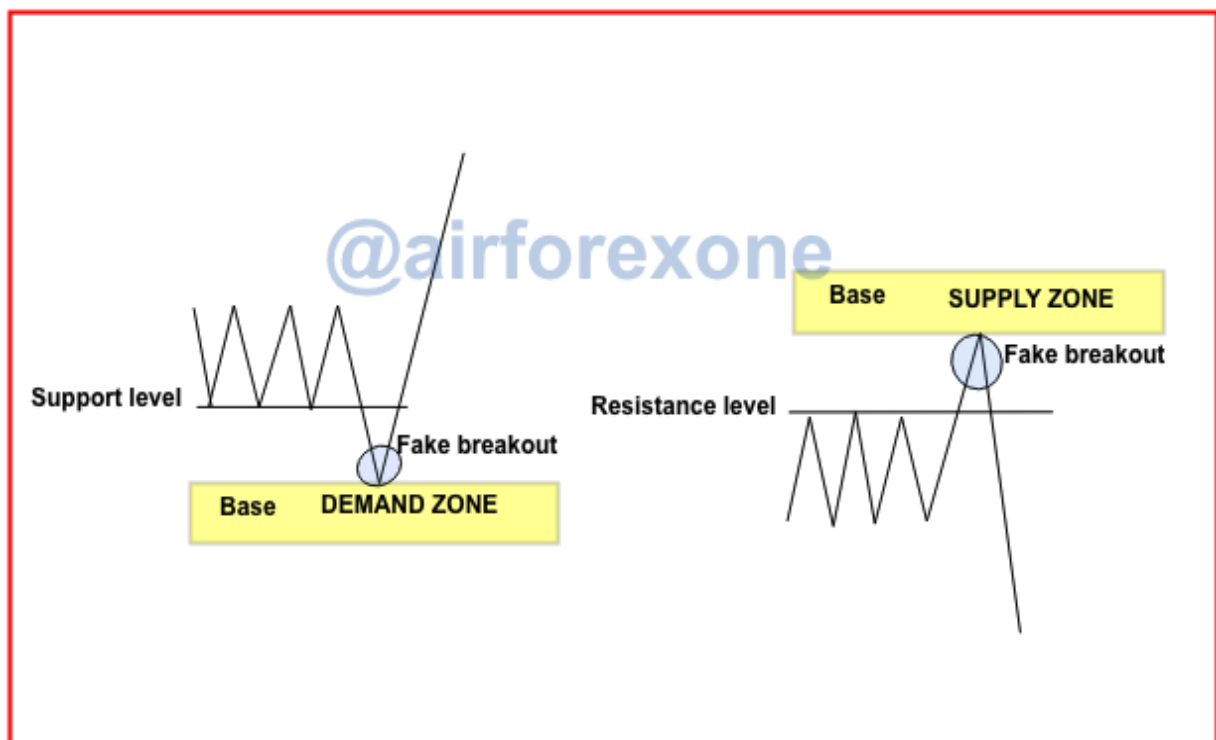
Now you wonder what this has to do this supply and demand zone with the manipulation, do not worry in this chapter, we will teach you all about it. You need to understand that most of the manipulations are based in supply and demand areas.

## HOW TO TRADE A BULL TRAP AND BEAR TRAP?

At the time when we started to trade, we used to trade immediately once the price printed a conformation in a very obvious resistance or support level. We lost a lot of money because we used to fall in manipulations traps around the supports and resistance levels. But then with time and learning more about price action we realized that by learning about supply and demand thing will be quite different.

But how to avoid these traps ? The key is to be patient and wait for the signals discussed above. If you already understand what is is a supply zone and demand, and possible manipulation in an area, we can reassure you that you know already much more than other traders. What you will learn now will help you avoid the traps of selling or buying simply because the price is on a level support or resistance.

Let's look at the picture below:



## FALSE BREAKOUT IN A DEMAND AREA (BUY OFV ZONE)

During a false break near a demand zone Market makers know that traders have placed their individuals stoploss not far behind the obvious level of support.

This is where manipulation starts.

The first thing that happens is that they push the price down to activate the stop loss of those who bought in this area to make them lose money and collect liquidity on the market. By other side we have breakout traders who will activate sell orders just after the massive move behind a support area.

Once the price touch the demand area, BFI institutional limit orders will be acticated and that will make the market strongly moove.



## FAKE BREAKOUT IN A SUPPLY AREA SELL (OFV) ZONE

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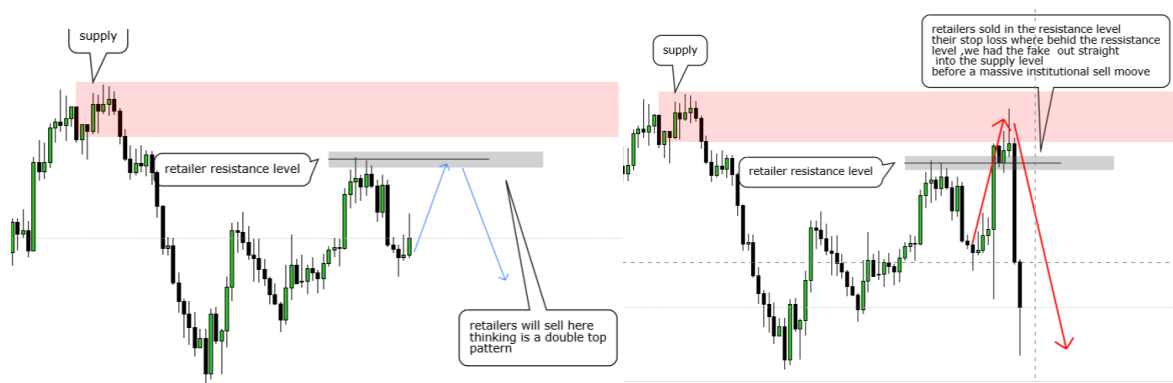
This is exactly the opposite of a demand area.

Market makers are aware that in this area, retail traders have sold nearly a resistance level. Their stops behind the ressistance area

The first thing that happens is that they push the price up to activate the stop loss of those who sold in this resistance to make them lose money and collect liquidity on the market. By other side , buyers who tend to trade breakouts will see the ressistance breakout and will activate buy order

Once the price touches a supply area, price will go to the original direction . That means = going down.

That's how they manipulate the masses. That's why we recommend to observe and try to identify supply & demand areas being careful if there is a resistance or suppor close.

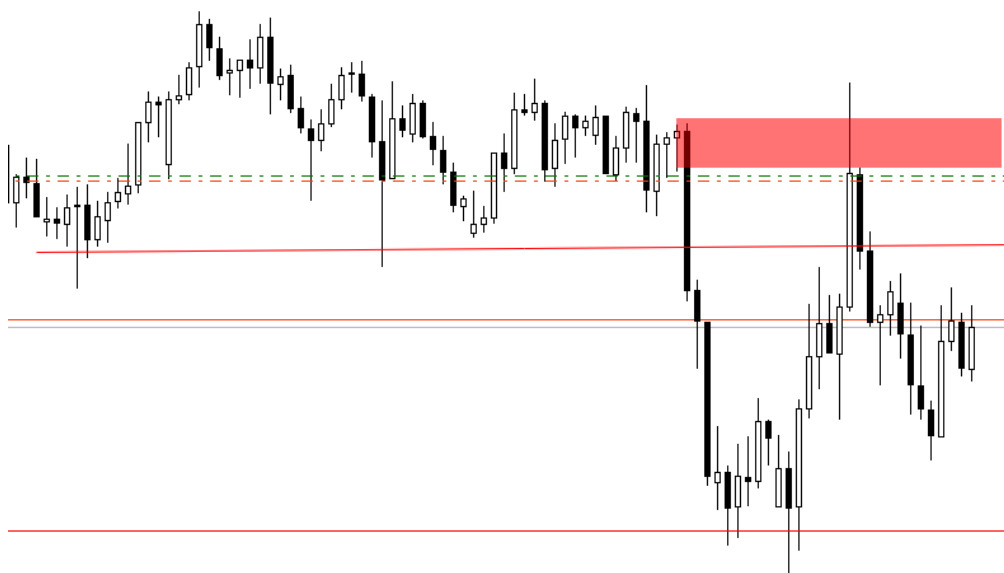


## CONCLUSION:

Now that you know how to identify false breaks we invite you to draw your supply and areas. You will realize how history repeats itself again and again near the levels of support and resistance. This manipulation is one of the many that exist.

On the other hand, when we say that it is always good to wait for a pullback in the reintegration of the area, you can also monitor the prices around a supply & demand area for precise entry levels.

The example below is a hold trade when the price made a false break near resistance (red lines) to get liquidity in the basic supply area (red square). Look how the price rejects the box, and then integrated into the red resistance



---

## HOW TO TRADE A TREND TRADERS SHAKE OUT TRAP?

**Bullish trend :** Whenever we have a new higher high and lower high the stop loss in a buy trade must be moved behind the last buy zone( demand area or order bloc , avoid place it behind a support level)

**Bearish trend:** Whenever a new lower low and higher low is made below, the stop loss in a trade be behind a supply level

Well, we confess something? the market is not perfect, we will never know if the levels will be respected or not.

Market makers do not like to let retail trader to enjoy big swings in trend, so they will also try to play with us, the question is how.

---

## TREND SHAKE OUT BULLISH

Price is in an uptrend, higher highs and higher lows are created, BUY ORDER FLOW VOLUME > SELL ORDER FLOW VOLUME.

As we have learned If you are about to buy in an uptrend defined, it is better to find areas of demand that could potentially cause us problems. We have to use them intelligently. Most of the time price tend to create fake outs

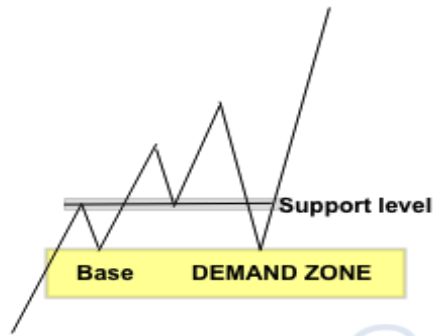
As you can see in the image above, the market follows the trend, but the price made a false breakout on the support to after continuing going up.

This means that, firstly, novices and retail traders believe that the breakout of the support is a change of trend believing that this is the breakout of a neckline of a figure type (M reversal) while in fact market makers are just collecting liquidity and activating their trades to buy on an area of demand.

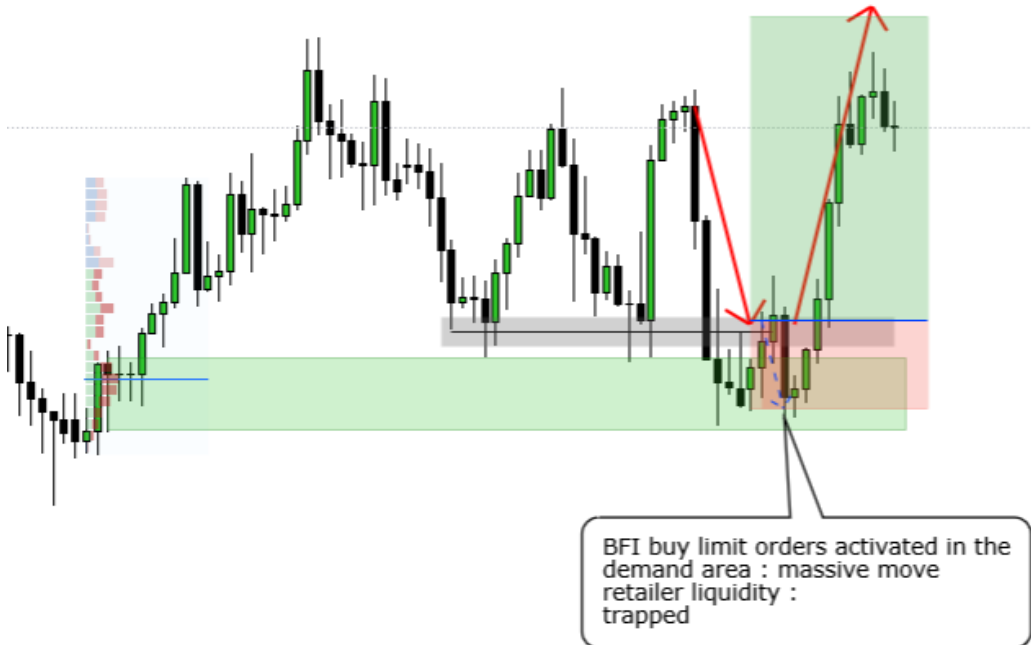
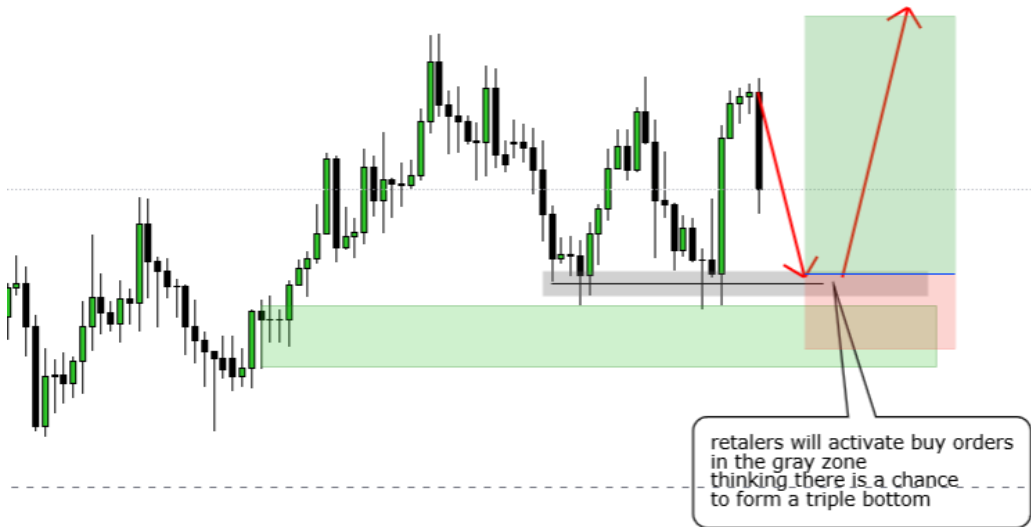
In such cases, The best is to either wait and see if the price comes and reintegrate the support and in this case we buy in a pullback of reintegration or we wait a contact and rejection in the demand zone.

If we are already in a swing trade in buy purchase, we must make sure to move the stop loss behind the demand area as this will be more effective than simply moving the stop loss behind a support area.

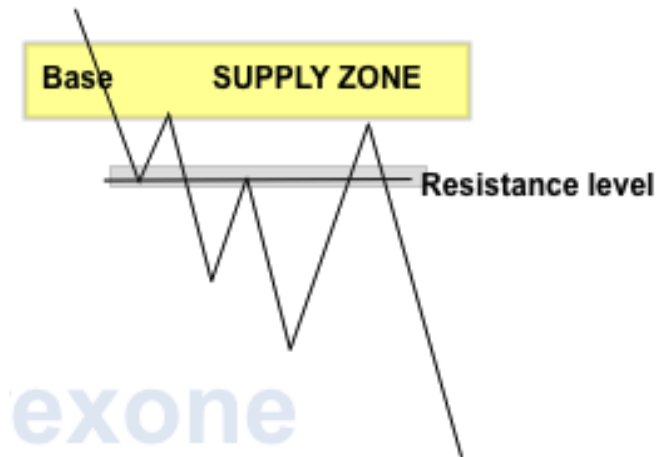
UPTREND



@airfoi



**DOWNTREND**



exone





@Airforexone

behind market makers



@Airforexone

It is the opposite. As you can see in the right part of the image from above, the price is in a downtrend, lower lows and higher lows are created.

As you can see the market follows the trend, but made a false break of resistance near a supply area.

This means that on the one hand particular novice traders believe that this is a change in trend and they buy believing that is a break of the neckline of a W while market makers are preparing to sell in the area of supply.

If we are already in a trade, we must make sure to move the stop loss behind a supply area because it will be more effective than simply moving behind the resistance.

**Conclusion:** Now that you know how the major institutions manipulate, be much more careful and always check if there are key levels of supply and demand to watch, both to enter as major institutions and to protect our capital.

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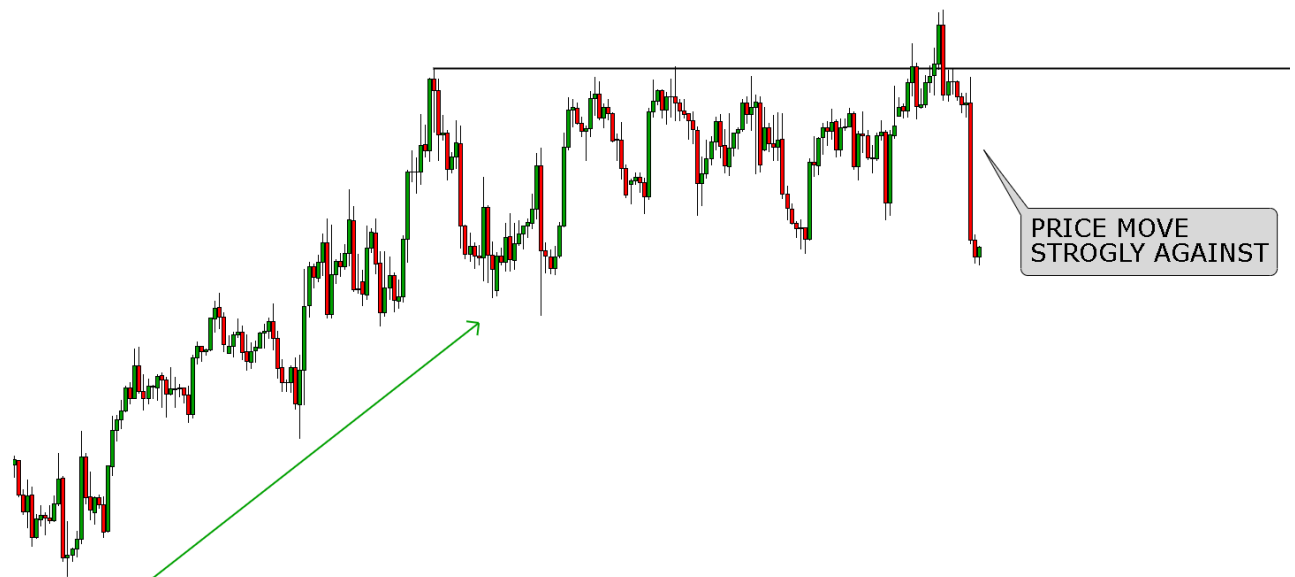
#### HOW TO TRADE A CPR TRAP?

CPR: literally means Capture Pain Release

It is a form of price manipulation generally happens after a false breakout. The victims of this type of manipulation are the breakout traders who enter directly after a break of support or resistance occur.



What happens is that the price is moving in a trend (bullish or bearish). We take the example of an uptrend. The price in trend start consolidating for a while, then made a break of the consolidation area. This will give breakout traders reason to open position and suddenly the market turns against them and start moving in the other side of their expectation. Seeing that will cause panic and most of them will not want to close their trades with loss.

