

# ForexIndicator.org

*Presents*



*Written By Kelvin Lee*

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## **Introduction**

Forex trading is currently one of the hottest money making opportunities that everyone is jumping on. All thanks to the countless advertisements that make trading currency sounds so easy and achievable. Indeed making thousands of dollars every month from forex trading is achievable but it is not as easy as what you are told.

I am not here to lure you into this field nor scare you out of the trading arena. I am in fact here trying to help you make at least some extra income from currency trading. Therefore I have to first tell you the truth about trading forex so that you can decide whether you are determined to go on this journey to financial freedom.

Every month, more than 90% of new traders lost all their money in trading and the 10% who survive are struggling with their account and you may be one of them at the moment. The reason why 90% of new traders failed is not because forex trading is only for those with a lot of money nor it is only for the professionals; it is their lack of knowledge and practice that failed them. Most people get into forex trading with either the thought that it is simply a gamble or it can be done easily with the press of a button.

After talking to numerous new traders, I find that they often think that forex is a 50-50 probability game where the market is either going up or down. In fact, forex trading is not a 50-50 probability game due to the fact that the market has the option to move sideways and this alone has reduced your probability to 33.33%. In other word, the moment you enter a trade, you have a higher chance of losing than winning if you simply enter your position based on emotion.

However you can increase your winning probability if you have done proper analysis before the trade and have a well defined trading plan. This is where those new traders miss out which causes them their hard earned money as well as their chance of making a living trading currency.

There are some traders who resorts to purchasing robots or software that promise to help them trade profitably. Let me ask you a question, if you have developed a robot that can make you thousands of dollars every month, will you sell it for \$97? If spending a small sum of \$97 can make you thousands of dollars every month, why on earth would anyone want to work? The whole world will swarm to purchase one for themselves and achieve financial independent.

To me, there is no short cut to achieve success in trading and in order to succeed, you need to put in time and effort to learn from people who have made it and then put your learning into practice on a demo account before trading live with your hard earn money. Personally, it took me about a year of learning and practicing before I manage to trade live account and I hope that you are also committed to it.

So is it worthwhile to put in so much effort and time to learn and practice forex?

Yes, it is because forex trading is a recession proof skill as it can make you money irregardless of which direction the market is moving. Once you have learned how to trade profitably, you will have no problem in creating a constant income for you and your family. In addition, trading forex gives you all the time and freedom you need to do what you love and with your love ones. You do not have to wake up early in the morning dragging yourself to work and have to bear with your lousy boss.

If you still have the passion to learn forex trading after reading all of the above information, you can now embark on your learning journey and eventually achieve success in trading.

## **Importance of having a Forex Trading Strategy**

The first thing you need to have if you want to be able to profit from the market will be a trading strategy. All successful traders have a couple of forex trading strategies that they can use; therefore you must learn how to create one for yourself or learn from those who have it.

There are a lot of courses online and offline that will teach you how to use their trading strategy but you should never trade LIVE with those strategies. This is because what works for one person may not work for the other. You can have 2 people sitting side by side learning the same strategy but one makes money from it while the other loses.

This is because every one of us sees things differently and we tend to execute the strategy differently as well. Therefore it is always recommended that you should practice what you have learned on a demo account to see if you are able to execute it successfully. In addition, you can do some fine tuning of the strategy to give you a better winning percentage.

People always have the thought that those professional traders have some secrets and sophisticated strategies that they are hiding from the market. In fact, the strategy that the professional traders are using is very simple and it is so simple that even if you are told about it, you will not trade with it.

Most people have the mentality that simple means lousy and they are always in search for the most sophisticated strategy they can find. With such a sophisticated trading strategy, it is very hard for you to execute it properly.

When we are formulating our forex trading strategy, we should concentrate on the entry as well as the exit point. Most traders are concerned about their entry and do not pay much attention to their exit. However they do not know that a strategy with good entry is not enough to produce

them consistent profit. A strategy is never complete without a good exit strategy and this is what you need to have in order to succeed in this field.

## **My Favourite Forex Trading Strategies**

In this book, I will share with you several of my favourite forex trading strategies and the main reason why I like to trade these strategies is because they are easy to spot and easy to execute. If you find yourself interested in anyone of them, you can spend sometime to practice it on a demo account until you have a good trading result before moving into live trading.

