

Trading Mantra

Monday, July 16, 2018 20:52

- *I read it before each trading session and find it particularly calming after having a couple of losing trades or when I reach my maximum allowable loss.*

I am a professional trader. My job is to take risk. If I manage my losses and let my profits run I will be successful. Because I am a professional trader, I will forgive myself easily for making mistakes and move on to new opportunities. I feel great that I have the discipline to control my emotions and the patience required to be a professional trader. I am a professional trader and will make \$1,000,000 by year end. I will achieve this by following my trading plan, setting achievable goals, and controlling my emotions. I am confident and believe in my own ability to be consistently profitable because I AM a professional trader.

- We TRADE TO LIVE. We are NOT like others who LIVE TO TRADE.
We know that our Health is ALWAYS more important than our wealth.
We know trading is NOT a "Get Rich Quick Scheme".
We know trading is a serious business and WE treat our trading as a SERIOUS BUSINESS
We understand we have, like any other profession, to put in the thousands of hours studying, learning and practicing our methods and techniques.
We understand there is NO SHORTCUT to becoming successful and profitable traders.
We understand that successful and profitable trading is 95% psychology and 5% technical skill. We know who and what we have to control.
We need PATIENCE to wait for and "SEE" opportunities
We need DISCIPLINE to act and trade on such opportunities
We are PLANNERS – We always PLAN each and every trade and then Trade the PLAN without exception.
We are BELIEVERS. We believe in ourselves and our PLAN.
We believe in the Holy Grail. We know what the Holy Grail is. We have found the Holy Grail and our search for trading enlightenment is over.
We can only take what the market gives us - we do "NOT" force the market.
We understand that PRICE is Lord, King, Queen and Country.
We ACCEPT losses as the cost of doing business
We are PROFESSIONALS and PROFESSIONALS look for a reason NOT to take a trade
We are NOT Amateurs. Amateurs manage money by taking RISK. PROFESSIONALS manage RISK by taking money.
- We must be very careful not to over analyze and over think - something for which I am also guilty. I love nothing more but to look at charts and think through every possible scenario, but for what? It doesn't get you anywhere. One of my fears with teaching my style/method would be that I would pass on my over analytical approach. The last thing we should be doing is bringing a M5, M15, H1 mentality to trading the Daily time frame. The beauty about trading the Daily time frame is that you plan your trade, put the trade on and let it work itself out, in other words trade the plan.

Trade analysis and management

Sunday, August 5, 2018 20:45

The Right Timeframe

Planning the trade [on the daily] only requires a 2 or 3 minute study of each pair after 5pm NY time each day then placing our stop/limit orders and then - living your life.

You do not need to sit and watch the one eyed monster all day, you do not need to interfere with your plan, you do not need to do anything further until 5pm NY time next day.

The absolute worst thing for anyone trading the Daily to do is watch what happens on a shorter time frame or watch the Daily candle DURING trading hours. We don't care what goes on within that Daily candle - all we are concerned with after 5pm NY time is where the candle closes and where it's been.

This gives us the best of both worlds - financial freedom.

We must always be aware of what moves this market - it is not us tadpoles - the market is moved by the big players - the banks, the institutions, the trading houses, the Market Makers - when it's quiet like this, they too are waiting for their "bosses" - world banks, government banks who in turn are waiting for decisions from economic and government financial specialists.

We must think LIKE the big boys - don't think against them. We need to let them reveal their intentions and ride on their coat tails. Remember when Dr. Joe visited CME - all he saw was the floor traders just FOLLOWING the market - when it went up, they bought - when it went down, they sold. It really IS that simple despite all today's electronic widgetry and gadgetry.

If you have planned your trade correctly with your SL in place at the correct position then you just leave it be and "trade the plan". If it goes in your direction, then the next day you would look at Price action and decide whether to pull your stop in or leave as is.

If price goes against you and takes out your stop then, PROVIDING you planned your trade correctly and accepted the risk, that shouldn't be a problem.

When trading the Daily, you enter your stop/limit orders, get filled enter your SL and forget it until the next day. Forget about watching the candles move up and down. We are only interested in where it closes.

If you are doing this and not winning then something must be wrong with your trade selection. You should have at least 7 winners and 3 losers using price action where the winners will be far bigger than the losers.

Getting out quick is for those people that don't have a plan and basically scalp the Daily.

Finding yourself as a Trader

Having found the time frame which is comfortable for you, you now need to FIND what type of trader you want to be, or more important, comfortable, in being.