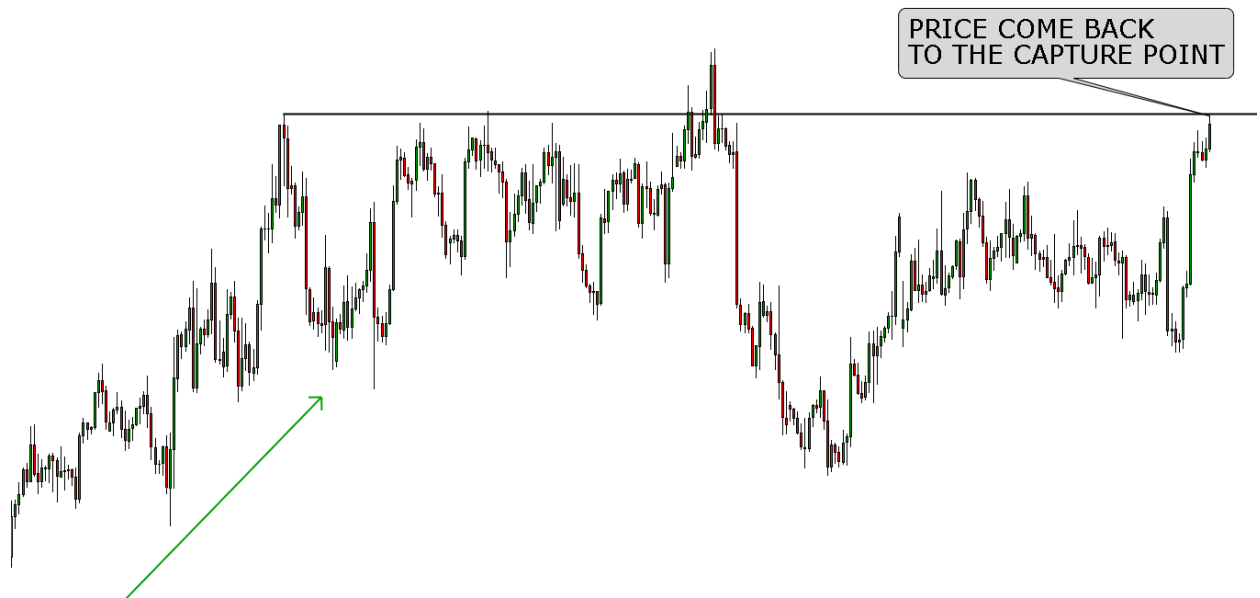


The CAPTURE phase take place when price come back into the consolidation zone and it's is automatically followed by the PAIN phase when price will keep moving against the initial trend. During this phase, traders who are captured suffer a loss then the price continue moving away from their position. Undisciplined traders who do not use stop-loss or remove their stop-loss to avoid taking loss can suffer huge drawdown as the price goes against them. Hoping the price returns to their entry point so they can get out of their position without losing anything.

The PAIN phase continues to evolve for hours or even days depending on the time frame. After a moment of downward movement in this example, the price turns around and begins to rise.

When the price come back to the position where breakout traders had open positions, they can finally have the opportunity to close their positions at 0, This moment is called the RELEASED phase. Obviously only for those traders who had enough margin capital to endure the losses, most of them will experience a margin call from their broker who automatically closes their position because they run out of

capital to support the losses. Other traders will decide to close their positions very late with a bigger loss.



During the RELEASE phase, breakout traders who bought close their buy trades, which turn into sell positions. Right at that moment, they inject liquidity in the market and created what is called FORCED supply in this example.

By having an understanding of these events, we can benefit from by opening sell positions with high probability of success because the of FORCED supply&demand phenomenon.

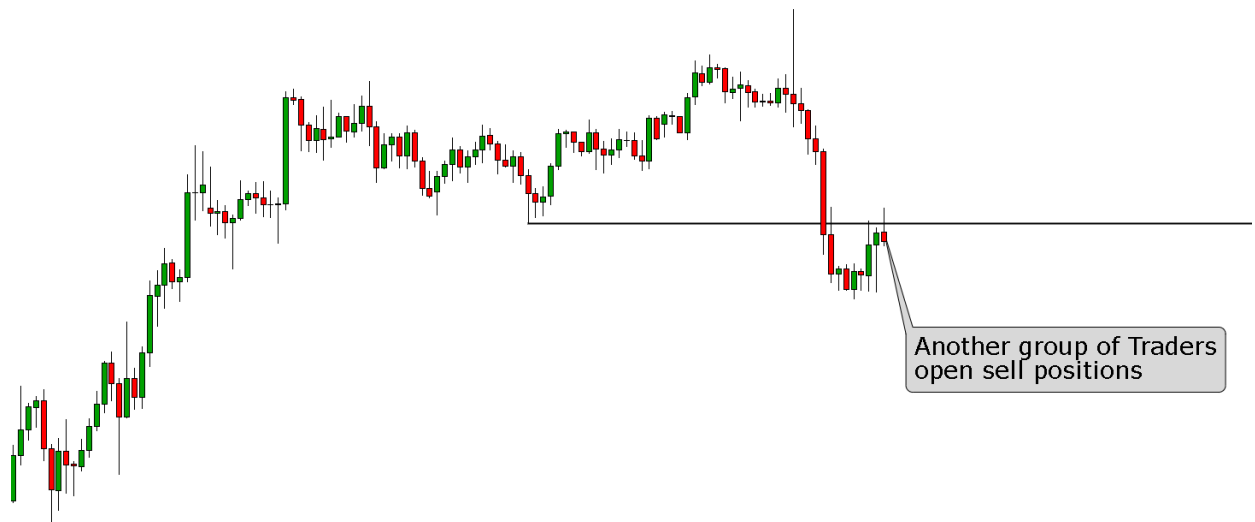
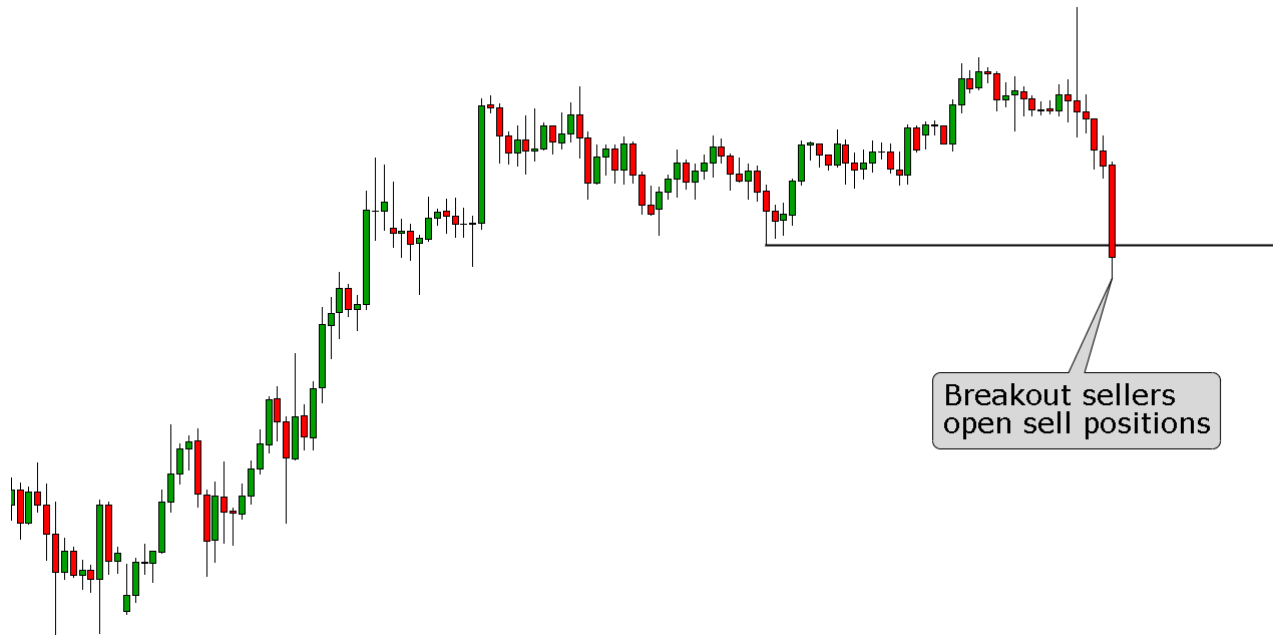


Our stop-loss placed around fifteen pips above the peak of the turnaround level and take profit at lower previous levels.



This system is so powerful because it's based on both price action and emotional pain of panic traders captured.

Here is another example of USDJPY sell with.





When the price returns to the CAPTURE point, we can go on a lower time frame and look for an entry point with a high probability of success.

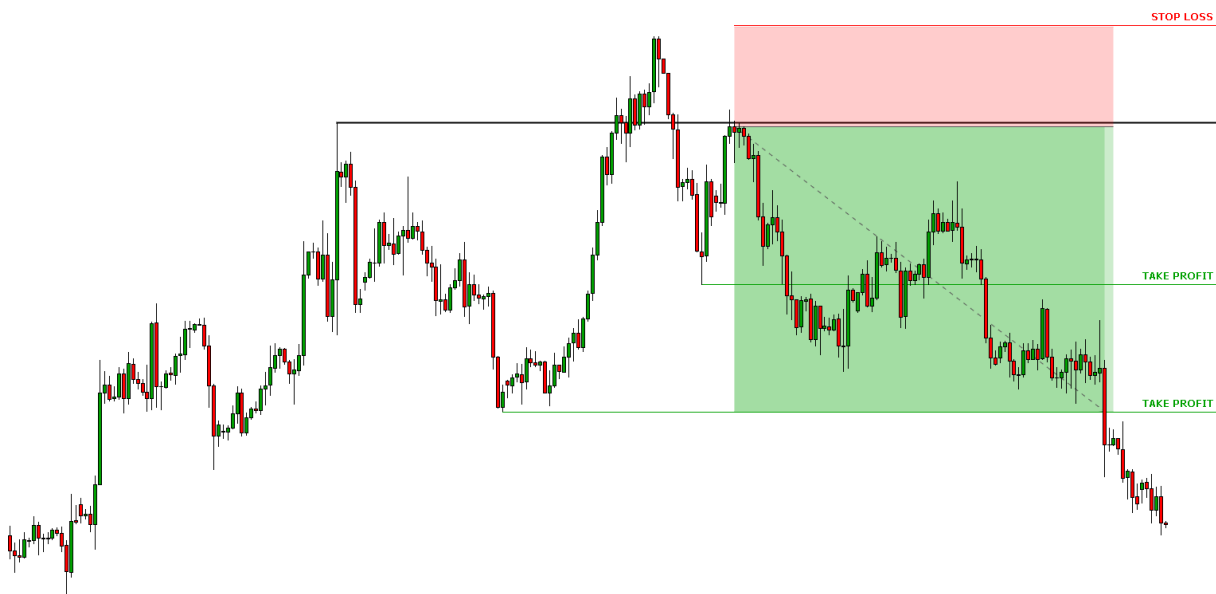


A final example of EURUSD:

for this setup, we had done a real time analysis, here was our chart below.



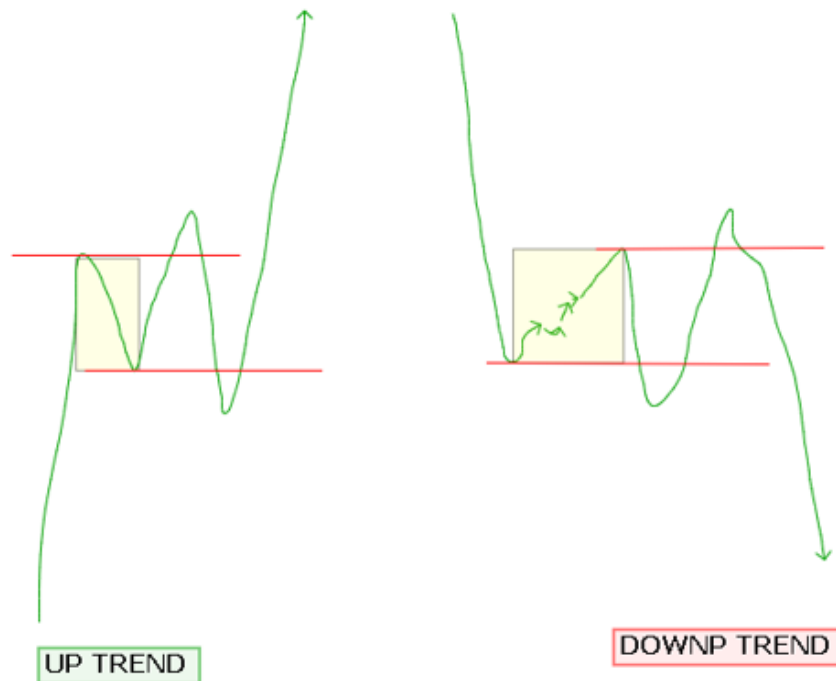
Here is the result later. The CPR is a very powerful trading strategy that gives trade with accurate results.



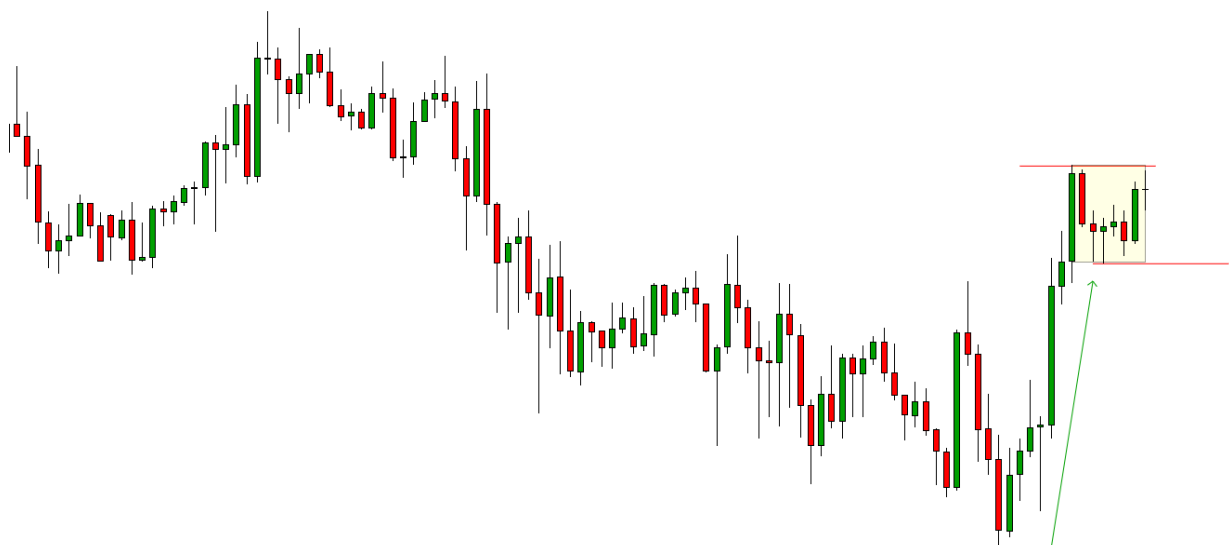
Note that the more the PUNISHMENT phase is longer, the more the probability of success increase because it is emotionally more hurtful. When this phase is short, the probability of success is reduced because the pain phase is minimal.

HOW TO TRADE THE ZIGZAG TRAP:

The ZIGZAG TRAP is a form of manipulation when the market makers seeks to trigger the orders of the retail traders in both directions during a trend (bullish or bearish).



After a clear and strong movement (bullish or lower), bull in this case below, the price is consolidating and seems to continue to rise.



Then price making a breakout, some traders who trade the breaks come into buy position and their stop-loss placed below the consolidation area. What seems logical but in the field of forex, we get to see price manipulation frequently.



The price made a false breakout and returns inside the consolidation area until the bottom where most stop-loss is placed.

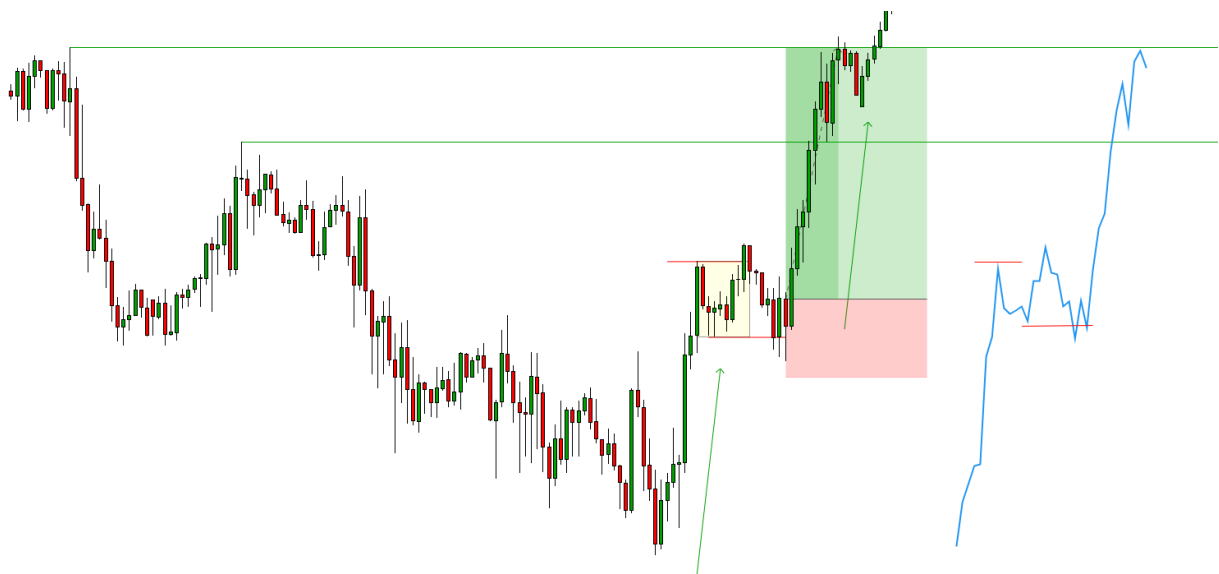


Thus, the majority of traders who were buying is found in a state of panic and out of their position and their stop-loss get taken.

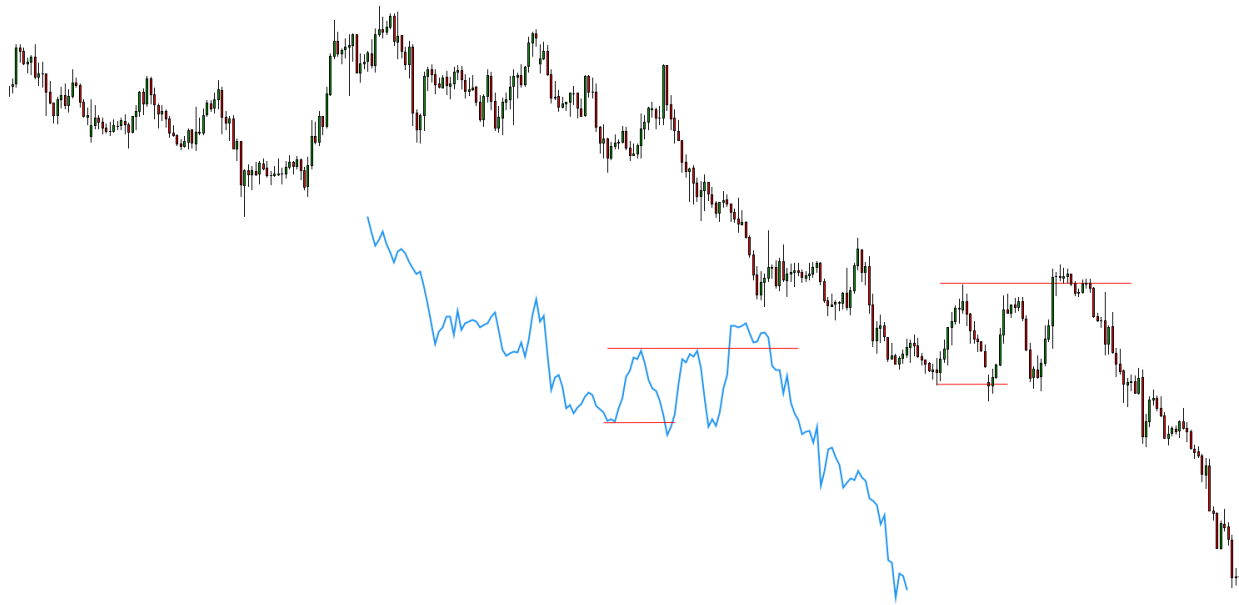
Then the price continues its normal path, continues to rise as they had planned, but without them. Frustrating? Yes!



Having aware of this type of manipulation, we can benefit or at least avoid losing in this case. We have to wait until the liquidity hunting is done, and to see a turnaround candlestick pattern to take a trade as shown below.