Please do not trade live with any new strategy that you have learned as it takes sometime for you to be able to trade them properly. Do note that there are no strategies on earth that can produce 100% winning trade, even the most professional or successful trader suffers some losses as it is simply part of the game.

During your practice of the strategies on your demo account, you may encounter losses and it is very important for you to continue practicing and fine tuning the strategy until it is able to produce you 60 to 70% winning trades before you go LIVE.

**Below are my favourite 3 trading strategies:**

### ***1) Forex Trend Line Trading***

If you have been reading up on forex trading, you will have notice the importance of trend line in trading. It is simply the indication of support and resistance where bulls and bears are fighting for territory.

The key to this trend line trading strategy lies in your ability to draw the correct trend line. I have heard traders telling people how the market move against them after they have a trend line break causing them to lost money. The main reason for their losses lies in their inability to draw the correct trend line.

In fact, the trend line is not only used as an entry signal, it could be used for your exit as well if you know how to draw the right type of trend line. The next problem with trend line is the constant occurrence of fake outs or false signal that is very common in trading.

Most traders do not know how to check if the trend line break is valid or not and that is why they often find the price moving against them once they enter their trade. Below is how you can draw a proper trend line.

Drawing trend line is sometime that is very subjective for most traders. From those trading books that are in the market, trend line is drawn by joining 2 or more swing lows or 2 or more swing highs. However the problem lies with there are a lot of swing highs and lows in most charts and most traders do not know which one should they use and which one should they ignore?

This is a topic that is suggested by one of my active newsletter subscriber who is a fellow trader. Therefore I am going to spend some time on this post to go through how you can draw proper trend line.

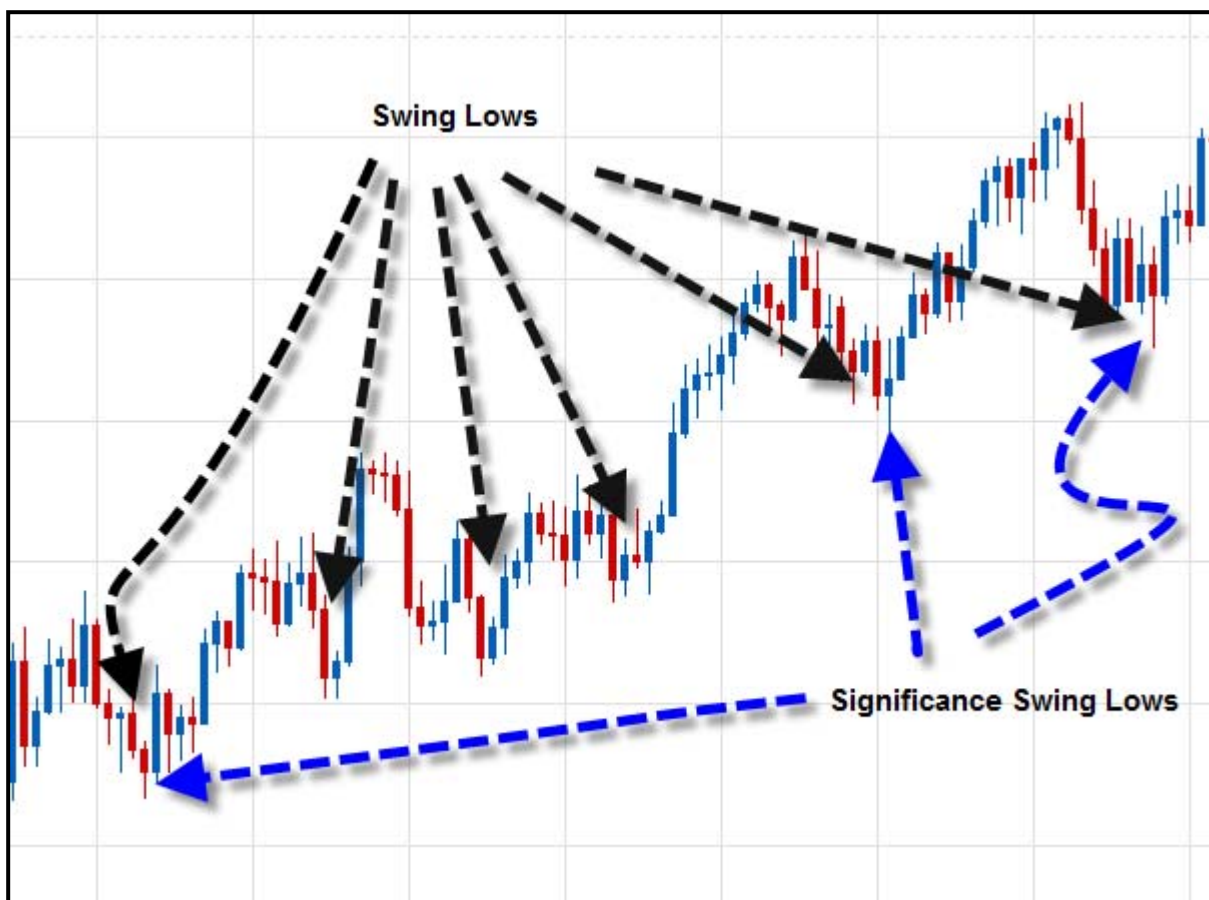
Basically there are 2 main types of trend line you can draw and they are