WHAT is your GOAL? WHEN do you want to achieve it? HOW do you want to achieve it. HOW do you want to spend your day, your life? WHAT makes you happy/sad? WHERE do I want to go in life? HOW do I get there? WHY? Ask all these questions RELATIVE to your trading and you will find

your INNER trading self.

When you ask yourself these questions, go and stand in front of the mirror and STARE at yourself in the eyes. You are looking at the Holy Grail. Ask him all these questions; he may try to lie to you to make you go away, but YOU will know when he is lying so keep asking until he gives YOU the TRUTH. You may feel different after your conversations with the Holy Grail - I know I do.

It is always important to make a profit, no matter how or no matter how small - it is our REWARD and makes us feel good about ourselves and is very important for our psychological growth (not to mention the trading account).

When you get down to serious trading, profit doesn't figure anymore, we always make a profit. What is then important is ROI expressed in percentage terms.

After you have asked yourself these questions, you should have a clearer picture about what type of trader you are evolving into.

You may end up being a scalper on the Daily time frame being happy with 50 pips or so per trade but knowing that you are trading 100 GBP/pip contracts or larger.

You may not have the finances or the psychological make up to do this and may instead want to trade smaller contracts on longer trends. Or, you may be sufficiently skillful to do both.

ANALYSIS IS NOT TRADING

Analysis should only be used for decision making. When you have arrived at a decision, your analysis is done. The second you go back and review your analysis, you will question your analysis and any confidence you had in putting on that trade has just flown out of the window.

If you have come from Indicator Land, you know what I mean. I still see systems and methods with indicators up the ying yang saying and wait for this to confirm, while this shows this, while at the same time this is below this, and this is pointing up, and this must have crossed before this has gone below etc., etc. By the time you have done all that, your head is so messed up, you have forgotten your kid's name!

Analysis is not trading. It only gets you to a certain place.

Trading and trade management is where the money is made.

Analysis does not allow you to forecast or predict or filter or reject. It is just statistical theory. Performing additional or extra or more or further analysis does not get you any further than your initial analysis and does NOT increase your chances of a profitable trade. Based on my earlier over analytical work, I can safely say that LESS is MORE!

Probability of profit in trading has NO RELATIONSHIP to the amount of analysis. Quality of analysis, yes, but NOT quantity. Therefore, no profit will ever increase with additional analysis. Conversely, no probability of loss will ever be decreased by performing additional layers of analysis.

Once in a trade, there are only 2 actions you can make to increase your profitability in trading. They are as old as trading itself and you will have read them many times:

CUT YOUR LOSSES

Your plan should identify your SL but just in case you decide to override it (are you reading, Dan?) - cut your losses as soon as possible

LET YOUR PROFITS RUN

Governing, dominating and over ruling these 2 actions are EMOTIONS.
We always ignore the training we need in trading psychology in our quest for profits.

I repeat what I posted earlier - profitable trading is 10% method, 90% psychology. Ignore the psychological side and it will tear you up. If you haven't experienced it yet, it is waiting around the corner for you - it is always there, waiting for you, no-one can hide, it WILL find you out!

Our common sense, "our gut feeling" is the best decision maker we have:

If it feels right - it is RIGHT

If it feels wrong - it is WRONG

Plan the Trade and Trade the Plan

Sunday, August 5, 2018 21:05

There are also two distinct and very different aspects of trading involved in this:

- 1) Technical analysis
- 2) Trading psychology

We need to blend these two together sensibly and logically if we are ever to have a chance in making money at trading. No matter how good we are in our technical skills, once we have our money "**on the line**" (and the more money - the greater the STRESS and pressure), our emotions, **greed and fear**, kick in and take over control of our trade.

Remembering the lurker who PM'd me saying something like "Assuming I have my emotions under control.....", Yeah, right! **BUT** it **CAN** be done but you then have to draw on two other aspects of trading psychology - **patience and discipline**.

This is why I keep repeating *ad infinitum*, **success and making money in trading is 90% trading psychology**.

Therefore, my answer to this will always be from the trading psychology aspect BECAUSE we have to keep our emotions, specifically greed and fear, under control as best we can.

The best way I know to do this is through a **TRADING PLAN**

You **PLAN THE TRADE** and then **TRADE THE PLAN**.

If you do this, you will **ALWAYS** keep your emotions in check and away from any decision making.

There are, however, provisos in this:

You must have your \$/pip not only at your M % risk level but also at **YOUR EMOTIONAL TOLERANCE LEVEL**. It is no good having a huge trading account which allows you to trade \$10/pip contracts if you are a huge **EMOTIONAL BAG OF NERVES** during the trade. Reduce your \$/pip to a level that you feel comfortable with **WHEN YOU LOSE**.