Here is an example in a downtrend: This is a textbook manipulation that happen frequently in the market.



Here's one last example below : as you can see zig zag traps can be potential if we have strong order block.

In the example below price was in downtrend , then it created a small flag in which we had very obvious support and resistance levels, then price broke the zone and go directly into the supply level in order to get liquidity before continuing to the downside.

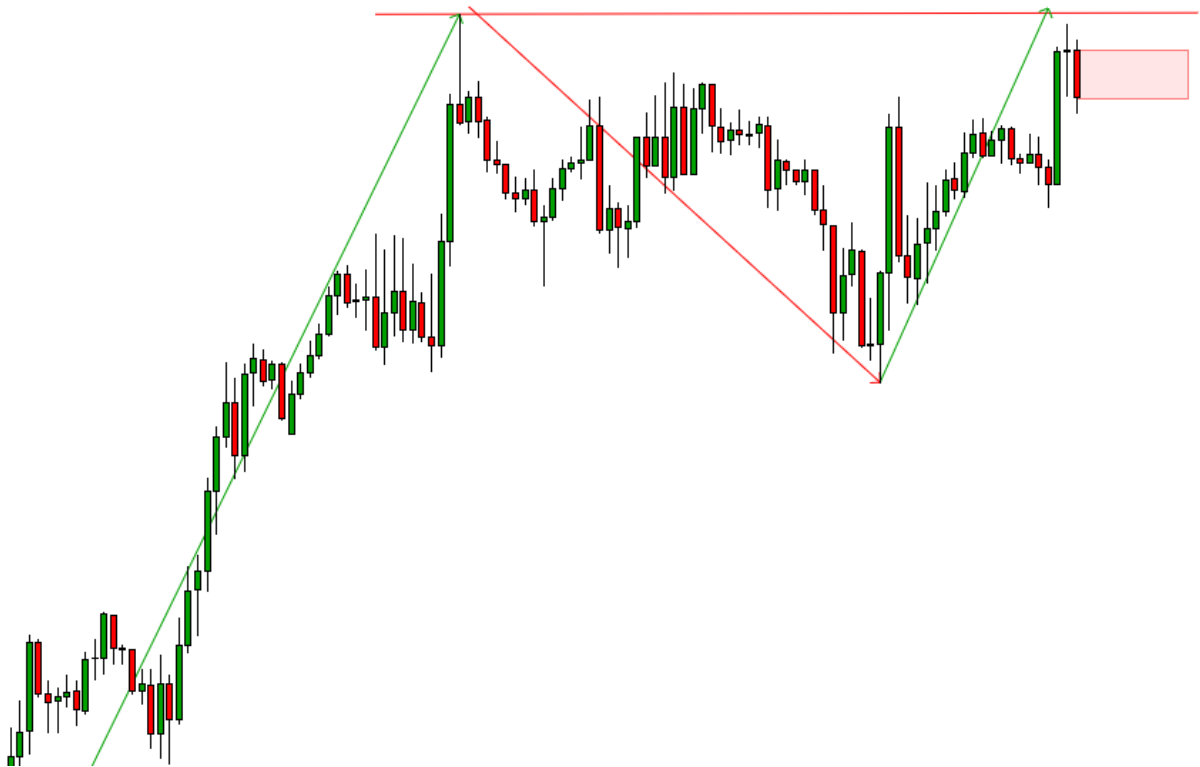




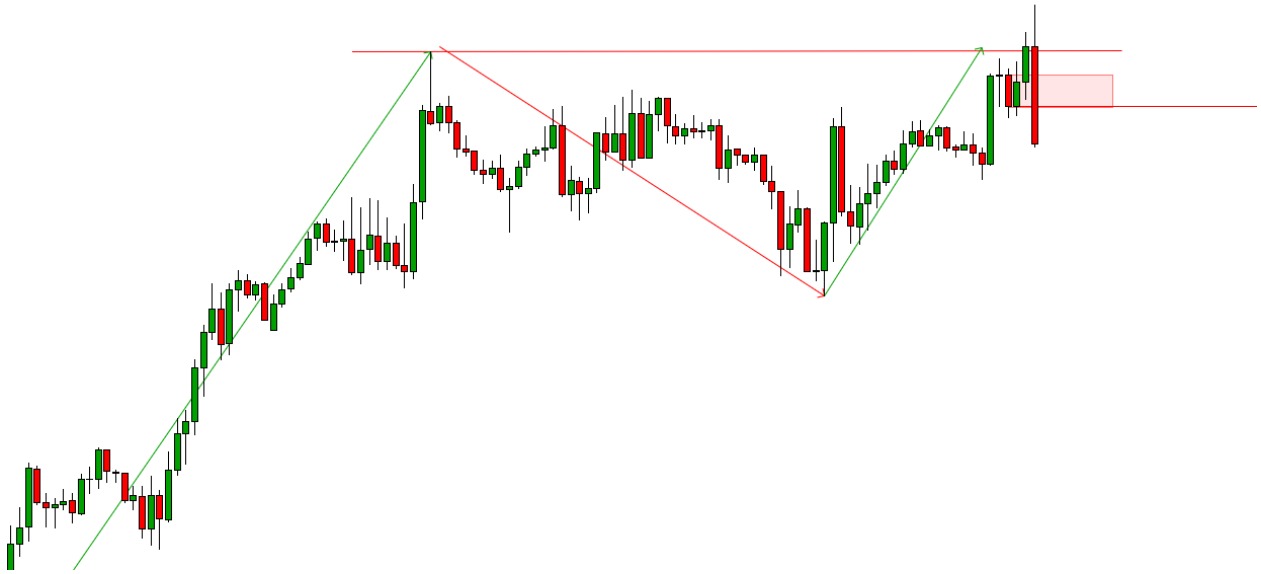
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## HOW TO TRADE THE DOUBLE TOP AND DOUBLE BOTTOM TRAP:

We will experience directly some examples, so you will learn the strategies in a better way.

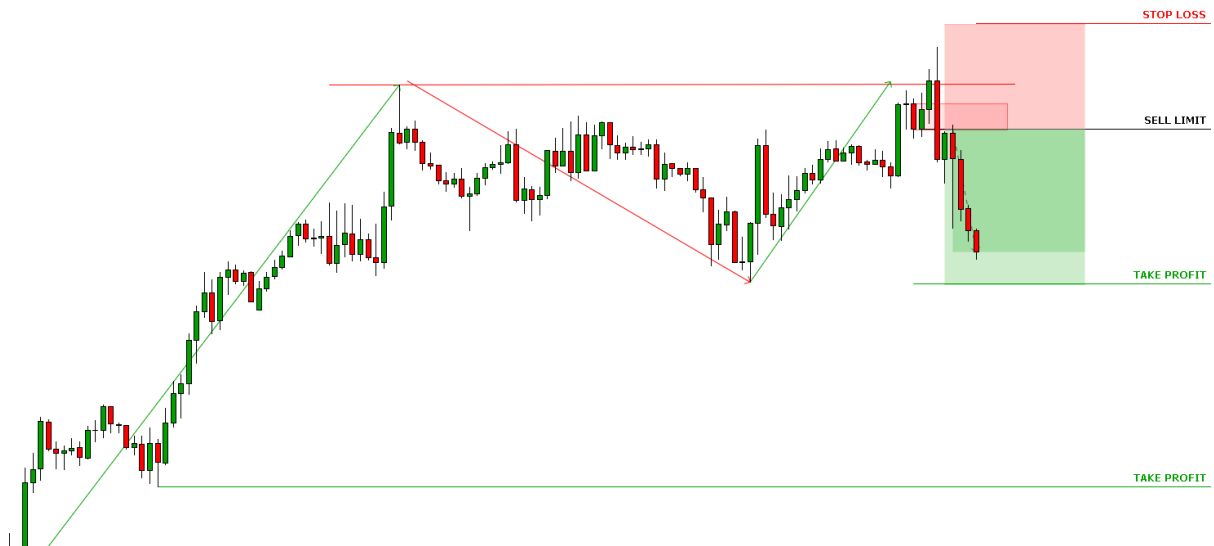


As you can see, price is moving in an uptrend and approaching resistance level. Then a bearish engulfing candle appear. Lot of traders take, seeing that happen, open sell position and place their stop-loss above the resistance level. Here is what follows:



The market-makers push prices through resistance, triggering stop-loss and then returns price to the downside. Having aware of this phenomenon that often happens because the markets are constantly looking liquidity, we get to take advantage of this event when the price returns to test the red line marked.

One can simply place a sell limit order at the red line price with a stop-loss a few pips (10 to 15 pips) behind the peak reversal.



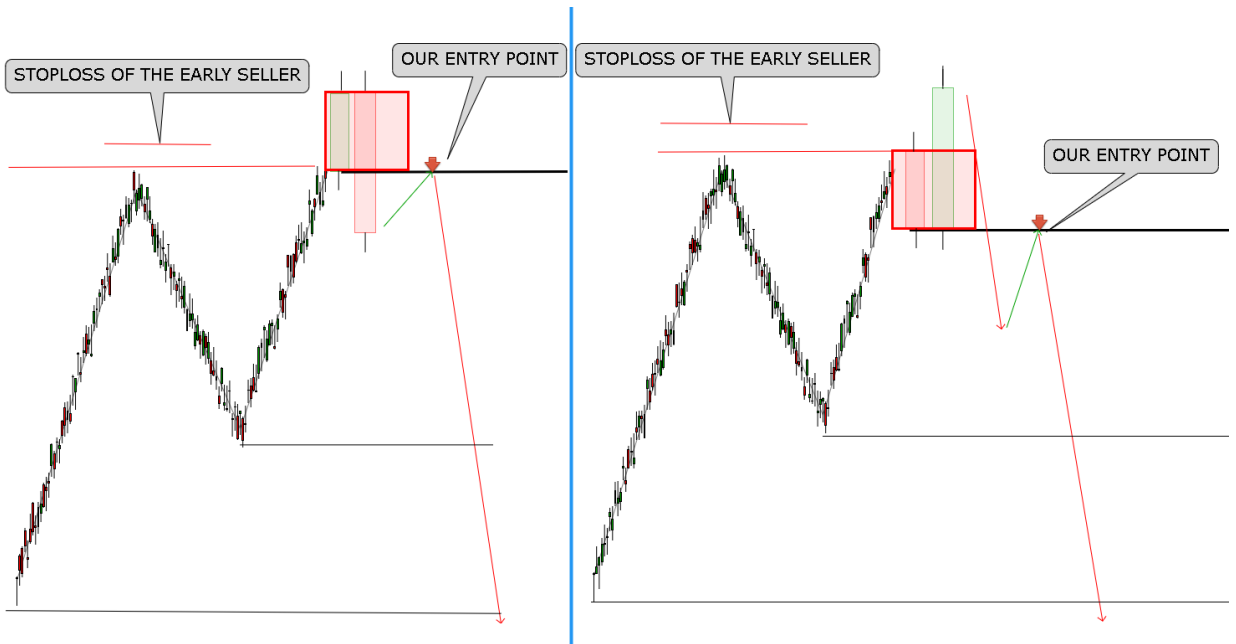
As we can see price executes our sell limit order and immediately go in our direction. Most of the time, we will see price goes few pips against us leaving a wick.



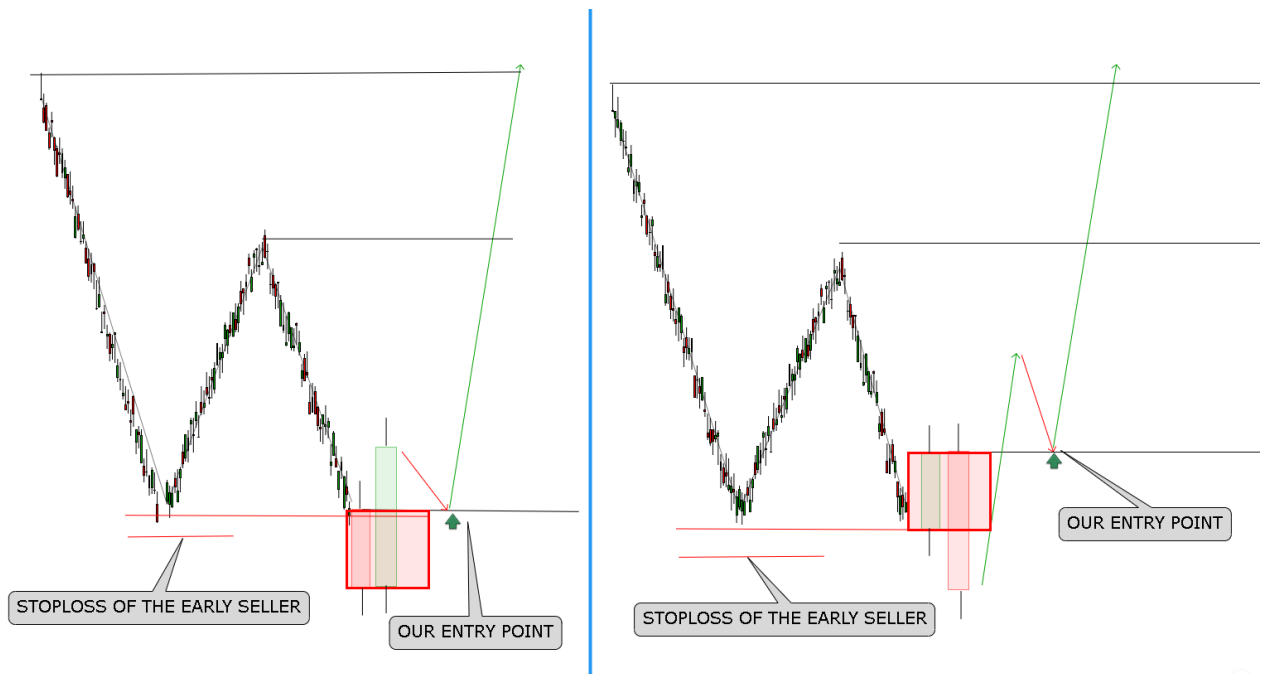
We see that price come back into the red zone one more time then drop, leaving a wick. Having a limit order at the level of the contract block(supply level), will put us into a nice winning trade.



At this moment, as you already know how this pattern look like in real market price, let's show you the designs, so you can have more understanding about how this system is working.



This is the repetitive pattern that happens on an uptrend. And in the same way, that is what happens on a downtrend as the market is in constant search for liquidity before making huge movement.



We'll see an example of the latter case:

Once we identify the events happening in this figure below, we have to be more patient than others, and look for our confirmation before taking action. This will increase our confidence.

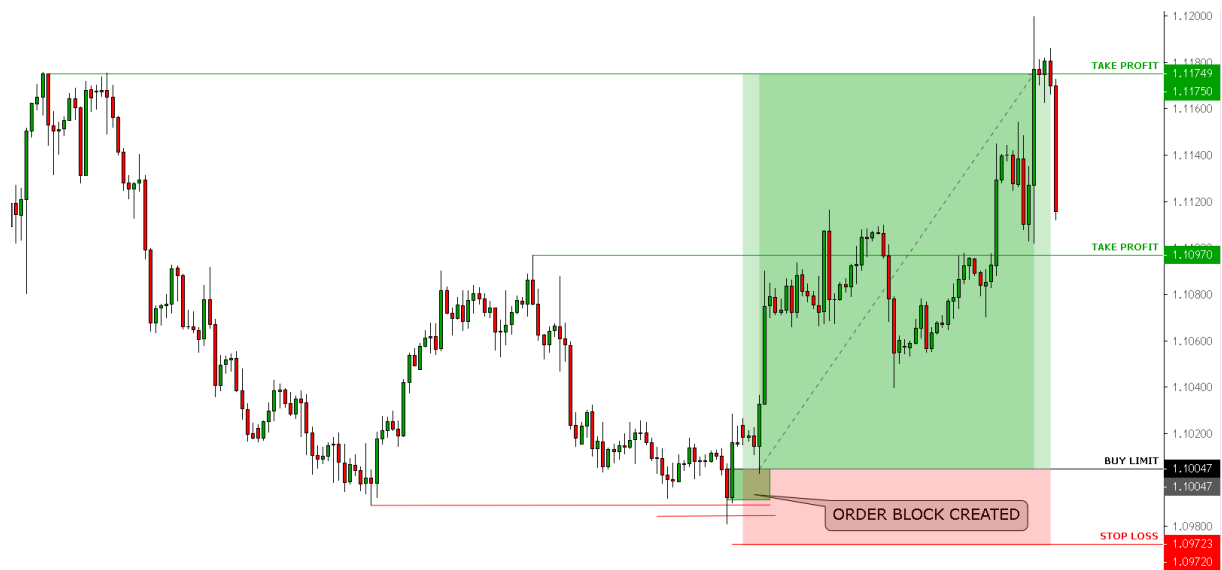


After their stop-loss get taken and liquidity meet, price ready to go, drawn a bullish engulfing candle, created an order bloc, in this figure below.

Now, we have to wait for a retest, so we place our buy limit order at the green line and expect price to executes our order and goes up.



Here is what happen, below: this result a winning trade with huge risk reward ratio.



The following example was a stunning trade that was sent in our telegram channel in real time using the same system.



And we see the result was a great winning trade with a risk reward ratio of 1 to 3.

You can now see how the powerful the systems are.



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## HOW TO TRADE PROPERLY WEEKEND GAP :

Since the Forex market is traded 24 hours a day, five days a week, gaps within this market are often seen during the Sunday open following the Friday's close EST and are called WEEKEND GAP.

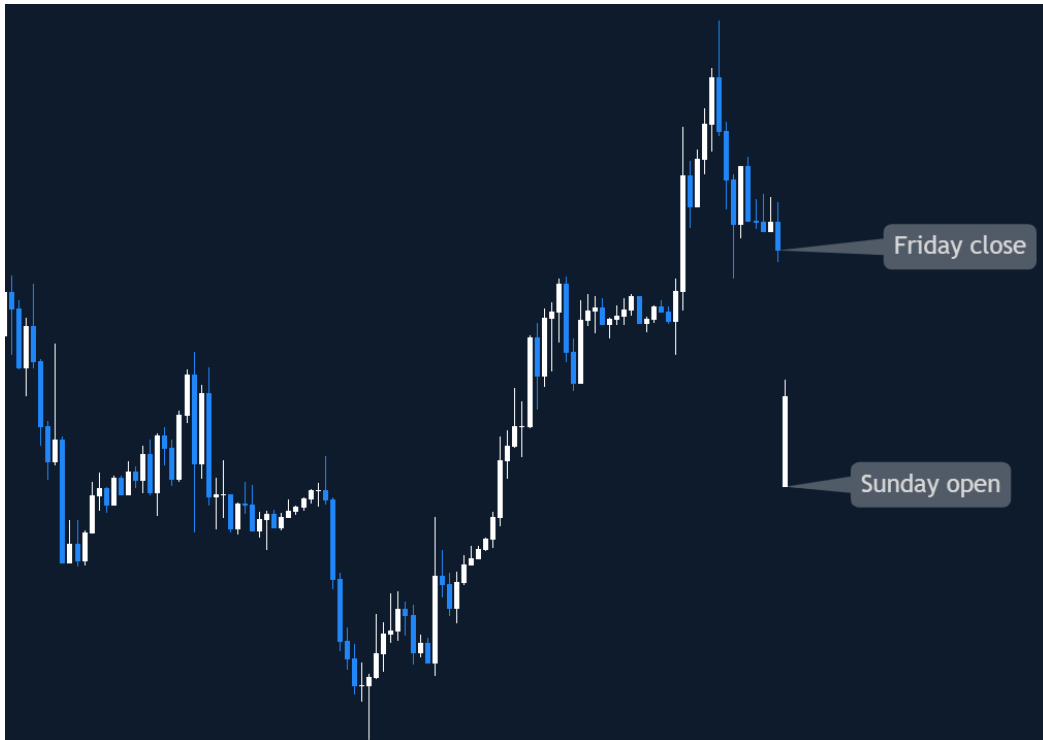
Weekend Gap is a sharp break in price with no trading occurring in between. In the forex market, it occurs over the weekend because it is the only time the forex market is closed. After the gap occurs, price have a tendency to reverse and "fill" the gap. Weekend Gaps are rare but very effective and can provide high probable trading opportunities.