**1) Common Sense Trend Line:** This type of trend line is the most commonly used by traders and it basically makes use of 2 or more swing highs or lows to connect to form the line. Swing lows are formed when there is a candle that has 2 higher candles on its left and right and swing highs are formed when there is a candle that has 2 lower candles on its left and right.

Since there are quite a number of swing highs and lows in a particular chart, you need to be able to prioritise which are the more important ones.

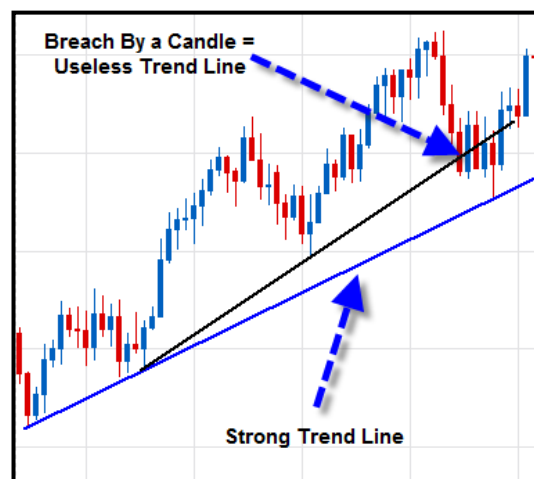
Swing low usually forms a V-shaped pattern while swing high forms an N-shaped pattern. For swing low, the one with more higher candles on its left and right will be more significant than the

one with lesser higher candles on its left and right and it works the same for the swing highs except that you should be looking for more lower candles.



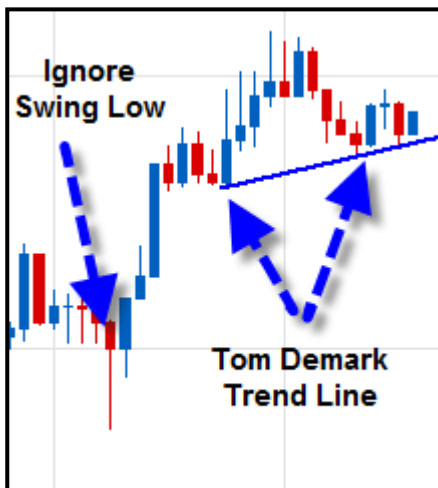
When drawing common sense trend line, you will try to connect a few points and the line that has the most points connected will be the line you should be using to trade. The more swing highs or lows you manage to connect to form a trend line, the more powerful it is because there is more time the market is trying to break the line but failed and it will serve as a strong support or resistance.

One more thing to take note, if the trend line is breached by a candle, it will be no longer useful and you need to redraw another new trend line.



**2) Tom Demark™ Trend Line:** This is a trend line that is developed by Tom Demark. The reason why he comes up with this way of drawing trend line is because he finds that when he is communicating with his partner, they are often not drawing the same common sense trend line and it is very frustrating. Therefore he came up with the drawing of a dynamic trend line that will change as the market moves.