You must always define your **RISK (LOSING)** before even thinking about profits. Forget about thinking (and dreaming) how much you will win. Instead, think and **ACCEPT** how much you will **LOSE**.

Forget about profits - when you are **CONSISTENT** over a long period of time (at the very least 1 year), your profits will take care of themselves.

So, let's go over a typical scenario:

You see and recognize **PASR**, so you want to make a trade.

1. **FIRST - where does my SL go? How much will I LOSE if this goes against me? Do I ACCEPT the RISK (LOSS)?**

If Yes, next step. If **NO** - reduce the \$/pip until you **ACCEPT** the **RISK(LOSS)** or **DO NOT TAKE THE TRADE**.

This is **CRITICAL** and **VERY IMPORTANT** - you have to be **VERY HONEST** with yourself here - you

MUST be able to say to yourself

"THIS IS THE RISK I AM PREPARED TO TAKE ON THIS TRADE AND I WILL UNCONDITIONALLY ACCEPT THAT IT MAY BE A 100% LOSS"

If you cannot do this then **YOU DO NOT TRADE!**

2. SECOND (and only after accepting the **RISK(LOSING)**), where do I take **PROFIT?**

As discussed in an earlier post, put on 3 contracts and take **PROFITS** at either the first and second levels of S & R as appropriate or in increments of 50 pips - which ever polishes your knob! On the last contract, you trail this behind a suitable level which you are comfortable with **UNTIL** you are either stopped out or you see a **PASR REVERSAL** bar

So, this is now YOUR PLAN

3. THIRD - Do I believe in my **PLAN?** Do I have 100% absolute faith in my **PLAN?**

If the answer to this is **NO** - make a **NEW PLAN**

Do **NOT** trade until you **UNCONDITIONALLY ACCEPT YOUR PLAN**

4. FOURTH - Plan accepted so place trades. **Enter SL and TP levels**

5. FIFTH - Trade Management - You are trading the Daily time frame so **no need to check your charts UNTIL after 5pm EST - NY close. -right, Dan?**

If you have been **HONEST WITH YOURSELF** and accepted **YOUR PLAN** then there is **NOTHING TO DO!**

You will either be **stopped out for a LOSS** - which you have already accepted and is no longer a concern for you

OR

You have to **start taking PROFITS**

There is **NOTHING ELSE FOR YOU TO DO**

"Ah, but what if something happens and I see the trade going against me, what then?" I hear our high school student say.

FIRST - YOU SHOULD NOT BE MONITORING PROGRESS DURING THE DAY ON A DAILY CHART.

If you are doing this then **YOU STILL HAVE THE MENTALITY OF A SHORT TERM LOSING TRADER.** You must **GET SERIOUS** and **CHANGE YOUR TRADING STYLE.**

SECOND - IF YOU ASKED THIS QUESTION THEN YOU DO NOT BELIEVE IN YOUR PLAN and **VERY, VERY IMPORTANT - YOU HAVE CHEATED YOURSELF - YOU HAVE LIED TO YOURSELF!**

YOU EITHER BELIEVE IN YOUR PLAN - OR YOU DON'T - it really is that simple.

So, my short answer is:

PLAN THE TRADE & TRADE THE PLAN,

Trading as a profession

Friday, August 3, 2018 14:16

- What I'd like to say if I may is that trading really isn't simple, if it were simple 90% wouldn't fail assuming the majority ie 90% are capable of successfully accomplishing simple tasks. If you find the majority unable to successfully do something what does it tell you it tells you what you thought to be simple is actually not so. SIMPLY because most people haven't been able to do it.
- Anyone can succeed in this "trading" business. But you need to see trading as a little bit different to how you approach a normal job.
In a "normal" job, you are expected to "work hard" and "rush around" and "look eager" and "be proactive" and "be busy" and "look important". (It is part of the political game of normal, big business)
In trading, it is the opposite, you should park the "ego" at the door, be calm and patient, and trade ONLY when the risk/reward ratio is in your favor. It is not easy, but it is simple.

- Statistic say that only 5% who attempt Forex trading make it. My experience is around 2%.

Ability is not the reason for success in trading. It is drive, dedication, perseverance and the way you treat, access and process new information and knowledge. More than anything, it is about **YOU**. **YOU** as a person and **YOU** as a trader. Trading reveals more information about you and your personality than any test I know.

The losers are the "**Get Rich Quickers**" with "blinkers" who couldn't see the obvious when it was staring them in their face, by not accepting new information.