When it is a Price Gap Down: We can sell when price retest the resistant line and place our stoploss above the zone which is like a supply zone.

When it is a Price Gap Up: We can buy when price retest the support line. SL below the zone which act like a demand zone.

Let's take a look this example below:





We can see price leave a “hole” between those two previous candle witch are the last one hour candle before market close at Friday and the first one hour candle after market open on Sunday.

This empty area is our weekend gap.



This gap is telling us that Institutional traders are selling heavy and price just created a strong supply zone.



We will patiently wait for price to pullback and retest this zone where we can take sell position.



For a weekend gap, we usually set limit order with a stoploss above our supply zone because the zones are usually very tight and price retest it with a simple weak.



And we have to simply do the opposite for a gap up. Let's see another example below.





We can see price made a gap up on this h1 gold chart.



We can now patiently wait for a pullback while setting our buy limit order




---

## HOW TO TRADE IMBALANCE?

Now, it's also important to realize that Imbalance is a type of gaps that can and do occur during market hours. More specifically, these types of gaps occur

most often immediately after an important economic news release, or unexpected geopolitical event during the trading session and they create an Imbalance between supply and demand.

Imbalance is basically an excess of buy or sell orders for a specific security. It shows large candle body and empty space from wick to wick and usually be filled giving potential trading opportunities.

Let's take a look at the chart :



As we can see here, we price is making a series of Lower Low and Lower High. We can say that this a downtrend and we are only looking to sell at the best supply zone.



Then we see a large candle body leaving an empty space from WEAK HIGH to WEAK LOW. That empty space is called imbalance between supply and demand or between sellers and buyers.

Usually, price will fill this empty space before by pulling back to the zone before going down further.

And it gives us opportunities to sell with the downtrend.



After price retrace exactly our supply zone, it is time now to monitor a confirmation to take sell position with the trend.



At this moment, we saw price broke down previous market structure, so we have price is telling us that it could continue going down.



And price give us signal to sell once the confirmation is validated by retest and bearish candle confirmation.



Yes, we could do that and place our stoploss above the zone but waiting for confirmation can increase our probability to win. But both entry can be implemented in our trading plan.

And as Jesse Livermore once said: "Do not anticipate and move without market confirmation—being a little late in your trade is your insurance that you are right or wrong."

## CHAPTER 10 MONITORING FINANCIAL MARKETS

Many beginners tend to check their trades every two seconds ( micromanagement). It's not professional and it will not help, quite the opposite it is very stressful. A crucial time to monitor trades is in the morning to see the status of recent trades and other trades already executed. Even in the morning, you can update your journal in a couple of minutes.

If you have experienced losses or profits during your time outside the markets, it is essential that you update your trading journal. The only way to know if you are progressing is to write your results in a journal. In This way you will know if you are making progress or not.

Write the results, save screenshots, is crucial to progress. A good trader built his trading plan and execute his plan as he had planned.

The goal is to then adopt a semi-automatic behavior to control a strategy and a routine to identify optimal scenarios to trade and win and have a life besides.

All this set of elements will bring us closer to what professional traders actually do.

On the other hand, professional traders have some currency in their trading portfolio, they filter the best scenarios. It is not productive to analyze all the pairs, you will miss a lot of setups with high probability. Do as the pros and focus on a few until you master the pairs.

trading multiple currencies increase the risk in trading. At the beginning we suggest to focus on a few pairs. Particularly significant: **EURUSD, USDCHF NZDUSD, USDJPY, GBPUSD. Or even just one**

It is suitable to check the market at predetermined times during the day to create a effortless disciplined routine to transform trading into a new source of income and not something that one does when one has free time or when one is bored.

Good traders tend to check the market at the opening of major stock markets such as London and New York. Because that's where we had huge volatility spikes



On the other hand, if you check the market at predefined time, you can make external trading activities without stress.

One thing that makes the difference with pro traders is that in their experience, they have mastered their strategies, currencies and their plan and trading system. This allowed them to have a clear trading routine and transform the trading into something natural, effortless and boring, not necessarily as you imagine (living behind a screen).

#### TAKING TIME OUT OF THE SCREENS:

A very important tip: In trading, it is very important to take some time off the charts. Professionals understand that it is essential to stay out of the screens to balance psychology. Sometimes, investing a lot of time behind the screens cause overtrading and toxic habits

On the other hand, it is very important that after a trade, whether won or lost, it is better you an instant Head off the market because emotions affect well after each trade. The best way to avoid emotional trading is to take breaks, or just do something else right after a trade, take time away from the screens. If you took trades previously you have calculated your risk before you should be in a “Set and forget “ mentality”.

You do not need to stay 24/5 behind screens and burn your eyes with technical analysis. You need to have an extra life and do not forget the people around you as family and friends. You need to have hobbies that keep you distracted, enjoy life.

Your external well being will have a strong impact in you trading performance

Professionals traders spend little time in front of their screens. They understand that trading is nothing more or nothing less than tool. This business may be one that allows you to get financial freedom or just make you lose all your money. Trading is a double edged sword, for those who master, their lives will change. Imagine, you only need an Internet connection and a laptop to do make money.



---

## HOW TO BUILD A TECHNICAL ANALYSIS PROTOCOL WITHOUT HAVING A HEADACHE? (OUR OWN REVEALED)

Monitoring our charts in the same way is an essential way to improve, it will make you win time . You can't just open a chart and randomly start drawing things. You need to get within 30 mins a indication if your system will potentially give you a opportunity or no.

In that way in the next section, we'll share an example of how we should proceed to analyse a currency pair.

Each person has a personal process, although we will share ours protocol to inspire you.

We start analyzing in macro time frames then we scroll into micro time frames.

with a little more experience, you'll know exactly what to do and what to look for automatically once you open a chart

### 1: MONTHLY TIME FRAME

---

-Draw significant supply or demand zone ?

-is the previous candle bullish bearish or consolidating?(that indicates if the previous month we had a bullish or bearish or consolidating tred.

### 2: WEEKLY TIME FRAME TO TRACE THE WEEKLY LEVELS

---

- Draw supply or demand

- look past candlesticks, there are recognizable patterns? the price is close to a supply or demand level. Ask yourself what the candle of the last week is trying to say to you?

-From where the price is coming where the price is going

### 3: DAILY TIME FRAME (MACRO TIME FRAME)

---

-Draw relevant trendlines

-Check the 50 ema

-describe the previous daily candles

-Spot Macro buyers ( demand ) / sellers (supply)

-check if there is any institutional number

-Check the fibonacci

-Add psychological numbers

### 4: H4 TIME FRAME (MESO TIME FRAME)

---

-Is market dominated by sell ofv or buy ofv?

-from where the price is coming and where the price is going

-Draw supply and demand in h4

-Spot key areas

-Draw order blocks

### 5: H1-M30: TIME FRAME(TRADING TIME FRAME) EXECUTION

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-Draw counter trendlines

- Spot intraday supply and demand areas

-Place the Fibonacci retracement tool and Wait until the price reaches a retracement level and print a candlestick pattern confirming a continuation or reversal.

-Execution

---

## MONITORING ADVISES

Don't micro manage your trades. Do not focus on a single m5 m15 m30 or even h1 candle against your trade idea.

Use one single or two time frames to manage your trade = daily and h4. Forget the rest. Here's other advises

-Remember to find supply & demand areas to see if there is any potential manipulation.

-take no more than 3 trades simultaneously, obviously if you have the opportunity to put your stop loss to breakeven, you could intelligently consider to open another trade and only if there is a good setup

-Always calculate your amount that you are going to risk on a trade. Be honest with yourself and get the mindset set and forget.

-Never risk more than 2% per trade.

-Think in terms of %, forget the money for a while, forget the pips.

-Use a trading journal where to note your thoughts and mistakes. Keep it as clean as possible working, organized annotations, and always self-reflection

-At the end of the week recap the week, review your trades, correct your mistakes and make less of what gave you bad results more of what it gives you more results and thus prepare for next week.

Although it is not in our nature to want to face our mistakes but now is something that you should always do, this is the only way to improve.

## HOW TO BUILD A TRADING PLAN ?



Okay let's talk more in detail. What you are learning here is the footprint. However it's up to you to build your OWN trading plan that's why in the previous image you will find 7 criterias that you must predefine by yourself.

1 - We have 3 time frame categories macro ( monthly, daily h4 weekly ) meso ( 4h ) to manage and micro time frame (m30-h1) to execute

2- 1% in every trade

3-Conditions : we like to trade trending trades with strong market flow. in uptrend we buy in demand zones in downtrend we sell in supply zones.

4- The markets we trade are liquid major pairs. We don't really deal with exotic pairs or any other shitty instrument.

5-Our entries are simple if price is in a demand level in macro time frames we will wait for valid micro signals. We can also use the patterns we teach such as a CPR trap , fake out etc....

6-Our stops are always behind supply and demand

7- our targets are wider when we are following the trend(HPT TRADE). Our targets are located close to the first obstacle when we are executing a countertrend trade(LPT TRADE) . We prioritize following the trend and setting targets a macro zones that can act as obstacles.

Without ABC'S, you can't create words.  
Without the words, there are no sentences.  
Without sentences, no paragraphs.  
No paragraphs, no story.  
No story , then no idea what's going on.  
No idea what's going on= GAMBLING

---

## THE IMPORTANCE OF MONITORING OUR TRADES

It is very important to follow the evolution of a trade, why you should note:

**Before:** Once a technical analysis was carried out with a trading plan and the estimated entry point you have to take a screenshot or URL image capture. Put a small text explaining the context of the planned trade or pattern taken.

**During :** While the trade is underway, and especially if it's a swing, it is necessary to analyze the behavior of prices in the obstacle approach. This will allow us to go on the offensive if necessary. Please note that during this period we can be very sensitives to any market information. Our aim now is to avoid micro management . Do not focus in the m30 m15 m5 be patient , manage your trade in h4 in that way you will avoid self sabotage

**After:** Once the trade has been closed according to the analysis or not, it is essential to save a second screenshot. This screenshot will allow you to have a model for the whole further trades to be avoided or performed. You will already have in mind what types of scenarios work well and which do not work.

If the trade has developed as expected, congratulations; Keep doing what you are already doing! And concentrate to repeat it. Find the same type of scenarios.

However, if you fail, you now have the equipment that will help you understand what exactly happened and this will avoid making the same mistake in the future.

It is imperative that you remain disciplined and aware of your take notes. Not only it will become a base for your current performance, but also demonstrate how you have improved.

All traders will see the market in a different way. It is important to note all the characteristics of all your trades in a spreadsheet.

By combining a spreadsheet and a written journal, you will have a complete formula to monitor your evolution. This formula will help you become a successful trader.

---

## HOW TO USE A SPREADSHEET TO TRACK MY TRADES ?

As explained above, it is essential to keep a history of each trade both in a writing journal and on a spreadsheet. You must follow a strict procedure. Before getting into position and when the trade is being closed. We recommend that you add the following information:

1. Pair
1. Type position (buy or sell)
2. Date hour
3. Size of stop-loss
4. Percentage risk per trade
5. Ratio Risk-awaited return
6. Gain or loss
7. Pips
8. Money
9. URL screenshot
10. Comment to progress

The trades recap should be archived. Nearly 80% of traders do not take the time to document their progress and failures; they did not even document why a trade failed. If you aspire to become a successful trader and profitable, self-evaluation should be initiated since the first trade is made.

It must become a strong habit , it leads to success if done consistently.

Creating a spreadsheet is not difficult, however, keep the spreadsheet updated is where most fail, it must be a discipline. The completion of the spreadsheet should be part of the routine. Many traders get complacent and say "I'll do it later." Before you know it, you do not remember half of the information, which leaves you with nothing to evaluate and no progress to see ...

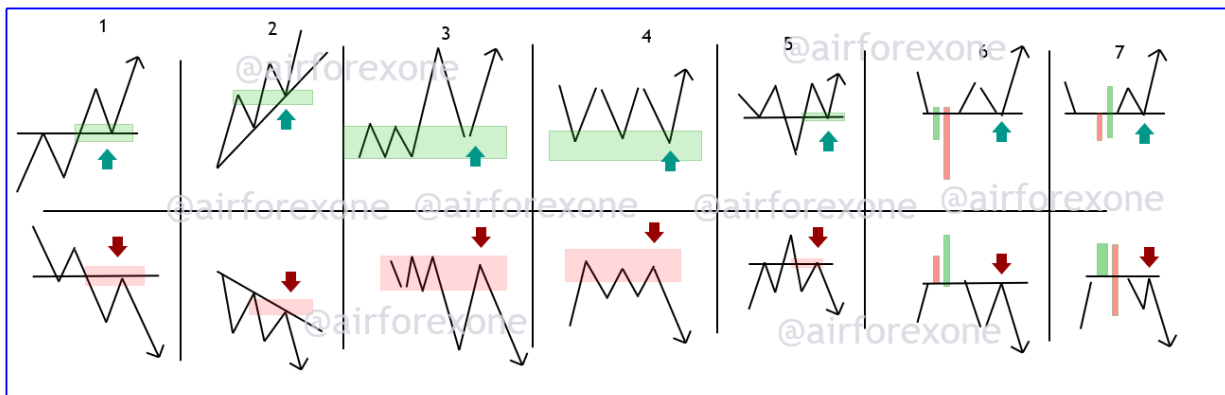
We will give you an example of a spreadsheet ( at the end of the book you can download it)

You can add or delete some things it is just personal.

## HOW TO CORRECTLY EXECUTE : GUIDE TO GET A FLAWLESS EXECUTION?

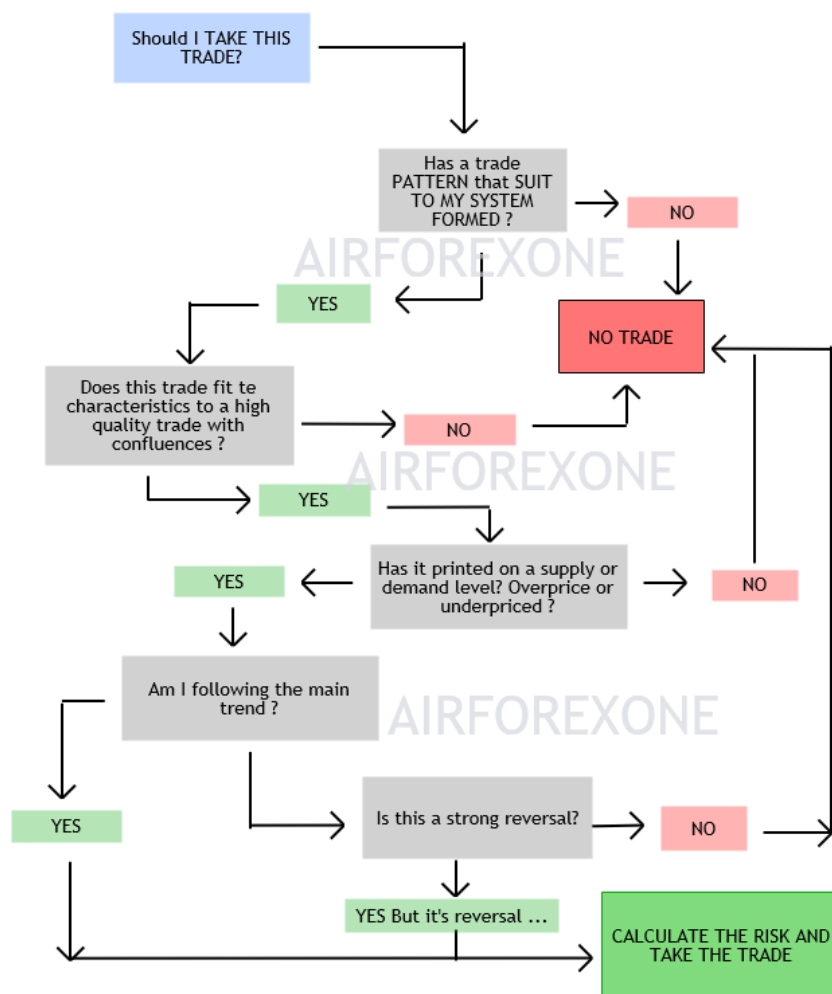
More simply, you need to have a ABC guide with a set of requirements or rules to follow to execute, and close a position without any hesitation. This means that for every situation a trader must be prepared to follow its rules and if the market shows conditions that do not go with your trading plan you should not take this trade in that market conditions...

### ALL THE PATTERNS THAT WE TRADE :



You can check the previous chapter, we do not take random trades. By trading it we know how profitables can be only if they are with confluences!! Now that you have this let's see how to get flawless executions:

## OUR ENTRY CRITERIAS



The image from above shows a specific and very effective example of an entry plan to respected before opening a trade. We also invite you to use it as a template so that you can possibly build your own.

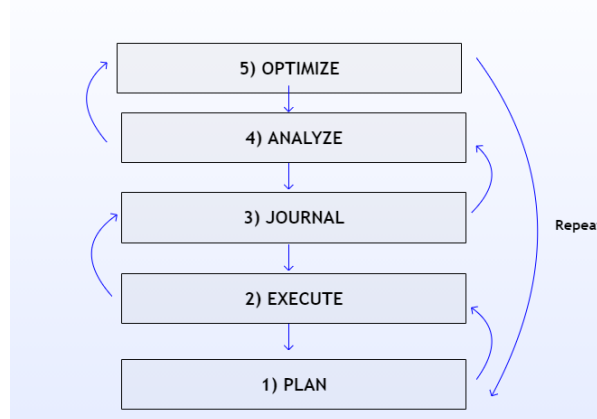
On the other hand, you can personalize it with things like:

- Do we have closed Japanese candle that confirms our scenario?
- Are there significant economic news in this pair today?

Trading is very personal and we invite you to build you own entry conditions and track all your own conditions to follow

## 5 STEPS TO IMPROVE YOUR TRADING

### HOW TO IMPROVE MY TRADING?



This 5 steps system is an approach that has a 99% success rate on a long-term basis. The process of continuous optimization is a great combination which allows people to become aware and improve as a trader

#### PLAN

In this moment you should have a predefined potential edge criteria: your goal is to find opportunities using the same similar approach . You need to find a predefined and specific time frame that suits to you and your trader profile. By other side you need to have predefined risk management , market conditions, entry criteria's to get flawless executions , exit criteria's and a profit taken system.

#### EXECUTION

In this phase, you need to get confidence to execute and apply your previous potential plan. You need to build discipline to follow it. If you want to get consistent profit extraction in a calm state of mind from the market, you must build a strong confidence in you plan in order to execute. No hesitations. Those who make it in this business were strongly confidents. they made a decision to either figure it out or die trying. They have burned the bridges. Victory or death.

#### JOURNAL

If you don't collect data , you won't be able to collect data from your mistakes= you will continue to gamble and repeat the mistakes. A mistake repeated more than once is a decision made by the unawareness

## ANALYZE

Your goal here is to understand your perception about the market, perhaps your system and plans are profitable in the long-term. maybe your trading errors are mental perception of fake neuro-associative conditions. If your goal is to trade like a professional and be a consistent winner, then you must start from the premise that the solutions are in your mind and not in the market. In that way a study of the risk is a study of yourself. You must analyze the way you find good deals , the way you execute those good deals and the way you let those deals play out.

## OPTIMIZE

Do more with less of your resources.

Think fast and think slow at the same time.

Optimization process in trading should be taken from another perspective. Instead of trying to optimize the "holy grail" you should improve your mental game.

Trading is a mental game, and the more you trade, the more you will realize it, and the more you will believe in its importance. We haven't even begun to scratch the surface of the psychology of trading, yet most traders would rather focus on which time-frame to execute... what indicators to apply, or do I place the trend line on the wicks or the bodies.... All these questions are completely useless and irrelevant if you have a flawed psychological foundation. It will only frustrate you further when you still can't seem to find consistent profitability. All the analysis and analytical tools in the world will not fix a weak psychology. Instead of trying to improve the plan , try to improve yourself applying the previous plan .