When you are drawing Tom Demark™ Trend Line, you are only concerned about the most 2 recent swing highs and lows and that is what makes it so dynamic. The trend line created by Tom Demark will shift when a new swing high or a new swing low is formed. With this method of drawing trend line, you will be able to talk to other traders who are using this method of drawing as both of you are always drawing the same line.



Personally I use a mix of these 2 ways of drawing trend line. The common sense trend line sometime serves as a long term trend line for me while the Tom Demark™ trend line serves as a short term trend line for me and both of them works rather well so far.

## 2) *Forex Trend Trading*

If you have been trading currency for some time or have been reading books on forex trading, you will understand the importance of forex trend trading. There is nothing more profitable than being able to trade with the forex trend.

If you are a new trader, you should definitely avoid trading against the trend as it is very easy for the market to move against you in a moment and eat up all your profit.

Here is my forex trend trading system:

**Step 1:** Depending on your type of trading method, you can setup your chart accordingly

- Scalper: 5min, 15min
- Day Trader: 5min, 15min, 60min, Daily
- Position Trader: 60min, Daily, Weekly

**Step 2:** Setup your indicators as follow on every chart

- MACD
- Parabolic SAR
- 50 & 200 EMA
- Stochastics

**Step 3:** Do your top down forex chart analysis

- Starting from the higher timeframe, you can observe the trend from using EMA crossover techniques
- Do your trend observation for all your timeframes to establish an overall current trend direction
- Do note that higher timeframe will always have higher weightage over lower timeframe.



**Step 4:** Move to your second lowest timeframe to look for trading opportunity.

- If the trend is up, you should wait for stochastics to be oversold and started to curve upward
- (Do not enter a trade as yet)

**Step 5:** Move down to your lowest timeframe to look for best forex opportunity.

- At your lowest timeframe, wait for a MACD to cut through its trigger line which is accompanied with a trend line break
- Do not enter until you have a final confirmation which is the flip in parabolic SAR.



With the confluence of these events, you can then confidently enter a trade in accordance to the forex trend you have established in your first step.

Here is my forex trend trading system and hope you can benefit from it. Do not trade this forex trend trading system immediately on your live account. Always try out any new system on a demo account first until you are good at it before moving to your live account.

### **3) *Forex Breakout Trading***

Forex breakout is one of the more commonly used trading strategies that are used by currency trader. The main reason it is so widely used is because of the clarity and simplicity of execution. It is so simple that even new traders without much experience can trade profitably with it if they put in some effort to practice the strategy in their demo account.

#### **So what exactly is Forex Breakout?**

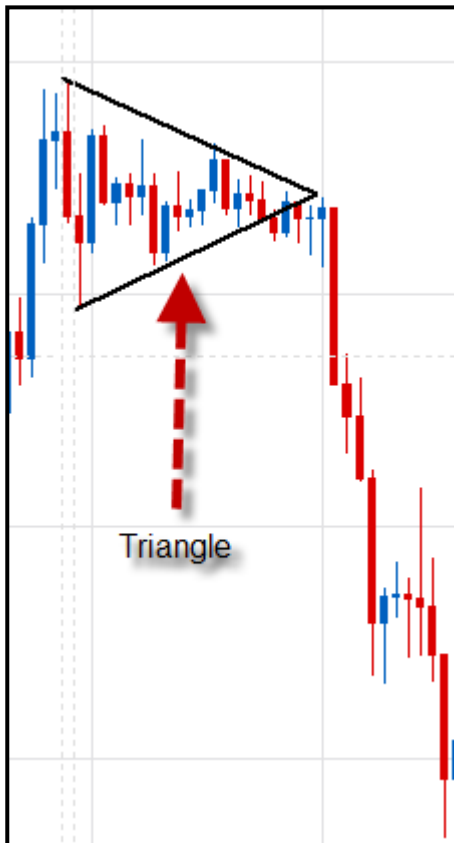
It is the sudden surge of price in a particular direction after a period of side way movement or consolidation. With the sudden price movement, you will then enter a trade in the direction to grab the profit by riding the trend.



## But How to Identify Forex Breakout Opportunity

First of all, you need to know the various candle patterns that will eventually constitute a breakout trading.

