

HEDGE MASTER !

Developing Successful Forex Portfolios

PRESENTS

“SCALED EQUATION”

Hedge Master assumes no responsibility for loss of capital. Trading forex involves a high degree of risk to financial loss. Hedge Master is designed as a resource for investors and a presentation of trading ideas. Please carefully consider whether trading forex is appropriate for you in light of your experience, objectives, financial resources and other circumstances. Hedge Master will not be held liable for any financial losses of any kind.

Fibonacci

Fibonacci was an Italian mathematician and is best remembered for his world famous Fibonacci sequence. The definition of this sequence is that it's formed by a series of numbers where each number is the sum of the two preceding numbers; 1, 1, 2, 3, 5, 8, 13 ... In the case of currency trading what is more important for the forex trader is the Fibonacci ratios derived from this sequence of numbers; .236, .50, .382, .618 ... etc.

Today banks and large traders commonly use Fibonacci in conjunction with other types of analysis. Many brokers offer forex training courses which include Fibonacci and many more indicators. The problem is that these courses are nothing more than a method to confuse the average student and inevitably the student will lose his/her account to the broker. The courses never teach the correct way to use this indicator instead they focus on teaching useless lagging indicators. Most traders quit using Fibonacci due to prior misfortune and misunderstanding of the indicator. If you were one of those students, you know what I am talking about.

I have developed a highly successful yet simple mathematical method of using Fibonacci that the brokers don't want you to know. I will teach this to you in a few simple steps.

Step 1: Open your charting software, Eur/Usd 1hr (No Indicators)



Step 2: Establish a trend direction. This is done by looking at the highs and lows of each wave. If each swing low and swing high is consecutively higher, we are in an up trend. In contrast, if each swing low and swing high is consecutively lower, we are in a down trend. If we have neither consecutive highs or lows, we have a ranging market and must stay out. The trades are made in the direction of the trend only. Below is an example of an up trend.



*The black represents each swing high
Red represents each swing low
Both the swing highs and swing lows are consecutively higher
Thus indicating an up trend*

Step 3: In an uptrend, place your Fibonacci from the lowest point of the swing low to the highest point of the swing high. In a down trend start your Fibonacci from the highest point of your swing high to the lowest point of your swing low. Note: This is the case for MT4 Fibonacci indicator. Your Fibonacci should look like the following example.



The top most line (0.0) indicates the highest price has moved in the current wave.

The second line from the top represents a 23.6% retracement.

The third line from the top represents a 38.2% retracement

The fourth line from the top represents a 50% retracement

The second line from the bottom represents a 61.8 retracement

The last line represents a full 100% retracement of the measured wave

Step 4: Now, place the Fibonacci indicator upside down. We need to do this to find out the level of the first extension.



This extension level 161.8% will be explained in the following step.

Step 5: Place pending orders to buy at each retracement level. Lot sizes will be explained in the Money Management section on pg. 6



The black dots represent pending buy orders

The red dot represent all pending buy order's STOPS

The 161.8 extension level becomes all pending buy order's TAKE PROFIT

This is called “scaling” into a trade or “Cost Averaging”. Mathematically speaking, if the trade were to hit your stop, it would be less of a loss than the gain you would make if your take profit were to be hit. To make things better, we are effectively trading the trend thus your trade will hit take profit more often than your stop loss.

To guard against “whipsaw” enter the first two pending orders (23.6% and 38.2% fib levels) with half the lot size. Place the other pending orders (50% and 61.8%) with normal lot size according to the money management below. Once price has retraced to the third pending order (50% fib level) place the second half of the first two pending orders (23.6% and 38.2%), this will reduce the loss.

Note: You may have more than one **“SCALED EQUATION”** trade ongoing at the same time.

Money Management

High Risk

Account balance Eur/Usd

For every \$500 Buy or Sell 0.08 MINI LOTS

Moderate Risk

Account balance Eur/Usd

For every \$500 Buy or Sell 0.04 MINI LOTS

Low Risk

Account balance Eur/Usd

For every \$500 Buy or Sell 0.02 MINI LOTS

Example: (High Risk)Your account has \$529, Buy or Sell 0.08 MINI LOTS until your account grows to \$1,000 at which time you will start to Buy or Sell 0.16 MINI LOTS and so on.

Monitor the charts once every 6 to 12 hours to catch most moves. Positions may be active for hours or days, make sure you delete any non triggered pending orders. If the market begins to range instead of hitting stop loss or take profit, close out all trades. Example shown below.



- Find a broker with a good reputation who offers micro lots. The broker I recommend is www.interbankfx.com

That's it! No other confusing indicators, no 100 page eBook filled with fluff, just pure, simple, powerful knowledge.

FURTHER RECOMMENDATIONS

A few months ago a Hedge Master member asked for my help with an important project. At first I was hesitant to get involved with another project but when I heard about Anna's vision, I became very excited. I helped with a few technical items while she spent many hours each day doing the research necessary to provide such a service. Anna's vision became reality over the weekend and you are the first to be informed. If you would like more information on her FREE service visit <http://4x-portfolio-builder.com/> .

Thank you Anna!!

If you are completely new to forex and need to learn the basic terms and broker information, go to http://www.babypips.com/school/the_skinny_on_forex.html. This site is absolutely free.

Have a Great FX Day!

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