---

## HOW TO EVALUATE OUR AUTOCONTROL IN ORDER TO PROGRESS?

Most times, when a trader makes a mistake, he will notice this error and will also include the consequences of suffering. Through his monitoring of trades, it will be able to progress, There are some very common mistakes that we invite you to take notes so you can avoid them.

### **These errors include:**

1. Very large lot size (lots of risk)
2. Move the stop loss very early or too late
3. Too many trades at the same time
4. Enter early or too late
5. Close a trade early or too late.
6. Trade against the trend
7. Trade disregarding fundamental news
8. Random execution

Throughout your adventure, you will surely meet your inner demons, despite this, it is a great journey of self-development and discipline as well as in trading and in personal development.

In addition, There will always be a temptation to execute a trade for the simple fact of being present on the market but do not worry, the market will always be there! From the moment you open your laptop in the morning, your mind will be programmed to find your next trade, even if there is not a good opportunity. Understand that every day is not good for trading.

The expression that overrides this situation is that "less is more" sometimes to not trade is to trade.

The feeling of wanting to be always present in the market can lead you to enter in every configuration you see when you are in front of your screens. In an industry like Forex, only those who exercise self-control will be rewarded with positive results and consistent profits.

Therefore, it is essential to know the different scenarios that may arise, and to recognize when it is appropriate to enter a trade and when the market should be avoided.

In fact, more than half the time, the market does not provide a solid trading configuration of high probability. Once you are an expert in technical analysis of

price action, you'll be able to recognize the consolidation steps that can be for days, weeks or even months. These are periods when you should take a break and divert attention to other currency pairs.

---

## ANALYZE YOUR PERFORMANCE VIA MYFXBOOK

You probably want to know how your performance is good or bad before you start trading with real money, so we invite you to read the next section.

First, it is important that you create an account in myfxbook.

<https://www.myfxbook.com/>

It will be easy to track your progress.

All you have to do is synchronize your trading account with the platform and you're done.

You can for example:

1. Analyze your account with advanced statistics to understand your good and bad habits as trader
2. You will be able to compare and improve your trading skills.
3. Organize and monitor the process of all of your trading systems
4. Follow other traders to improve your trading skills

The only way to start trading with real money is by getting results consistently for months and months.

**You won't be able to improve if you don't measure it. Your personal learning curve starts here.**

---

## WHAT METRICS TO COLLECT IN ORDER TO IMPROVE AND WIN MONEY?

- **Performance as a function of pairs**—This can tell us the pairs we trade best, and it can also highlight where the greatest opportunities lie for our styles of trading. Best traders are specialized
- **Performance as a function of market condition**—Uptrend, downtrend, range, reversals? Strong trends ¿ slow trends ¿
- **Performance as a function of time frame**—When traders hold positions for varying time frames, it's not unusual to observe strengths and weaknesses in performance. For instance, a trader might be quite good at spotting entry points and making money on short-term moves, but lose any edge when holding positions longer.
- **Performance as a function of trading activity**—Some days and weeks, a trader may establish a large number of positions. Other days and weeks find more selectivity among opportunities. Overtrading is a huge mistake
- **Performance as a function of position sizing and risk taking**—Traders sometimes are more nimble and see markets more objectively when their vision is not clouded by performance pressure. Knowing the risk levels that correspond to your best trading helps you find a different kind of sweet spot. Risk less than 2% always!
- **Performance as a function of setup**—Entries are often predicated on particular patterns occurring in markets: Retest patterns common confluences , afx1 sniper entries, supply and demand patterns
- **Performance as a function of recent profitability**— Breaking down your future profitability as a function of P&L can tell you whether recent wins or losses might be biasing your trading decisions. For example you will be emotionally affected when having a bad losing sequence.

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### 3 KEYS TO WORK ON IT IN ORDER TO IMPROVE YOUR TRADING

Okay this part is very important yet no one talks about it. In order to have a profitable system you need to respect 3 criterias : **PROPER ANALYSIS , A FLAWLESS EXECUTION AND A PSYCHOLOGY**

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#### TECHNICAL ANALYSIS

In simple words is the skill to find a good deal or identifying a good and valid setup . The key here is to conduct the analysis of a chart in order to have a simple stepwise A , B ,C in order to spot a opportunity. The key is to identify good deals . Your aim is to respect the market psychology : buy cheap sell expensive . All the tools shared in this book should help you with that : supply and demand , pattern manipulations , fibonacci , and supply and demand entry patterns . you just need to backtest it and collect metrics.

---

#### FLAWLESS AND CLEAN EXECUTION

You need to get an A , B ,C process to execute.This act in theory take less than 30 seconds. However it is the most complicated , most executions are very far from flawless , most are more similar to “random “executions. We all have been in a situation to fell regret after taking a trade when we did not have an edge. Every single person execute, it's very easy . But the key is to execute flawlessly and without the slightest hint of hesitation. In order to do that you need to build confidence by multiple setps : first is by backtesting the patterns from this ebook . Then if you want to trade without fear you need to trust in yourself and respect your capital with a strong risk management .

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#### STRONG PSYCHOLOGY ?

This begins post entry, just after you click execute and enter the market. Notice the difference between the state of mind pre entry and post entry. When there is money on the line and when there is nothing on the line. For some reason , even a candle that prints against the moment after they enter may be enough to force them to bail out of the trade , and truly bother them when it ends up going their way.

The psychocology part of trading is the most misunderstood up going the way. Your analysis can be perfect and you can have a flawless execution, yet you may still fail to make consistent money. So perfecting the analysis and the flwaless execution is not enough. The psychology of trading is the ability to allow the tradel to play out as your analysis has determined, musy deeply understood.The

human desire to self sabotage and repeatedly do that which harms them must be understood at the deepest emotional levels in order to fix it. You need to get to a point in which the market information is no longer a threat for you.

If we talk about threat we need to mention fear.

**Fear of losing , Fear of missing out ,fear of distributing profits , fear of being wrong. In the next chapters we will discuss more about this.**

By the moment you just need to keep in mind that in order to get consistent money from the markets you need to work in 3 main criteria : technical foundation , flawless executions and a good psychology.

## CHAPTER 11: HOW TO IMPROVE THE PSYCHOLOGY IN TRADING

AIRFOREXONE has enough experience to know what is the suitable psychology behind a successful trader.

Most novice traders are experimenting with similar thoughts and emotions in front of the charts

This chapter aims to teach a vital lesson that makes the difference between those who lose and those who win. The mindset and discipline are more important than the overall strategy and all the technical skills of a trader.

It would be a lie and very poor to say the success in the fx market depends only on the system, strategy and execution. Consistency and profitability are really determined by the mentality.

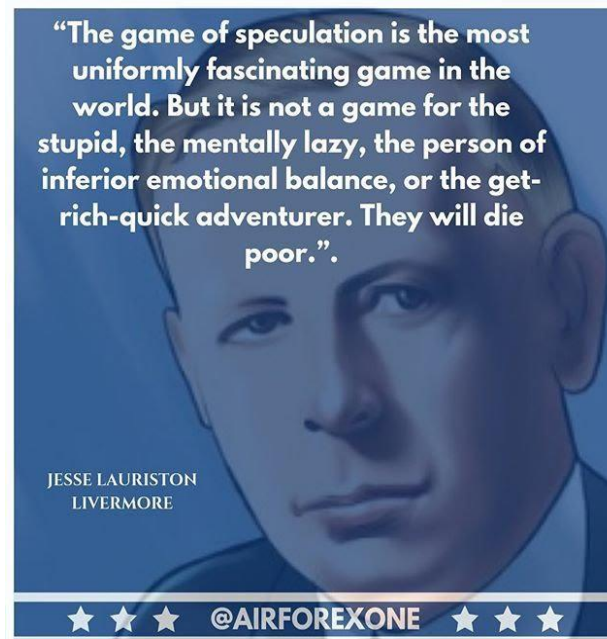
Our inner world determines the attitude, the attitude determines actions, actions determine the results to build a better life. The aim of this chapter is to both help traders to think of a way, but at the same time determine the right mindset to succeed.



Many forex websites and companies that claim to sell "magic courses" indicators will never tell you anything about psychology. Mindset, is the key that's why we want to reveal you valuable content

We prefer to tell you the truth and the truth is that the control of Price Action and having a simple system is a piece of the puzzle, but to succeed in this industry, we must go further and go further and fight against our own enemy: our mentality.

## WHY MANY TRADERS LOSE ? AND HOW TO DISOLVE FEAR?



Most people who try to trade forex lose.

There is a rational explanation for this: Most people assume that this market is a financial market to get rich quick. Many dreams are sold related to this industry on social networks and the Internet. Many people enter the markets with unrealistic expectations, thinking that they can drop their jobs after a week or a month or even thinking they will multiply 1,000 euros and turn them into 100,000 euros or dollars in a few weeks or months .

This is absolutely the wrong state of mind!

The foreign exchange market is an investment, not a gamble!. Trading aims to build wealth through time.

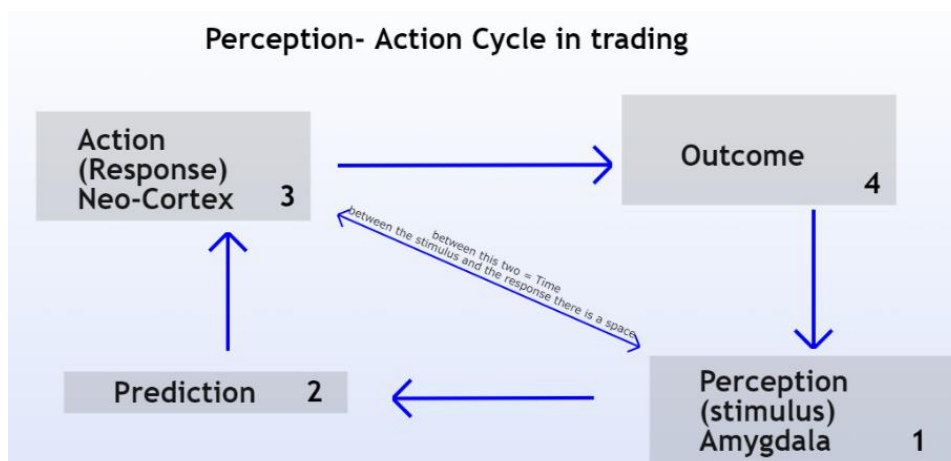
Hence the myth that some people think the market is like a casino, it's because people are so greedy they think they can make a fortune overnight and end up losing all their money and have a bad image of forex.

Such unrealistic expectations will undoubtedly work against you and only give a state of mind conducive to blowing an account.

You will feel pressure and you feel a "need" to make money on the market as soon as possible, which inevitably forces you to make irrational decisions.



## HOW YOUR BRAIN WORKS WHEN TRADING?



**What does this have to do with trading? Everything. Trading is mental.**

Your trading errors don't come from the market, they come from your own perception and reaction about the market information.

Neurons are what transmit information to different parts of the brain. The stimulus starts in the amygdala and then move into the neocortex. Your brain and memory react with past information. These neurons will start to associate themselves to respond. Between stimulus and response there is a space. In that space is our power to choose our response. In our response lies our growth or stagnancy.

### Trading examples :

- In trading you will feel the pain that you experienced from that previous loss and that will make you feel afraid for the next decision. You won't be able to execute once the edge appears in front of you.
- If we had a major win, then these neurons will start to associate themselves to the pleasure that you experienced from those profits.

**However, neurons do not have a mind of their own, and they are simply doing their job by transmitting information. That information can either be right or wrong! We can develop false or negative neuro-associations throughout life.**

FOR EXAMPLE:

- Drug consumers will associate pleasure and freedom to the consumption of any substance forgetting the long-term outcome
- smokers will associate pleasure to the inhalation of a cigarette, instead of the pain that could be caused by cancer.

- Some people associate pain to falling in love if they have experienced a bad breakup, and they begin to create a negative neuro-association to entering into a new unique relationship.
- Some will associate fear to every dog they see in the street if they have experienced a dog attack before.

### **But how does all this apply to trading financial markets?**

Almost every trader has experienced the pleasure of making a large amount of profits, only for the market the reverse and it becomes a big loss. The brain will create a neuro-association that will link pain to a normal retracement in price. You will begin to equate a retracement to pain, and thus create a false neuro-association. You are going to close your trades with a simple pullback against you. It requires a mental process called neuro-associative conditioning. The negative neuro-associations must be turned into positive neuro-associations.

### **FOR EXAMPLE :**

- Is the market retracing ? Do not associate this with 'the market is taking my profits back!' but rather 'the market may be presenting me with an opportunity to add to my position because I'm following my plan'. This is a change in your neuro-associations; a negative one to a positive one.
- Do you have hope when a losing trade runs and you wait it to turn back into profit ? Do you feel desperation when the market is redistributing your profits with one single retracement when you have a trade running in profit? then change that and do the opposite. feel despair when a trade is running in loss and feel hope when a trade is running in profit. This is a change in your neuro-association; a negative one to a positive one.
- Did the market hit your stop loss ? Do not associate this with the pain of losing money, but rather associate it with the fact that the probability of the next trade being a winner will stay because of your profitable system. Losses are part of the game This is a change in your neuro-association; a negative one to a positive one.

Do you feel great after a massive win ? then change that and feel protective about what you collected. this is a change

This is a powerful process that is difficult and requires a lot of practice, years ! but it can be used to change almost anything or anyone. Hope this post was helpful .

## **Fear of losing money , Fear of being wrong , Fear of missing out , Fear of distribute Profits! 1**

### **Your aim now is to trade WITHOUT FEAR!**

**Problem:** If there is fear, it is because there is a lack of confidence in the plan or strategy or just you are taking a lot of risks.

**Solution:** Patience, experience, risk less, take out your emotions when trading.

It can be very easy to be afraid of the market, especially if you are a beginner and you do not have a plan or a trading strategy set at 100%.

If this is the case, you should not be near a real account. Fear can also be created from a series of losses, giving the impression that there is no hope in sight and can definitely give confidence kick and make us raise the arms.

It is important to note that even with a winning accuracy rate of 80%, there will be a series of lost trades, the goal is to stay cold . fearless and harmony, for this, we will gain confidence in a demo account with our plan and strategy.

On the other hand, fear can be experienced differently. Risking too much can be scary . There is a simple solution to this; you just have to risk as much as you feel comfortable with the loss, you must break this emotional barrier between you and your money.

If the loss will hurt, it is advisable to reduce the lot size and risk. Fear paralyzes the nervous system, thus severely limits the intelligent trading. Try to get into a state of mind of **set and forget** because you're just accepting what you can afford to lose.

Fear is natural because simply, nobody likes to risk money knowing that you can lose. But like any way to success, you must be patient and get rid of fear.

Fear is present after losing a trade, so it is advisable to know how to control it. Take a break, recognize your mistakes, correct them.

Success can not be rushed, enjoy the process because you are lucky to be interested in trading, it is one of the gates of freedom, but you must be patient and control the fear. The best is to learn to take out emotions . For example, if you have experienced a loss, take a break ,meditate.

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## HOW TO REDUCE DOUBT

**Problem:** We doubt of our trading plan or trading strategy.

**Solution:** Time and experience are responsible for us to gain confidence.

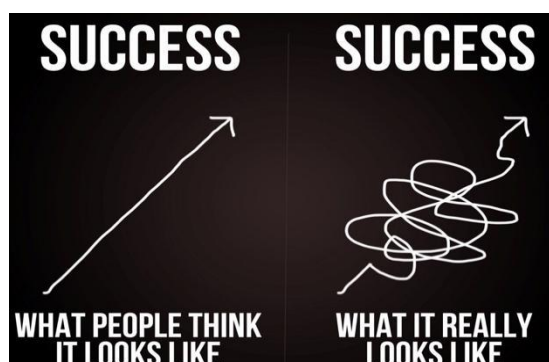
Doubt can arise after a few consecutive losing trades; very often it gives you the impression of not having what is necessary to succeed. We finish with tons of doubts about our trading plan and strategy.

Do not worry because everything is psychological. If you read this book , it's because you think and you know you can do it, and if you do not believe in yourself , you should start doing another activity.

Whenever you doubt from yourself, take a deep breath and stay away from the screen to take a break, return only when you feel relaxed. Doubt can be controlled by experience. During your first few months of trading, the question is quite normal, but use emotions as fuel for your progress.

No trader is profitable overnight, but we are more certain of anything, it is that each professional was once a beginner and lived in the same situation as you.

Our ABC execution plan is a amazing way to execute objectively without fear. We have previously backtested what we preach , then stick to this and do not doubt in the strategy



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## HOW TO FIGHT AGAINST EGO

**Problem:** The ego is responsible for the creation of excessive confidence, in a field where overconfidence kills since no one knows the future.

**Solution:** Keep your feet on the ground with our objectives, be humble and practice gratitude.

Ego is the most dangerous emotion. When you experience a winning streak, you will feel that you are on top of everyone and this can cause excessive confidence, but negative confidence.

When the price reaches the Take-Profit, it can make you feel as if you have the greatest victory, which brings you to fall into the illusion of "it's so easy." Stay humble, disciplined and remember this series of bad trades can always come faster than winning streak!

Another major mistake to avoid is that traders with ego can add positions when they see a trade that goes in their favor (or against them) they increase the initial risk without being tactical and strict to a plan. They tend to hedge position because they think they will always have a reason. They don't like to accept that they are wrong.

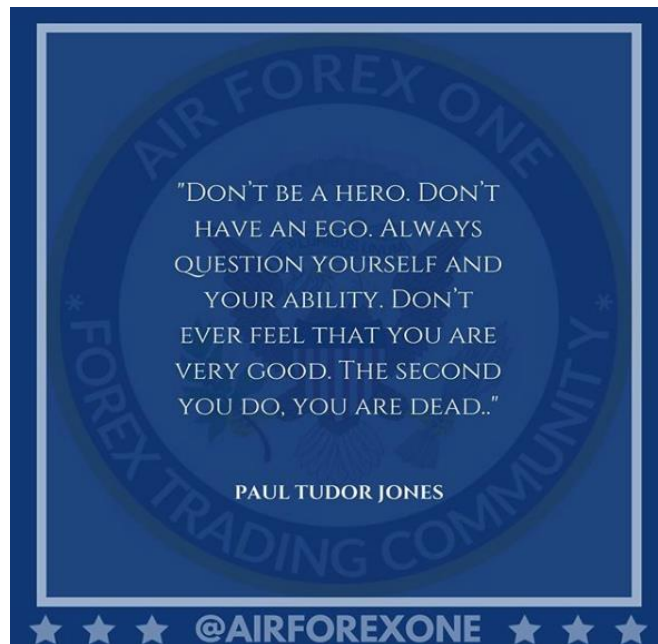
The ego that many novice traders ignore is the belief that if they could make 20 pips of profit using a lot adapted to \$ 1 per pip, they believe they can do the same, but with much more \$ 10 per pip! Each stage of development requires psychology and experience, do not try to skip steps, go ahead step by step. You will trade with big money just do not rush to start trading with lots unadapted to your account.

Not taking into account risk management in proportion to the amount of our account is a deadly weapon. Not only because your account has increased you should quickly increase the lot. We are here to get the skills to be profitable on a real account, not to play the Wolf of Wall Street.

The ego can be easily combated, all we have to do with our state of mind is to keep our feet on the ground, setting realistic objectives respecting risk management. When you win a trade, the best is to stay humble and practice gratitude.

Each trade is unique. Each trade is exposed to a loss. When you feel the euphoria before launching a trade, the best is to move away from screens for a while to come back with a mindset without emotions.

My worst losses were just after a very big consecutive series of winning trades. My ego was responsible for that. You should never trust in the markets or yourself always question yourself.