### 1) *Triangle*



### 2) *Flag*



### 3) Trend Channelling



These are the common patterns for a forex breakout to occur. Usually It takes some time for the patterns to emerge and you should be on your toes when you saw these patterns on your chart and wait patiently for an entry opportunity.

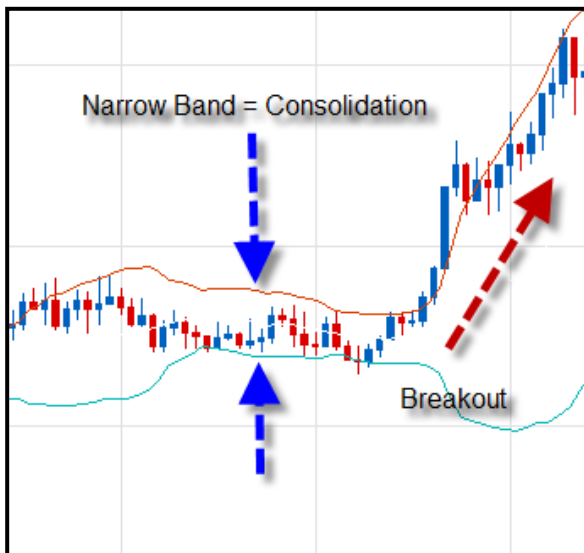
Secondly, you need the help of an indicator called "Bollinger Bands". The purpose of this indicator is to provide you with volatility check. It will be able to tell you whether the price is currently in consolidation or not.

When the upper and lower bands are narrow, it is signaling to you that the price is currently in consolidation and you should be waiting for a breakout.

#### **Here are the steps I usually take to trade forex breakout**

- 1) Setup the following indicators – Bollinger Bands (Default Setting), Stochastic (Slow) and MACD (Moving Average Convergence Divergence).
- 2) Draw the necessary trend lines to identify support and resistance level or even channel wall.

3) Always keep a lookout for the Bollinger Bands when it is narrow as it usually signals a consolidation in progress and then wait for the stochastic to either go oversold or overbought. Once the price produces a sudden surge in movement and also at the same time the bollinger bands starts to widen, you should then wait for the stochastic to either curve up if you are going LONG or curve down if you are going SHORT.



4) Always wait patiently for a proper trend line break before you enter any trade. Failure to do so may lead to loss of money due to fake outs.



This is usually how I trade breakout in forex and the winning percentage is pretty high for this strategy. Take some time to practice this strategy on your demo or micro live account until you are able to achieve consistent success before you go into standard account trading.

## **Key to Success in Forex Trading**

There are several factors that determine whether you are going to make it in this field or not. Most traders are only concerned about the strategy they learned and do not pay much attention to the other important factors that may make or break their account.

Trading is not entirely about strategy, it is a combination of several key factors like

- Risk Management
- Discipline
- Consistency

In this book, I shall be talking about these 3 factors showing you how it can affect your winning.

Risk management is the part whereby most traders tend to miss out in their trading preparation. In fact, it is the key component to a long term successful trading. Without a proper risk management, traders will tend to lose all their winning in a single trade. I used to have this problem when I first started trading some years back. It took me quite some time to accumulate my winning to a certain level and it took me a single trade to lose them all. This can be very frustrating and counterproductive for a trader.

However there is a way you can overcome this problem and it is: ***Risk Reward Ratio***

If you ask those professional traders about their secret to success, it will be risk reward ratio first and strategy second.

First of all, let me ask you a question. "Do you think that being able to trade with a winning ratio of 5 out of every 10 trades is able to make you money that can allow you to quit your day job and becomes a full time trader?"

I bet most of you will say "**Breakeven**"

But the Answer is “**YES!**”

The real reason why you are able to make sufficient profit even if you manage to make 5 profitable trades for every 10 trades you take lies in the secrets of your trading risk management which is commonly known as win-loss ratio or risk-reward ratio.

Imagine you are always trading with a risk reward ratio of 3:1, what it means is that you can afford to lost 3 times with every win you got and that is how you can make money even with a 50% winning accuracy. Imagine a trader who always places his stop loss at 20 pips and only exit his trade when the trade hits 60 pips profit. If he manages to win 5 trades out of every 10 trades, he will make 200 pips profit.