Being a consistently profitable trader is no different from being a successful heart surgeon or a top prosecuting lawyer – both require that you do an apprenticeship of learning and understanding. How long that apprenticeship is depends on the individual and how soon he realizes that it is about **HIM** and not the system. On average this is taking around 3 years.

Many don't believe it will take that long and go back to Step 2 and go round and round in circles until eventually they disappear up their own chuff!

How many thousands and thousands of hours studying thousands and thousands of charts would you study if you knew, from proof, that there was a \$million a year job at the end of it?

- THIS IS NOT A GAME - this is a very serious business. Treat it like a game and you will lose and then lose again and continue to lose forever after that.
- Anyone can succeed in this "trading" business. But you need to see trading as a little bit different to how you approach a normal job. In a "normal" job, you are expected to "work hard" and "rush around" and "look eager" and "be proactive" and "be busy" and "look important". (It is part of the political game of normal, big business). In trading, it is the opposite, you should park the "ego" at the door, be calm and patient, and trade ONLY when the risk/reward ratio is in your favor. It is not easy, but it is simple.
- From the trading psycho view, it is always best to grab some profits while you can and not let a profit turn into nothing, or worse, a loser. However, if you do screw up and end up with nothing or a loser just take it on the chin and move on to the next trade. The absolute worst thing you can do is mull over it and think what might have been - forget it, let it go and move forward.
- As I previously stated, it is said that trading is 10% method and 90% psychology. I think everyone here who has traded live will agree with this. When you are trading on demo, you are isolated from the emotions which gives us cold sweats and puts the pit of your stomach in your mouth! As soon as you trade live with your real, hard earned money on the line, *your emotions (greed and fear) kick in*. You have to do it and experience it and then you will know who the real person inside you is. We each individually have to find the method and time frame that suits our personality best to try and keep these emotions in check.
- You can only go where the markets wants to go, this is not a place where you can lead, but only FOLLOW.
- But following also means that you can't be the last guy following, that's what PASR is here for. Do you want to be the guy who bought Bitcoin at 20,000\$ just because you were following blindly a trend?

- Don't be too hasty about making money. First, learn to not lose money, that's the only thing that will keep you fighting for another day
- Once you have eliminated all the rookie mistakes that Strat teaches to avoid, don't think you can walk on water, you are just starting to crawl, which is better than what most wannabies manage to do
- A trader is like a professional athlete that is not bound by age limit, so long as your mind is forged with discipline and determination, you can go on for as long as your body can permit. So, take care of your body as well
- Money doesn't matter that much, you don't need to be a multi-millionaire to be happy. So, if you want to be a trader, make sure you are doing it because you are in pursuit of a higher objective. Trading must set you free, not bound you into a life you don't want.
- We are domesticated as a species from an early age, we are expected to follow a certain process to live, earn a living, and die. You must understand that this doesn't necessarily apply here, you can't expect to have your cake and eat it too, so be prepared to be judged, not to be understood, and, above all, to shape a different life than what you were expected to live.
- Learning how to trade is doable by everyone, it is not a talent but hard, psychological work. Forget any preconceived idea about fairness, justice, merit, none apply here. You will be dancing on the edge of a volcano at every trade, but you can rise like a phoenix every time you are burnt. That's called money management.
- Life is short, it is your most precious capital

Strat's 5 steps of becoming a Successful Trader

Friday, August 3, 2018 16:36

STEP 1 – Not knowing what the hell you are doing!

You have read and heard that forex trading is a “**Get Rich Quick**” or at least, a fantastic way to make easy money from all the Marketing Promotions (SCAMS) you see and read out there – you know, the ones with a handsome \$millionaire guy with his arm around a drop dead beautiful busty blonde in a short skirt leaning on his red Ferrari outside his 12 room mansion overlooking the Pacific Ocean.

So, you jump in at the deep end (read trade) with both feet and subsequently drown – because you couldn’t swim! (Couldn’t trade). Bad luck – it won’t happen next time you think. PRICE only goes up or down so what’s the big deal, how hard can it be? Anyone can do it – right?

When you jumped in at the deep end, you didn’t know that you couldn’t swim (trade). You then realise you haven’t got a clue what the hell you are doing. You take lots and lots of trades all with huge RISK. Those trades go AGAINST you so you have the bright idea to REVERSE and trade in the opposite direction only for PRICE to turn back again.....and again.....and again....and again.....and again etc., etc.

You will probably get one or two right “eventually” but at what cost of LOSING the rest? However, this is the TRADING DEVIL telling you that it really is this simple and so you start to trade more, RISK more and LOSE more money.