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#### HOW TO DEAL WITH REVENGE :FEAR OF BEING WRONG

**Problem:** Losing a trade after a loss and wanting to recover lost money without logic.

**Solution:** Stay away from the screen until you are in harmony with yourself, and forget about the previous trade.

This emotion is really one of the most difficult to fight when trading.

After a losing trade, you will feel vengeful; You'll want to get your money back

This is human nature, especially if you are those who do not like to accept a loss. To avoid being in this situation, one must understand that there are no certainties in trading, but only probabilities.

Every trade can be a losing trade, as mentioned above, each trade is unique. And you must not take it personally.

The worst decision you can make after taking a loss is to jump directly to another trade in the same scenario or another trade just by the simple fact of wanting to recover what was lost.

This may cause an even bigger loss, leading you to worst emotions like being angry.

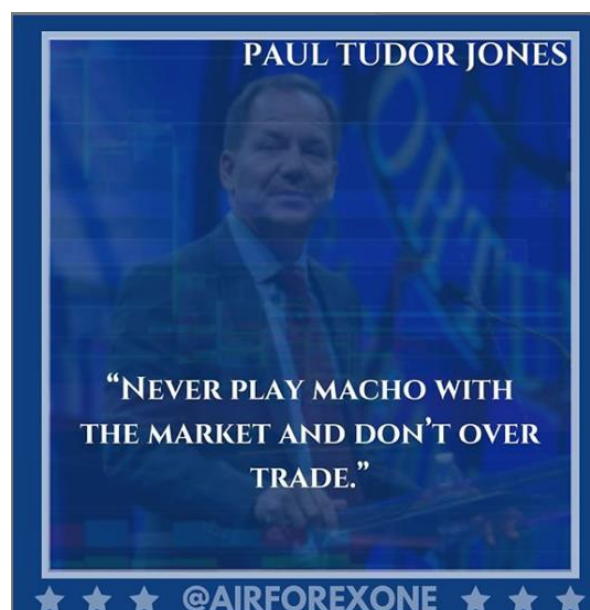
Being angry against the market, computer, phone or yourself will not benefit you in anyway. Instead, these emotions only worsens the situation because the market does not care who we are.

Even professional traders lose every day, so nothing should be taken personally. With persistent effort and hard work, you will win while others lose. We must now keep vengeance away from your mind.

The big problem with revenge is that it is the source of anger and hatred. These emotions can affect both your behavior and the behaviour that you share with others (friends, colleagues and partner).

However, if the risk was well managed, a loss will be part of the game. Emotions in trading involve a lot of work in the state of mind.

The time you take between two trades taken can define a lot.



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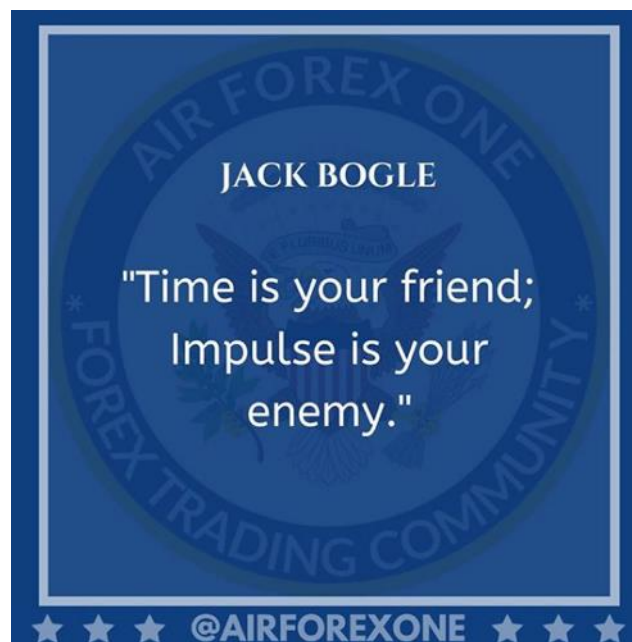
HOW TO AVOID FOMO:

**Problem:** Fear of losing an opportunity

It occurs when we enter into a trade because of the fear of missing the opportunity. We trade without a plan and without a sign of confirmation in our system by simply being afraid to miss a good opportunity. We take random trades

**Solution:**The market offers new opportunities every single day!,Trut me, I have years of experience here, and I can confirm that is better to miss an opportunity and wait for the next that get involved in a bad trade with a poor risk reward.

The FOMO is one of the emotions that we will face more frequently. It manifests itself in many ways and affects us when it comes to making decisions. Fear of losing an opportunity push traders to act without a plan and trade bad quality setups. Sometimes it push traders to convince themselves to take trades when fact there is no opportunities. Yo need to understand that market will not go anyway



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#### HOW TO UNDERSTAND HOPE: EXPECTATIVES

**Problem:** We expect something in return in a battle where nobody knows what will happen in the future. WE are afraid of being wrong and we create expectatives

When we expect something at it does not really happen we will be dissapointed.

**Solution:** Avoid expecting to have reason with the market direction. The best is to act naturally respecting the risk and avoiding the feeling of hope. If you are right okay if you are wrong okay.

If you have hope in a trade you will want to risk more and thus create hope for that specific trade.

Some traders make the mistake of taking a trade without stop loss. They expect in that specific trade to continue turns in their favor (they hope).

The problem with creating expectations is that we will trade with a “trade by trade approach”. That means that we will create emotional attachments to one particular trade. However in every single trade we take , there is a chance of lose.

We have to do the opposite and obtain a “series of trades approach” In other words we have to eliminate that emotional attachment to one particular trade and start applying the system the same way for every single trade we take.

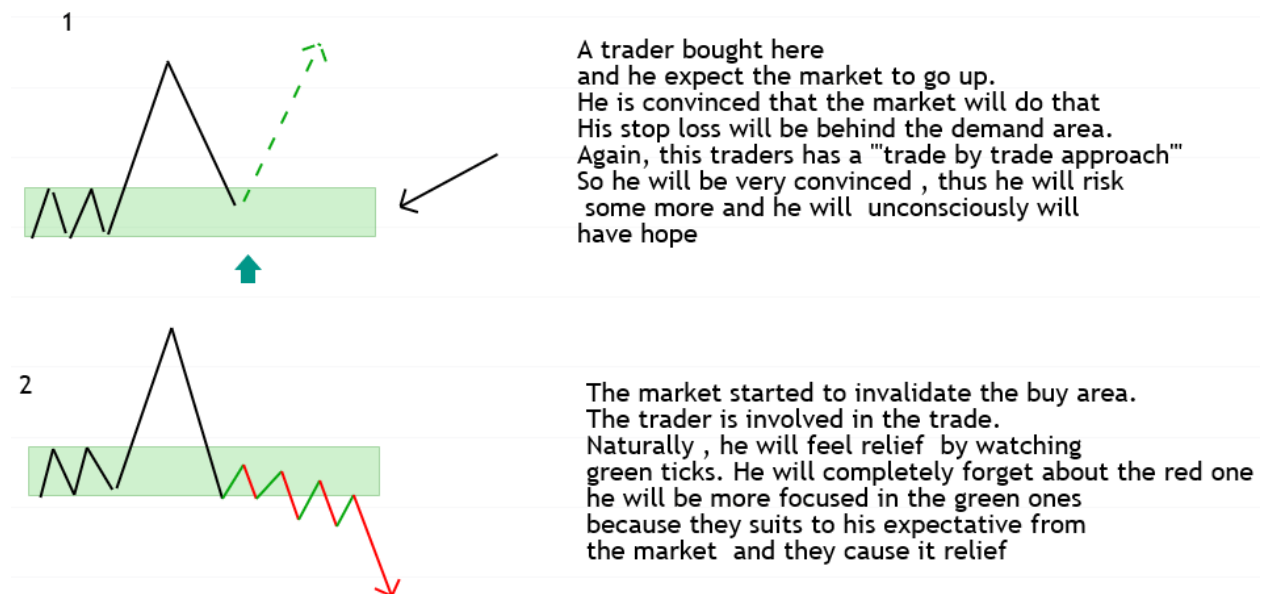
The reason why we suffer is because we expect something. Fear affect the way we perceive the information. Our interpretations comes from our believes.

Once we manage our interpretations , we manage the way we fell and the way we act

Let’s talk about other thing in relation with expectations:

Perpetual Blindness : Having the ability to perceive something but we are blind to accept it.

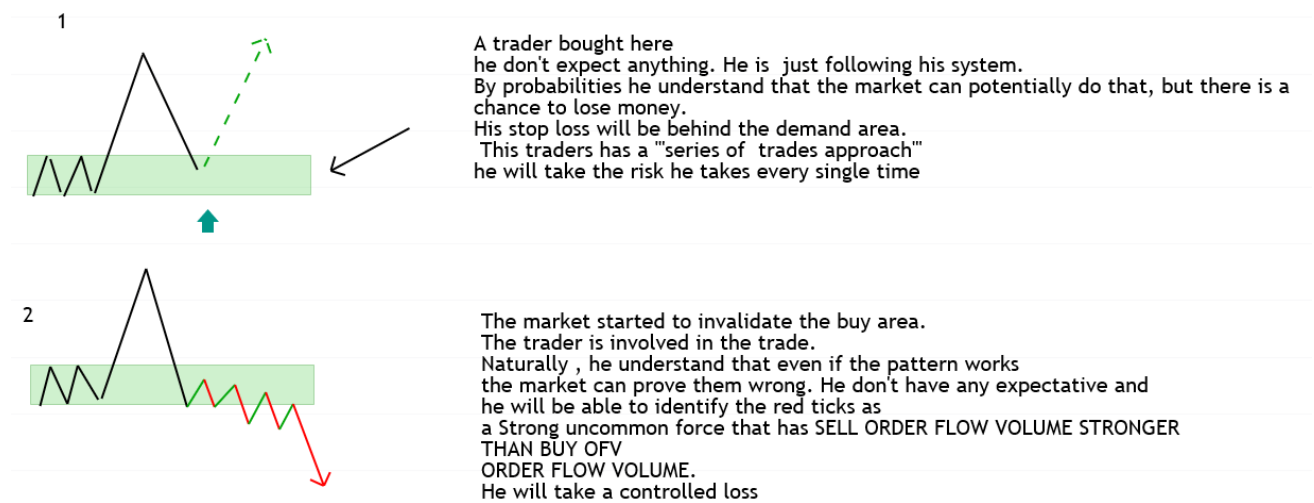
I know it’s hard to understant but with an example you will understand this.



Due to the fact that he is afraid of being wrong and he created expectatives from the market he will insconsciously build self protective mecanisms that work on a unconscious level. This trader can potentially quit his stop loss because he is convinced about his trade idea= That will lead you to take a trade with uncontrolled loss or hedge his position.

Without any expectancy the situation would be different.

Let's see the same example below from a trader that trade without fear of losing money and without any expectatives.



Do you see the difference ? It's up to you to sart trading with a different mindset.

Apply the same risk management and focus on execute your plan

In order to build a series of trades approach the following list will help you:

- You know which behaviours do and do not serve your purpose
- You are not picking individual trades, therefore no one trade has anymore or les significance than the others.
- You will gain a sense of freedom to flow in and out the market without any single internal conflit because you are not living or dying on the outcome of any particular trade
- By trully accepting that the outcome of this trade could be different you are managing your expectations
- You wont perceive the market info as threatnning
- You will be aspiring to trade without fear
- You will reduce the potentil to make toxic trading

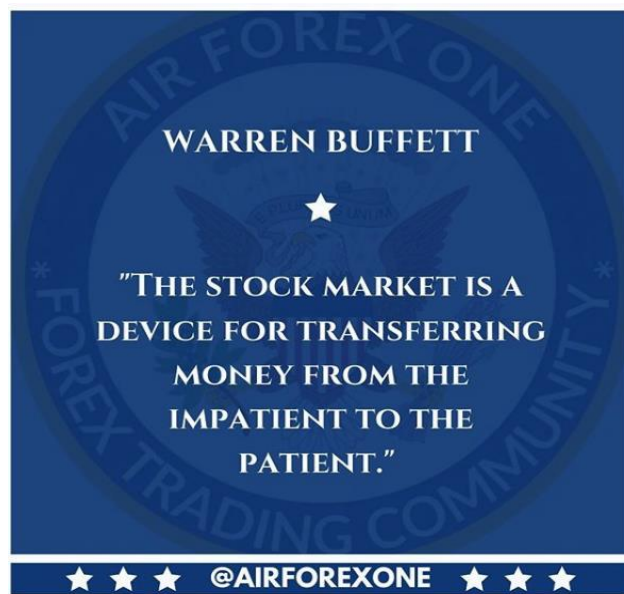
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#### HOW TO DEAL WITH IMPATIENCE :

**Problem:** Impatience can cause immature decisions and affect our decisions.

**Solution :** Stick Your Trading Plan, patience is a virtue. The money is made by waiting.

Much of the role of a trader is to wait, the impatience is very common, but try to stay focused and patient. Wait for closed candles . Wait for H4 candles , daily candles etc...



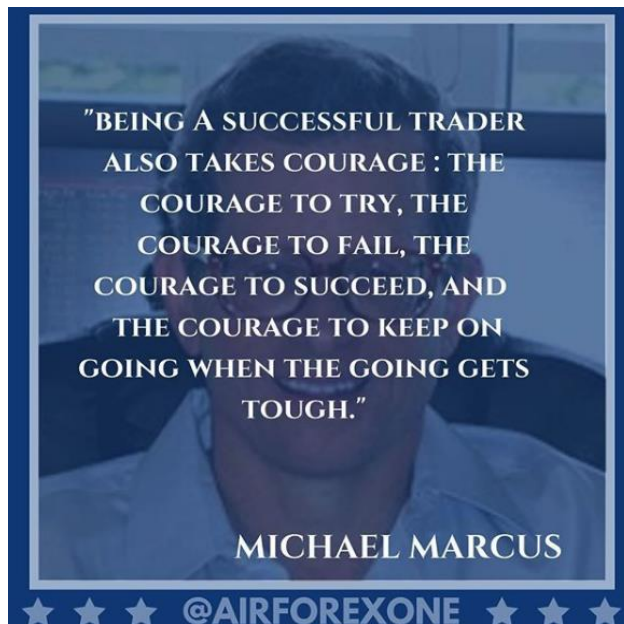
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#### HOW TO DEAL WITH FRUSTRATION :

**Problem:** Create a vicious cycle of negative emotions.

**Solution:** Keep in mind the ultimate goal: financial and geographic freedom that trading can offer, consider trading as a business and not as a hobby.

The frustration will be the result of an error due to previous emotions. When we lose a trade, money, we risk too much, forget our rules, we will be frustrated. This frustration will make us more mistakes, entering into a loop that we do not want to be in. Take a break and remember to consider that trading is a longterm game. It takes years to become an overnight success trader.



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## CONCLUSION:

the work and progress in trading should be done to condition the subconscious mind so that trading skills will be considered a genuine long-term business.

If we apply our trading plan properly, we respect the risk management , and we remain disciplined , there will be no problem to make trading a new source of income.

Although one thing clear, in 100 trades, even with a success rate of 80%, there will always be a chance to see a few losing trades in a row.

The best way to make psychological progress is to write every feeling and emotion felt before a trade, during a trade and after, that way you will establish a direct relationship between strategy, risk management and you will eventually find the way of success. As we always say with psychological improvement, we can do less of what it doesn't bring us results and more of what if bring us results  
How to build a proper state of mind?



Forging a winning mindset is what will determine much of the success.

Apply all that this book teaches you and you will see how the path of progress will open you the doors . Choose your trades carefully and trust in simply price action

The hardest battle is the battle you carry with yourself. Believe me that the combined compound with the desire to get from point A to point B through the trading is very powerful.

Keep your mind clear and focused on long-term goals.

The following sections are actions that you should apply daily to your routine to take advantage of the market.

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#### MASTERING YOUR OWN SIMPLE TRADING STRATEGY

Each trader has unique characteristics; consequently, appropriate strategies to others does not always adapt to oneself. In other words, what works for another trader can not possibly work for us. Some traders may be patients and therefore more suitable for swing trading, while the impatient people who prefer to be in and out of the market the same day fall into the category of scalpers.

Whatever the preference selected trading, practice it and perfect it. A sure way to become a better trader is only mastering a few simple techniques, don't over complicate, determine winning setup modelin order to find what has worked for you and what you already used before.

You must enter a trade if your trading plan is respected. Sometimes you need to have the mind and emotions of a robot, in this sense , you must know a simple

strategy. Trading is all about risk and reward management. Again, you have to let the emotions away.

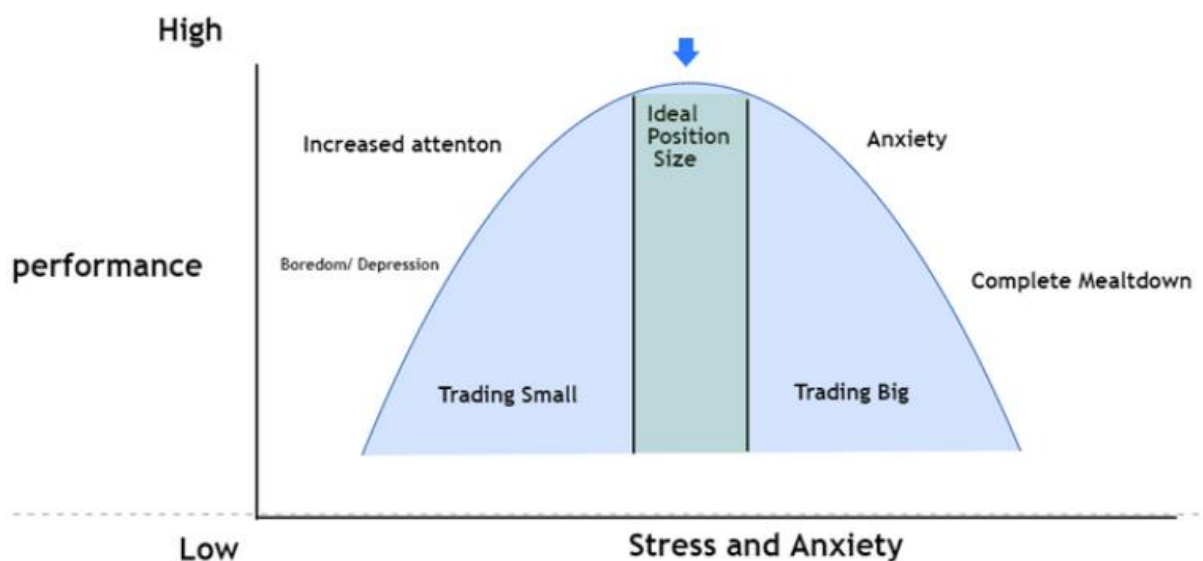
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MANAGE EFFECTIVELY RISK IN ORDER TO AVOID BAD PSYCHOLOGICAL GAMES.

If the risk is not controlled in each individual trade, you open the door to bad emotions. This will affect the psychology, your action and therefore the results.

The worst way to trade is to do it with emotions. Once you start trading emotionally, it can be very difficult to stop.

You can eliminate the possibility of becoming an emotional trader just by risking only an affordable portion of money per trade then just set and forget. Just put your mind up so that once the trade is opened, the loss will not hurt. Remember, the perfect lot size is the one that makes you trade in a careless free estate of mind.



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BE STRICT AND ORGANIZED MONITORING YOUR TRADES

As we mentioned earlier, the organization and monitoring are key success points. Remember, you must treat trading as a real business and not as a casino.

All trades must be documented. We recommend to take a screenshot for each scenario and make notes about the reasons for the trade decision. For example, "I saw a bullish engulfing candle in a pullback after a breakout in a Fibonacci

level of 0.618, I bought with a stop-loss at 35 pips with 1% risk of my capital for a ratio Risk / Reward of 1: 3.