***5 Wins = 5 x 60 = 300 pips***

***5 losses = 5 x -20 = -100 pips***

***Total = 200 pips profit***

Therefore it is important for any traders to learn how to maximise his/her trades profit while minimising the losses.

Besides having a good risk reward ratio, it is also important for you to know the amount of loss per trade that you can afford. I have seen people starting trading account with as little as \$250 and I always wonder how these people trades.

Personally, I think that every trader should trade with a stop loss of maximum 3% of the capital in his/her account. Why is this so important? “To live to trade another day” is the reason behind this small stop loss percentage. Imaging yourself losing 50% of your trading capital in a trade, you will need to make a 100% profit to get back to your starting capital.

Therefore having good forex risk management system can be crucial to your trading success and this actually differentiates a successful trader from a failure.

After knowing the importance of having a good risk reward ratio, the next thing we will be talking about here is **DISCIPLINE**.

You can have the best forex trading strategies on hand but if you are not discipline enough to follow it tightly, you will still be a failure. One common mistake that new traders tend to make is they enter trades that are not on their trading plan. The reason why every trader has a trading plan on hand is to make sure that our winning percentage is fixed. This is because our trading plan has been tested on a demo account and constantly fine tune it until it is able to produce a consistent winning percentage in the long run.

If we have a trading plan that is able to give us 60% winning percentage and it has a high risk reward ratio of 1:2, we will be able to make a constant income every month.

The last factor that contributes to a trader success is **CONSISTENCY**. The problem with most traders is they tend to jump from one strategy to another hoping that the new one is going to be better than the old one.

By jumping from one strategy to another, the trader does not give the strategy enough time to perform to its winning percentage. It is unrealistic to think that you will be able to find a strategy that gives you 100% winning. This is because the forex market is a random, human psychological place and no amount of effort can give us the ability to 100% predicting the market movement.

What we can do as a trader is to increase our edge over the market through the use of indicators, candlestick patterns and discipline. Therefore I always stick to 2 to 3 different trading strategies that work on different market conditions. Even when I have a losing trade, I will still trade according to the plan as I know that I will be profitable in the long run through the winning percentage and the risk reward ratio it can produce.

## Conclusion

I hope that this book has been beneficial to you and I will continue to share with you my trading tips on my blog. By subscribing to my newsletter, I will be sending you a bimonthly tutorial, a bimonthly newsletter, monthly resource sharing as well as a monthly question and answer session.

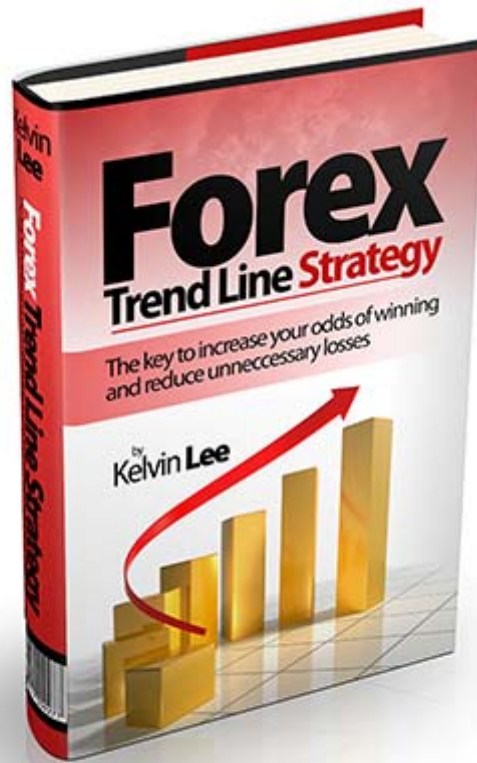
In the case whereby you have anything to ask or share, do participate on the monthly Q and A session.

Last but not least, I will like to wish you all the best in your trading as well as your learning journey.

A handwritten signature in black ink that reads "Kelvin Lee". The signature is written in a cursive, flowing style.

## My Forex Course

# Tired of Getting into a trade Only to Know That the Market Reverses against You



This is a book that is written by me to help fellow traders overcome the problem of getting into the wrong trade.

In addition, I have also share one of my trading strategies so that you can trade with it and make consistent income from it. If you are currently struggling with you trades, this is one book that you will not want to miss.

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