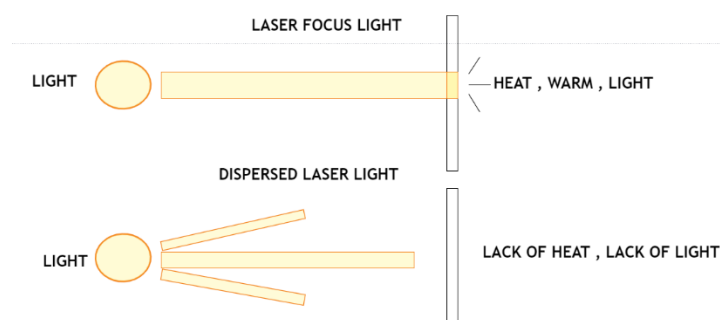
Another very important point that many do not take into account is the fact to mark each of our actions and experienced emotions. The aim will be to assimilate the lost trades with the lived emotions and from the opposite side the winning trades with the emotions we felt.

By other side we have shared many books that are going to help you with your psychology. You just have to click the link in the free telegram group and make sure to check the folder : Free educational content. Hope the books shared will help you. Stay Zen!

## HAVE A LASER FOCUS LEARNING CURVE

Ok let's talk about other important aspect :

Only few make it in this industry and have discovered ways of proper trading. What makes them different? The image below explains it.



Those who make it in this business were laser-focused; they made a decision to either figure it out or die trying. The key here is laser-focus. But why?

A laser shines a coherent beam of light and is powerfully focused on a single point. That point will undergo immense heat or pressure.

Same applies to learning to trade. It requires all your energy to be put on a single objective: (execute your plan) Compare this with a light bulb or the sun, which shines its rays outwardly with its energy distributed in all directions. You will barely feel the heat as the energy is unfocused and dissipates accordingly. This applies to those traders who have not given this business everything they have. They have so many back-up bridges available for retreat. They have a backup plan if it doesn't work out and their attention is scattered across different areas. They are already preparing mentally for failure.. They doubt their decisions

and jump from one thing to the next. They change from time frames strategies etc... let's think about what bruce lee said before



Real good traders have one strategy one plan , few types of executions and few assets to handle with. That's why we call them laser focused traders. In our case we simply execute HPT trade in supply or demand levels.

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#### WHY SO MANY TRADERS FAIL? AND HOW TO AVOID BEING PART OF THE STATISTICS?

There is thousands reasons , that can be distributed in three categories , they cannot find good deals, they cannot execute those deals, and they cannot let those deals play out. For example not being able to find good deals enters into the categorie of "cannot find good deals " , having a poor psychology enters into the category of cannot being able to let those deals play out etccc...

There is also external very important and that comes from the fact of thinking that grass is grenner on the other side. Many traders change of strategy very quickly , they have a series of losing trades and they think they might need to change of strategy add new stuff or implement something external.

Let us be honest , with all you've learned from this book , just keep at It backtest it , forget the rest and stick to it. You will see the results in the long run.



HOW TO REALLY BECOME PROFITABLE ?



The average human is not wired to properly trade the financial markets..We are wired in the worst way to be a consistently profitable trader. Trading goes against the human psychology. To all those learning to trade the financial markets, this game is not what you think it is. Most books and courses simply do not paint an accurate picture of the reality Most of traders think the only way to become profitable is by working hard and focus in the technical strategy and blindly following signals or mentors

The truth is that all of that is absolutely wrong. Here's a list of 6 elements that from my experience are game changers to slowly extract consistent profits from the market. Do us a favor and share another in the comment section that you believe is important. Our goal is to make from this post a place to help us each other from our experience. okay , first and most important

## RISK MANAGEMENT

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That is the number one killer and doer.

For most traders; they open a position size much larger than they can handle or much larger than what is appropriate for their account size. They want to make miracles with small accounts. Do not chase the money , chase the skill. In that way money will eventually come. There are investors ready to trust you 6 figures if you prove them you can handle it like a pro. The problem is that by not really managing your risk you will let emotions run your perception.

When emotions increase , accuracy decrease. Trading is a Game of probabilities you can do everything right and end up wrong and you can do everything wrong and end up winning. There is a random distribution of winning and losing trades in that way if you risk more than expected and the outcome is not in your favor you will end in a very bad situation , risk management is simple. You just have to Make sure to have a proper position size and manage your exposure or you will have nothing left to manage.

## PROPER PSYCHOLOGY

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After all these years, I would say that the majority of trading the financial markets is primarily a psychological painful skill. It is not an advanced holy grail system or strategy. For most traders trying to chase consistency, they believe their system always needs changing, and they focus more on the "analysis" side by reading more books and taking more courses, hoping to find that secret system.

The system can be based on a coin toss, and with the proper psychology, this trader can outperform a psychologically-flawed trader but is using one of the best analytical methods. There are many psychological aspects you should focus. We can talk years about it. I advise you to read Mark Douglas for that. One of the most important things is to Dissolve all your fears. You must understand how it runs your trading.

You must understand and have a deep talk with yourself to see the way fear control your mind. here's 4 types of fears when it comes to trading : Fear of being wrong , Losing money , Distribute profit, Missing out .

By other side you must understand the neuro associative conditioning that created good trading habits and self destructive habits.

Here's some examples:

Pro traders see retracements as opportunity while newbies see retracements as threats

Pro traders have hope when they have a winning trade and despair when they have a losing trade while newbies have hope when they have running a losing trade and despair to distribute profits when they have a winning trade.

there is plenty of examples.

## DISCIPLINE IN HEALTHY EXTERNAL HABITS.

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As Paul Sartre said, we are our choices.

What we do with our 24 hours will define the kind of person we are. This is all about changing and adopting proper habits in your pro and personal life.

If you do have side issues like bad habits or personal issues in relation with (girlfriend / parents / friend / work etc.. ) they will make it difficult to execute a proper system in your trading. All those bad vibes will send resistive energy and when you get this energy you can either shut down or step through and do exactly what you are supposed to do regardless. Take care of your personal habits and problems.

Avoid bad habits that drain your energy and focus here are some:

Wake up late and be a lazy procrastinator vs. 5 am morning and doer

- Partying 24/7 vs. Learning
- Being lazy vs. being a doer.
- Social media vs/ productivity.

Trading is not made for the undisciplined human being .

Before getting serious with trading, I used to have a lot of bad habits that honestly, I'm not proud of it. But everything can change. The more I fall in love with the process and taking care of my habits and more my trading improve and happier I become. it's all about building a proper internal well being environment.

I will never meet a good trader or successful business man or entrepreneur that is lazy , procrastinator , that wake up late or that don't care about it's personal life.

## THINK IN TERM OF PROBABILITIES

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This is a very important one , this one made me profitable. Mismanaging risk is a bad habit. Most of traders have the worst trading habits because they asume the outcome and they don't like to be wrong. They assume they know what the outcome will be, so they bail out of trades. They think it will make them more money, so they risk more equity in one single trade because they believe this trade is a high probability one that it will make them money. They have a trade by trade approach. they execute with a Can't lose mentality

They assume that after a few wins the next trade is likely to be a winner, so they are double up. They assume that after a few losses the next trade is likely to be a loss, so they do not execute or they reduce the risk. it's okay we all have been there.

By adopting simple proper "SERIES OF TRADE APPROACH" your outcome will change and you will become profitable in the long run

This is the approach that a few minority of the traders use. This approach is not based on predicting anything; rather this is a precise pre-defined system of pulling the trigger when your system or edge presents itself, and the outcome of the trade is irrelevant . You care about the outcome of a series of trades.

We take a series of trades, and we are entirely focused on the outcome of the series, and NOT the outcome of each individual trade. The outcome of each trade and attempting to predict the outcome of each and every trade is an uphill battle because humans are designed to expect what they predict. It is difficult to implement your system or edge in the markets flawlessly if we become attached to any one single prediction. The truth of the matter is that we do not know what will happen next; the only certainty is the markets uncertainty.

## HAVING YOUR OWN PERSONAL PREDEFINED EDGE

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In fact, mentors can transfer you knowledge but never experience. You need to use their experience to create your own plan , you need a strategy and you need a flawless execution. there is no doubt either it works or no. make sure to set rules to find good trades execute those good trades and let those good trades play out. Trading is very personal.

## LASER FOCUS LEARNING CURVE

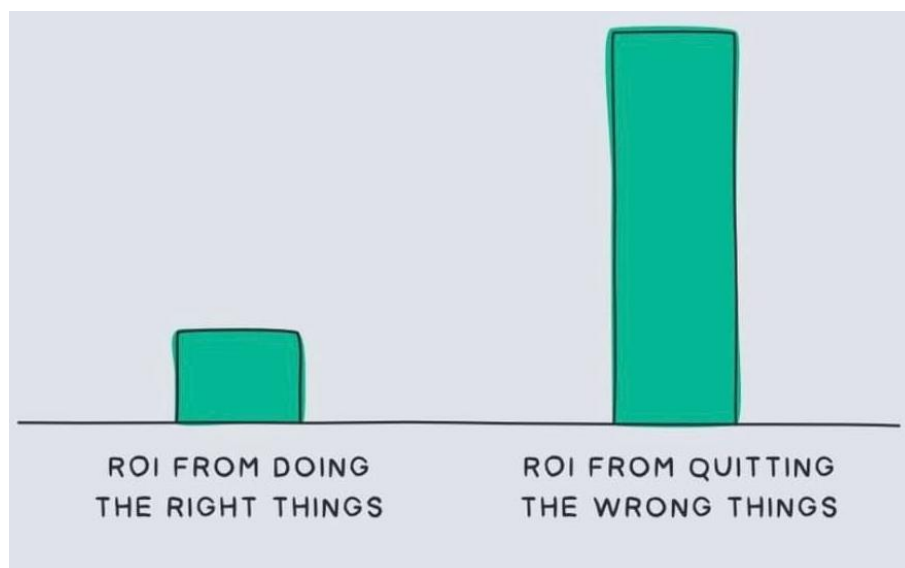
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In order to keep in mind this remember this quote of Bruce Lee “I fear not the man who has practiced 10,000 kicks once, but I fear the man who has practiced one kick 10,000 times.”...

## ROI FROM QUITTING THE WRONG THIS VS DOING THE RIGHT THINGS

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Unfortunately traders think that by implementing they will obtain results but from our honest experience results first came from quitting the wrong things. The moment you stop gambling , avoiding those toxic habits and more you will see how your trading results improve. So first your ultimate goal is to quit all those toxic behaves and patterns that stop you from becoming who you really want to become



## WHAT PERSONAL METRICS COLLECT IN ORDER TO BECOME STRONGER AND WIN MONEY

Tracking personal metrics requires that we collect a range of information about those personal factors that are most connected to our trading successes and weaknesses and P&L.

- **Emotional status**—How does our trading performance (profitability, risk management, decision making) vary as a function of our emotional states? Keeping track of key emotional variables (frustration/calm; confidence/fear; unhappy/happy) and seeing how those vary with gauges of performance can provide information about the emotional factors that contribute to and detract from performance.
- **Physical state**—In our physical state we can be energized or depleted, rested or fatigued, comfortable or in discomfort, healthy or sick, toned or out-of-shape, keyed-up or relaxed. Very often our physical state sets the stage for our cognitive performance, as we make different decisions and maintain different levels of concentration when we are in a positive versus negative physical state. Tracking our physical states and knowing their impact on our performance can help us stay mindful of occasions when flight-or-fight responses can undermine our best market preparation.
- **Cognitive state**—How we think impacts how we feel and act. By tracking our mind states and correlating those with various aspects of performance, we can become sensitive to situations in which we are more and less attuned to markets and their patterns. Are we focused or distracted, optimistic or pessimistic, open-minded or closed, clear or fuzzy, prepared or unprepared, positive or negative?
- **Preparation**—It's not unusual for our performance to vary with our preparation routines. How do we perform when we've engaged in longer versus shorter market review, more or less research, greater or lesser physical exercise, more or less sleep, better or worse eating? Our lifestyles can greatly impact our physical, emotional, and cognitive states, setting us up for success or failure.

## THE 15 BASIC PSYCHOLOGICAL COMMANDMENTS YOU WILL NEED TO UNDERSTAND TO SUCCEED IN FOREX

1. Trading offers total freedom in our decisions, but it can act against us, it is essential to have self-control and discipline to follow a set of rules.
2. Every market conditions in trading is unique, a system with many variables creates hesitation. The more your system is simple, the more will be effective.
3. You must take responsibility for the results, have rules and control you. Discipline, patience and dedication ... Suppose it's our fault and not those of others, or the market. The market is sovereign.
4. You should always know before trading risk (how much you're willing to lose if the trade does not come out as we expect).
5. Losing is part of trading. Each trade must have its own stop-loss. We need to understand that the stop-loss saves you many times, and allows you to continue trading.
6. Above all it allows you to protect your capital. Losing is a normal part of trading. It is obligatory to accept and how to win, like accepting and learning to lose.
7. We must be firm with our rules (trading plan, system) and flexible with our expectations, in fact, the best is to keep expectations as low as possible in the right direction to avoid disappointment but you must use the hope for long-term goals.
8. Most errors are from "no action" or attitudes such as "fear of being wrong", "fear of losing money" or "fear of miss the opportunity."
9. Anything can happen in the market, it is impossible to know what the price will do, you must think about in terms of probabilities and try to put them in your favor.
10. It is essential to accept the risk and result of each trade.
11. You do not need to know what will happen in the future to earn money, learn to control emotions.
12. Consistency is in the mind, not in the market, the tools are your desire and willingness, commitment, effort and desire to learn. All this mixed will help you have an aptitude for understanding more and better what to do.
13. You should avoid creating a negative mindset.
14. Exhilaration, self-sabotage, ego, eager are the worst enemies in trading. Without control over these four aspects, ruin is the most common destiny.
15. Accepting the risk means accepting the consequences of your operations without emotional discomfort or fear, if you are unable to accept is that you risk too.

## Trading Wisdoms



- Manage your exposure or you'll have nothing left to manage.
- You can trade properly and lose and you can trade improperly and win; differentiate.
- Don't predict, just REACT to your system.
- Consistency in trading is not some goal; it is a state of mind.
- As emotions increase, accuracy decreases.
- Entry size is more important than Entry Price.
- Move from one loss to the next as easily as you move from one win to the next.
- Amateurs focus on how much they can make. Pro's focus on how much they can lose.
- Amateurs focus on the outcome of each trade  
pro focus on the outcome of a series of trades.
- A study of the market is a study of risk; and a study of risk is a study of yourself. In the end it's you vs. you.
- Speculation won't change whatever happens today, happened yesterday and will happen tomorrow.
- There is nothing like losing all you have for teaching you what not to do and when you know what not to do in order not to lose money you begin to learn what you do in order to win money.

## MONEY EXPECTATIONS

A big problem is that we want to stop working as soon as we know it is possible to live from trading. This will cause us two problems: the first is that we will stop having a monthly salary. The second is that we will try to create a monthly salary with trading, and this is not how it works. Forcing us to get a monthly return will cause anxiety, frustration and greed. Given the fact that we need a monthly wage will force us to operate forcibly, violate our rules and leads us to risk more than normal.

However, many people living comfortably trading as their primary income. The key lies in the perseverance and patience, because forex is a very powerful art can enrich abundantly only those able to persevere, to be disciplined and have patience. There are multiple hedge funds and investors that are willing to give you money only if you prove them you have the right skill.

### Conclusion:

As we have seen in this chapter, the psychology of trading is not a secret recipe. The psychology of trading is related to knowing what to do and expect every moment. This is given by the good habits that every trader should have:

1. Treat trading as a business.
2. Have real expectations.
3. Have a simple Good trading plan or trading system
4. Keep daily updates in your Trading Journal.
5. Consistency in terms of risk rewards

If one of these elements fails, it will lead us to reflect on what we do, and it's in these moments that the current starts flowing our emotions and we begin to lose our nerves. If we know what to do at each moment, it is impossible for us to hesitate, and undoubtedly the trading becomes monotonous and almost an automatic activity, just as it should be.

## CHAPTER 12: THE TRADING AS PART OF YOUR LIFE AS A BUSINESS

In this section, we answer some questions that we are asked very often to help you integrate the trading in your life and use it just like a business.

### HOW MANY TRADES SHOULD WE EXECUTE PER MONTH?

We have no exact answer. We will not tell you 2, 6, 15 or 46. The problem with this question is that the answer will change between each trader (scalping / swing). A scalper will do much more than trade a swing trader. You cannot have a quantitative answer for a qualitative question

Now, what is clear is that if you trade with charts of 4 hours and you make 100 trades a month, I'm sorry, but you are clearly overtrading ... Therefore the elimination of certain variables is essential to determine the maximum (approximate) number of operations that should be performed. If you manage big accounts one single trade properly stacked can make you a decent return to live very well.

### FROM WHAT DOES IT DEPEND ON ?

The most important factors in determining the number of trades that we will do a month is the time unit of execution and trading style. As we wait for certain conditions, it is logical that if the price moves faster (lower time frames), conditions will be very different to when working with major time frames.

The second important factor in determining the number of trades: will be our trading style. If you are a scalper, your style dictates that you will make a lot of trades, because you are in search of small price movements = average up to 3 trades per day. On the contrary, if you follow our swing trading style and intraday, you'll make a few trades daily not to exceed more than average 5 trades per week.

### THE MAGIC NUMBER

Although we warned first that there is no exact number, as I have written on the subject, I would like to give a sincere approximation.

Considering that we use daily charts and four hours, we can say without fear of mistake that you just need two to five trades per week.

If we extrapolate this weekly amount for a whole month, we can find ourselves with 10 to 20 trades per month. It should be mentioned that this is a medium that guides and each trader will find the number of trades that suits him best. Needless to say, this average operations to a maximum or a minimum, so you do not even need to reach even 20 trades per month. Everything will depend on you.

Remember this will force us to be more meticulous and strict, searching for quality trades with high Risk and reward. If the opportunity does not present all of the above, we should not take the trade. . After all, our primary goal is to protect our money by avoiding trades with bad quality setups

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THE APPLICATION OF THE RULE OF LESS IS MORE, PRIORITIZE QUALITY OVER QUANTITY.

Like many novice traders, we also began to make as many trades as possible to supposedly make higher profits and take advantage of all the opportunities in the market. The result was a large number of trades lost with big drawdowns .Although there are some ways to find consistency in trading, make fewer trades is definitely one of the best options.

Why ?

Less we seek to make trades per week and we will be strict with the material factors we consider when analyzing an opportunity. This will make us more selective and demanding, we will look in more detail in many charts. We will look for more confluences factors etc. This will result in no doubt with good opportunities, with greater chance of success and a great RR.

***First to reduce overtrading you should Try to do one trade per day but with strong confluence of factors.***

Theoretically make 1 trade per day we will make 5 trades per week and 20-22 per month.

But look, this rule is personal, it is up to you to find your rules, but it is recommended to prioritize quality over quantity.

:Before a trade ask yourself the following question:

If I have to choose only 10 trades, this setup would be part from these 10 trades?

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## WHEN TO MOVE FROM A DEMO ACCOUNT TO A REAL ACCOUNT?

First, we require all of our students and community members start on a demo account. Many people do not take seriously when it is fictitious money and they consider it as a waste of time, but this is the best way to test what you've learned. At this point, you realize that those who are not going to achieve success in forex because they are looking for quick and easy money. Remember **FIRST THEN LEARN EARN**.

When you internalize the theoretical concepts, have a trading plan and manage platforms and trades very well, you can consider opening an account with real money.

The objective of demo account is:

1. Discover a simple and comfortable strategy based in price action
2. Learn to limit losses
3. Learn to be profitable while respecting risk management
4. Start your own trading style

When talking of being profitable and consistent, it does not mean in terms of the day or week, we talk at least 3 months.

That said, you are ready to open an account and apply everything you've learned to start making money. But start small. Never big because there is no shortcut.

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## HOW MUCH MONEY DOES IT TAKE TO CREATE A REAL ACCOUNT?

Stupid trading mentors will say you that you can make miracles with an account of \$ 100 euros. However, we recommend at least using a sizeable capital. There may be at least \$ 500 or \$ 1,000. More capital is important, better. It is very difficult to manage 1% with a \$ 100 account

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## HOW TO TRADE WITH A 9-5 JOB OR STUDIES?

The routine of a trader is probably one of the most important aspects to observe when we aspire to achieve profitability. We believe that success is achieved with simple steps applied continuously and with an optimistic mindset.

**It is essential to treat trading as a real business.** If we do not give it enough time, it will be difficult to achieve the expected profitability.

If today we spend 30 minutes in front of the screen, tomorrow four , Thursday nothing because I go out with colleagues for a drink and Friday some time before going out to dance, sorry, this is not for you.

Having a set routine will not make us become good traders overnight; but if this will help us balance this future new revenue source in which you have embedded in your life.

A big excuse is "I do not have time for this," Let us tell you something, we all have 24 hours just put yourself in the mind of these people who are now financially free thanks to trading . They began into this adventure when they do not have time "to study and work."

Is up to you to make sacrifices for a few years because what is sown is harvested. Less than Netflix or alcohol and more time to learn new skills. In all cases, it is always advisable to sacrifice a few years to get a good life.

Now, we do not say that you lock in front of a screen, quite the opposite , it would be boring you will not learn anything, and you will end up frustrated, simply treat it as a business and a passion.

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## HOW TO MAKE TRADING WITH A 9-5 WORK?

Becoming a trader requires a learning process, followed by corresponding demo practice before making the leap into the real account. Logically, throughout this process, we will not win a single euro, so we recommend doing that trading adapt to your lives (work, studies ...) and not the opposite.

The first step we must do if we are to become good traders is to ask ourselves, how much time should I devote to trading? Even if it's a simple question, it is really important to answer honestly. Depending on the response, we will increase our trading style.

1. I have relatively a lot of time to be able to make Intraday scalping.
2. I have very busy days (family, children, work etc ...), I can only swing.

the Forex market opens Sunday to Friday and we can trader at any time.

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## WEEKLY ORGANIZATION WHEN YOU HAVE A JOB OR STUDIES NEXT:

It is useless to be glued to a screen all day, so we share something very useful:

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### EVERYTHING STARTS THE WEEKEND

Forex is continuous from Sunday to Friday, we have to develop a plan of action before it opened, so the weekend is when the more time we will devote to it. Do not worry, we're talking up to 2 hours, depending on your ability to analyze

charts. But think about it, two hours, you already have a full weekly plan developed.

**The first thing we will do** is analyzed in multiple time frames the instruments we are going to work. When we plotted the important levels and price guidance medium and long term in each of them, we can make a list of pairs with potential setups.

In this list, we will note the pairs that are about to present an opportunity for our system.

After making your technical analysis and draw up your trading plan to execute in the week, we recommend to write economic news that will arrive, so be aware of possible times of strong volatile, this way we will decide to trade scenarios where the news is not involved or to trade after the publication of news.

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## THE WORKS WEEK

If you have prepared your pairs to trade during the week, you just have to wait for the price and confirmations. This is the main reason why we opted for swing trading.

For this, it is best to set alarms in your trading platform when the price will be closer to our trigger zone.

Our job is to just wait and see if the price meets our expectations, that we have set the weekend. If they are encountered during the week, excellent, we will open a trade. If the price does not show, we do nothing. Easy and simple.

If we trade time frames of 4 hours we will see the price every time a candle closes, in other words, every four hours. In these charts there are six candles per day (6x4 hours = 24 hours).

Now, if we work on h1 or m30 requires a bit more effort, however, we should not let the trading occupy our time.

Whenever a candle is closed, we ask ourselves the following questions: Is this a confirmation? Is this candlestick pattern learned in this book? If the answer is yes, we will consider entering the market with confluence factors, and if it does not follow our confirmation, we will do nothing. Opportunities will always be shown every single day.

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## AT THE END OF THE WEEK

Although our time of reflection is every Friday, everyone is free to choose any time of the weekend.

This moment of reflection is only intended to annotate the trades that we have made during the week in our trading diary. This rule is sacred. To recap when the memory is fresh

Taking a moment allows us to see how and why did we fail, what we have done well, areas for improvement, and what we should stop doing.

Although it seems long, it takes less time than the average time spent per day in social networks by an average person.

Once past that time of reflection, the cycle will start again with the aim of advancing.

Each new week is an opportunity to be better.

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## LET TIME DO ITS WORK

One of the main problems of novice traders is: the constant change of the trading system.

The most common mistake in the beginning, is to constantly change systems or methods, because after a few losses, we say that this system is crap and it does not help me.

Change of trading strategy or system, blame the forex course or blame the market is not useful.

Blame does not help us to improve. It is essential to find a trading system that you consider logic and with which you identify. Once you have it, exploit it and become an expert. Then you will notice improvement in your trading. You will see winning trades come gradually with experience. Not all systems work for you, so once you find a system that you feel comfortable with, take time to improve.

Each week, we have to study a summary of our operations, both trades winners and losers, to analyze what we are doing right and wrong.

Even if you think that you always enter a trade in the same way, the truth is that each trade is unique, we ignore or forget just variables. This is why it is very important that you recognize your mistakes, compare with winning entries and draw conclusions.

Once we have drawn conclusions and see why some entries do not work, the next step is to force us to only execute trades with relatively similar profiles as those of our winning trades. If we do this, even if we have losing trades, we will improve exponentially our trades.

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## THINK LIKE AN ATHLETE TO REACH MENTAL PEAK PERFORMANCE

I try to compare a trader with a Tennis Player or athlete. You will understand later why.

At the end of the day , trading is a mental sport. Our goal is to reach a proper mental side in order to achieve a peak performance .

Let's get into it.

In tennis or any other sport there are two components

An Outer Game. This is “against the external opponent to overcome external obstacles, and to reach an external goal.” Outer game bring us 20% of the results. It can be the score , the external outcome, the conditions to play etc...

An Inner Game. This is what “takes place in the mind of the player, and it is played against such obstacles as lapses in concentration, nervousness, self-doubt and self-condemnation.” Inner game bring us 80% of the results. This is what really subconscious drive our performance.

We are already masters of the inner game In our own way.

It's only a matter of unlearning the bad habits that block us from getting close to what we want to achieve.

In each of us as mental athletes exists two different selves: self 1 and self 2.

Think of self 1 as our conscious and logical mind and self 2 as our subconscious mind.

The key to improving tennis, trading , or anything, rests in improving the relationship between these two selves. Getting into the FLOW.

The ultimate goal is to build the proper habits to extract money from the market in a calm estate of mind. Both self 1 and self2 needs to be in synchrony.

Let's continue comparing self 1 and self 2.

**Self 1 does not trust .**

**Self 2, even though it embodies all the potential you have developed up to that moment and is far more competent to control the muscle system in charge of the result than Self 1.**

Self 1 is the teller ,the conscious mind

Self 2 is the doer. the subconscious mind.

The ultimate goal is to trust in the self 2.

In a ridiculous way: Self 1 is like an post-it note but the self 2 is like a NASA computer. Very complexe but it can bring us way more results because of their complexity and subconscious efficiency.

#### WHAT DOES THE PHRASE "GETTING IT TOGETHER" REALLY MEAN?

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Slowing the mind. You achieve quiet by training yourself to be less thinking, calculating, judging, worrying, fearing, hoping, trying, regretting, controlling, jittering, or distracting. In other words not being emotional.

We don't want to allow emotions overcome our perspective. We don't want self1 to judge the situation.

We must learn how to see our experiences without judgment (a very zen concept). You must quit judging good or bad. We must see what's happening instead. For example

"What I mean by judgment is the act of assigning a negative or positive value to an event. In effect it is saying that some events within your experience are good and you like them, and other events in your experience are bad and you don't like them."

"Be clear about this: letting go of judgments does not mean ignoring errors. It simply means seeing events as they are and not adding anything to them."

In the trading world : You must let go judgment from past experiences. It doesn't mean ignoring errors. It simply means seeing events as they are. We are playing in a probabilistic environment in which every trade is unique and everything can happen.

Let's take an example : Self 1 will judge .

In tennis : First you serve , then you think in our out. You judge good or bad. You Change or repeat . Then you try hard to repeat or correct in any moment you trust in your self 2.

In trading , you execute , then you think it will be a winner or loser , finally you judge good or bad. You change or repeat . Finally you try hard to repeat or correct in any moment you trust in your intuition.

After multiple cycles repeating the same action you will get to a point on which you will ask yourself: How Am I doing overall? Good or bad?

You become what you think. Nothing is good or bad unless you say so.

What you should do is :

when you hit properly the ball: You must say to you: it's ok. great awesome , I must repeat what I am doing right.

When you hit improperly or you miss the ball you must say: it's ok needs work, this experience is teaching me what does not really work. ( we are being neutral)

In trading is the same :

if you take a proper trading that suits you plan you must say to you: Ok , great , awesome , I must repeat what I am doing right . This is not a reason to become euphoric or greedy.

If you have a losing trade , you must say . ok it's part of it after all every trade is unique and everything can happen. It just needs work . I must be neutral because the next opportunity will be another chance. In any moment you should become emotional and say : the markets sucks , the mentor sucks , this is not for me bla bla bla...

#### HOW TO REALLY TRUST IN YOUR SELF 2?

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Don't take for granted the automatic processes at work within your body. Be aware and acknowledge the miracle that these functions exist.

"You are not your body. Trust the body to learn and to play, as you would trust another person to do a job..." For that you just need proper education.

Have the end in mind when you communicate with self 2. If you know what your goals are, self 2 can learn what's necessary to help you reach them.

Ask for Qualities: role playing the positive characteristics you wish to emulate.

Experience precedes technical knowledge.

"We read many books or articles that present technical instructions before we have ever lifted a racket, but where did these instructions come from? At some point did they not originate in someone's experience? Either by accident or by intention someone hit a ball in a certain way and it felt good and it worked. Through experimentation, refinements were made and finally settled into a repeatable stroke."

In trading we take many courses that present technical instructions before we have ever executed a trade by ourselves. Those courses were originated from someone's experience. Through experimentation, refinements we made and finally settled into a repeatable stroke..

#### HOW TO WATCH AND LEARN FROM THE PROS.

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“The best method is to simply watch without assuming that how the pro swings is how you should be swinging.” In trading is the same. It is not because someone is collecting money from the market that it is supposed to be the correct way.

“Use outside models in your learning, but don't let them use you. IT WON'T HAPPEN.

As they say : Doctors won't make you healthier, mentors won't get you richer. Teachers won't make you smart, Ultimately you have to be inspired and take responsibility.

Natural learning is and always will be from the inside out, not vice versa. You are the learner and it is your individual, internal learning process that ultimately governs your learning.” That is what is going to bring you the results you want.

Grooves are patterns built through repetition. To change your habits, you don't need to climb out of old grooves. Focus on digging new ones instead. Gallwey uses the example of babies, who don't break the habit of crawling. They start new ones I.E. walking instead.

In trading is the same: You cannot break the habit of being undisciplined with your trading plan. Instead start new ones that will allow you to survive such as risking every time the same amount of implementing the habit of always being paid.

The usual way of learning goes like this.

Step 1: Criticize or judge past behavior

Step 2: Tell yourself to change, instructing with word commands repeatedly

Step 3: Try hard; make yourself do it right

Step 4: Critical judgment about results leading to a self 1 vicious cycle.

Meanwhile, the subconscious inner game way of learning is as follows.

Step 1: Observe existing behavior without judgment.

Step 2: Imagine your desired outcome. Dig by yourself to learn what it really takes to be where you want to be.

Step 3: Let it happen by trusting and building a proper self 2.

Step 4: Non judgmental, calm observation of the results leading to continuing observation and learning.

In trading a non judgmental observation is when we don't care about the outcome of a single trade , instead we care of a series per trade. That's what allow us to become profitables even if we have a heavy losing series per trade.

#### HOW TO REALLY TRUST IN YOUR SELF 2?

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Focus is effortless and relaxed. It is the act of “keeping the mind now and here”. Pick one thing to focus on – like your breath – stick with it. The only way to improve focus is through practice. “Every time your mind starts to leak away, simply bring it gently back.”

In trading you can focus for example in just executing without even predict just by react. Focus in proper trades with a strict money management.

You can focus in executing only high probability trades : trending trade at volatility peak in a strong macro buy or sell zone risking the same amount every time.

It's just an example , it's up to you to find your own focus

winning is “overcoming obstacles to reach a goal, but the value in winning is only as great as the value of the goal reached. the process can be more rewarding than the result itself.

“When I'm concerned only about winning, I'm caring about something that I can't wholly control. Whether I win or lose the external game is a result of my opponent's skill and effort as well as my own.”

If you use that quote in trading it will be translated like that:

When I'm concerned about winning or making money , I'm caring about something I cannot control, I cannot control the markets . Whether I win or lose the external game is a result of a random outcome in a probabilistic environment that I cannot control . Does it make sense?

the only thing you can fully control is your position size . Even mentors sharing trades cannot control parameters that will bring you the 80% of the results.

## NOW LET'S TALK ABOUT OBSTACLES.

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“When it comes to overcoming obstacles, there are three kinds of people. The first kind sees most obstacles as insurmountable and walks away. The second kind sees an obstacle and says, I can overcome it, and starts to dig under, climb over, or blast through it. The third type of person, before deciding to overcome the obstacle, tries to find a viewpoint where what is on the other side of the obstacle can be seen. Then, only if the reward is worth the effort, does he attempt to overcome the obstacle.”

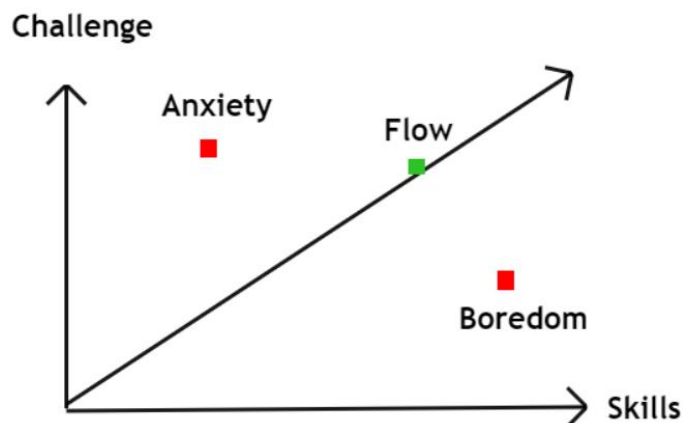
## HOW TO PROPERLY FIND THE FLOW?

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“Stability grows as I learn to accept what I cannot control and take control of what I can.”

In order to find the flow you must adapt the proper challenge according to your skills and so your experience

The challenge is essential to get in the flow . Flow is when our skills needs a challenge but they do not create anxiety.



Let's understand the previous image: when we have high challenges and low skills we are in a situation of anxiety and so we overperform because we are being emotional. This is a clear example of the average retail trader risking a lot of money without the proper experience.

this is a clear example of a trader executing an improper lot size for the account size.

This is a clear example of those traders trying the fimo challenge without even being profitable.

this is the clear example of those traders gambling....

I'm sorry to say this but they will be stuck there for years because they will outperform.

Let us tell you something, you cannot jump steps . You cannot drive a Lambo if you don't even know how to drive.

By other side, when we have a lot of skills but we do not have challenge we are playing safe. we are in a comfort zone and nothing grow there.

You must embrace the proper challenge in order to avoid boredom .

The flow is where challenge and skills are at the same level.

Traders want to jump steps and this is not how this industry works , be aware that you cannot jump steps.

## TRADING IS NOT A CAREER, IT IS NO FINISH LINE

### CONCLUSION:

There are no shortcuts to success. Everything will happen in due course and we must understand that trading is a long term investment game. One can become profitable next month or next year. If you get to this point, your life will really change for the better. To achieve this, it is important to build strong discipline bases and consider trading as a business.

The market will teach you more life lessons that the education system and labor market . Through self-realization experiences, we become more ferocious and gets used more and more to fight our inner demons. We will learn from bad experiences that are now our new teachers.

Forex trading is a very powerful instrument capable of providing geographical and financial freedom, but only if something is respected as any other professional field.

What's that famous thing that makes the difference?

### **Passion:**

Let's be honest with you. You will only become a successful trader if you like trading. If you are here just for the money it will be difficult, because the learning process takes time. The success doors are open for those who treat it as a passion, they are the ones who end up actually winning in the market. Anyway if you arrive to this final lines it's because you start to slowly fall in love with trading. Forget the money , focus your energy in order to execute quality trades maybe now you will win 1 dollar tomorrow will be 1000 dollars.

Do not chase the money chase the skill.

Only those who have sacrificed time, who lived hard times and have fallen in love with trading remain on the path of freedom or already are free and live much better than others. Just let us tell you that yes it is possible to live comfortably with trading. It would be a shame if you miss this tremendous opportunity. You just have to persevere because you have all the power in your hands to change your life. You can Overcomplicate your trading or just and simply apply simple price action.

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## RULES OF A SUCCESSFUL TRADER:

1. I focus on the implementation of good trades and not on the money.
2. I trade when I'm in a good psychological state of mind
3. I trade as a sniper, not as a machine gun
4. I promise to persevere no matter what.
5. I withdraw from my vocabulary the word should and replace it with "I'll do it now."
6. I trade with money that I am willing to lose.
7. I still continue to learn and educate myself.
8. I'll be with my rigid discipline but flexible with my expectations.
9. I will apply a rule that allows me to close a trade if profit and another in order to protect and quickly cut losing trades.
10. When I find a setup, I'll make sure I think with a cold head and follow my trading plan.
11. If I can not find a setup to operate, I will be patient and I will not force my imagination to invent a scenario.
12. I will respect my risk management.
13. I'll make break time in order to clear my mind.
14. If I lose more than 3 trades a day, I stop and come back when I'm with a cold head.
15. I consider trading as a business.
16. I always feel relaxed after opening an operation, otherwise something is wrong.
17. I have nothing to take personally.
18. I always complete my trading diary before and after.
19. When I make a deal, I have to put beside the ego.
20. I remain disciplined in all cases.

## BONUS LIST:

In this list we are sharing every tool we use to trade such as fundamental news to tools and excel documents :

**The platform in wich we analyze the markets :**

**Our 2 tradingview profiles in wich we share market outlooks for free : make sure to follow us because we share setups on a daily basis**

<https://www.tradingview.com/u/AIRFOREXONE/>

[https://www.tradingview.com/u/AIRFOREXONE\\_/](https://www.tradingview.com/u/AIRFOREXONE_/)

**Fundamental webistes :**

<https://www.investing.com/economic-calendar/>

<https://www.forexfactory.com/>

<https://tradingeconomics.com/>

<https://www.everythingfx.com/efx-forex-market-news>

**Probabilities about fundamental interest rates of england:**

<https://www.cmegroup.com/trading/interest-rates/bank-of-england-watch-tool.html>

**Probabilities about fundamental interest rates of canada :**

<https://www.fxstreet.com/macroeconomics/central-banks/boc>

**Tool to use to recognize trending pairs:**

<http://www.livecharts.co.uk/currency-strength.php>

<https://app.darqube.com/overview>

**Position size calculator :**

<https://www.myfxbook.com/en/forex-calculators/position-size>

**Tool to recognize when retailers are buying or selling (powerful)**

<https://www.dailyfx.com/sentiment>

**Free education:**

<https://drive.google.com/drive/u/1/folders/1PM3DMSj0w9KD6RrrQYtHpvQHHDMBc0q->

**Website:**

<http://www.airforexone.com/>

**Excel spreadsheet weekly:**

[https://drive.google.com/drive/u/1/folders/1hevt78ka0AFFcj\\_V0HoFh7nop3fGRvml](https://drive.google.com/drive/u/1/folders/1hevt78ka0AFFcj_V0HoFh7nop3fGRvml)

**Best Backtesting software data our (refferal link only if you want) 😊**

<HTTP://CELISOVARGAS1.SOFT4FXSOF.C2STRACK.COM>

<http://celsovargas1.soft4fxsof.c2strack.com/?checkout>

**TRADINGVIEW PRO PLAN (refferal link only if you want) 😊**

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# MASTERING THE ART OF PROPER TRADING

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