Then you read something about Money Management and “Doubling Up” which you believe is the missing piece to your trading jigsaw. So you start trying to recover your LOSSES by doubling up on them each time you trade. You may be lucky doing that one time but in the end you will LOSE twice as much money! You still don’t get that you know diddly squat about how to trade forex so you continue to trade until eventually the Market sucks you in and blows you out in bubbles wiping you out and taking ALL your money!

Then comes the next step:

STEP 2 – Not knowing that you don’t know what you don’t know or, to give it a fancy name, Conscious Incompetence

This is a light bulb moment when you realise there is a lot more work involved in trading than you first thought and that you might have to start reading, learning and understanding about trading. You finally accept that you can’t make a profit trading forex.

Problem solved – buy “**Get Rich Quick**” trading systems, ebooks, software, join public forex Forums – search for the **MOTHER of ALL HOLY GRAIL** systems from all corners of the Earth.

Before you know it, you are an “expert” in trading systems and start HOPPING from one method and system to another day by day, week by week, month by month, year by year never trading one long enough to give it AND YOU, chance to SEE it is profitable.

Each time you find an indicator with more flashing lights and bells and whistles than the last one you will believe that THIS is the ONE to make money for you. You will mess with Fibonacci, support and resistance, supply and demand, Pivots, Fractals, Divergence, Price Action, ADX, RSI, MACD, CCI, DMI etc., etc., and everything you can get your LOSING hands on hoping that the next “thing” is what works. You will be such an “expert” with your “indicators” that you will start to pick tops and bottoms trying to trade when PRICE reverses. Losing trades won’t matter because you will always add to them because NOW you know you are RIGHT!

Eventually, after more LOSING, you will subscribe to a “live chat room” which you are led to believe is full of Professional Traders trading for their living. You still don’t understand what the hell they are doing so you ask numerous “newbie” questions to the point that everyone ignores you. Then you start not believing what they are doing and the profits they are making and doubt their abilities because, after all, you know as much as them and they must be lying about how much they are making. If I’m doing what they are doing and I’m LOSING how can they be winning? Finally, someone takes you under their wing and gives you good advice but by now you are a stubborn idiot and ignore that advice and continue trading your way because you believe you know better.

You then read about signals and signal services so you pay for that but, that doesn’t work either. Then you decide to stump up \$thousands to attend courses held by those “famous” \$multi-millionaire traders. But it all goes in one ear and out the other because, stubbornly, you know it won’t work and you really know best.

This goes on for years and years because you are now ADDICTED to trading and you are sure you can beat this thing. Eventually, you either give up or you TROLL public Forums still searching for the **MOTHER of ALL HOLY GRAIL** systems.

Statistics show that 60% to 75% of new traders give up after 3 to 6 months. Another 15% continue in the hope of becoming \$millionaires only to wipe out their account. The remaining % stubbornly continue for around 3 years without success with a very small part of that % eventually moving on to being consistently profitable.

Your addiction to trading takes you into Step 3

STEP 3 - The “Eureka” Moment

At the end of Step 2 you realise that if trading really was easy, we would all be \$millionaires!

You begin to realise that success in trading is more about “**YOU**” and that “**YOU**” could make money with a really simple moving average system. You realise that Money Management and Trading Psychology really has a BIG PART to play in being profitable at trading. You buy, read and listen to everything you can find on Trading Psychology, and, what do you know, they are talking about **YOU!** Light bulbs flash at the speed of light and your Trading Brain kicks in to tell you that being profitable in trading is all about **YOU** and not the system, method or whatever. It’s no wonder you can’t find anything that works for you.

You FINALLY realise that, just like Dr Joe, the NASA Rocket Scientist, who planned spaceship trajectories and moon landings, YOU cannot accurately predict what the Market will do either in the next 5 minutes, the next day or the next month. Then you realise that NO-ONE else can either! So since THEY can’t, YOU stop listening to them or reading others who think they can.

Knowing that it is now YOU who is responsible for your profitability and not the system or method, you find one of your systems or methods that has a good record of winning and you feel comfortable with and FOCUS 100% on it upside down and inside out until you completely UNDERSTAND it. You FINALLY stop looking at other threads and systems because now you HAVE found the HOLY GRAIL which YOU now know is who stares back at you when you look in the mirror. Then, you paper trade it because you know that Broker demos are highly manipulated and encourage you to win. Then you move onto trading LIVE with your REAL, hard earned money. You don’t get angry when you lose because you know it is just the cost of doing Business. You now know your method so well that if you exercise correct Money Management practices your winners will be much greater than your losers.

Next, you start looking at your trading results in a different way. You are no longer concerned with daily or weekly performance because now you know losing trades do not make a poor system and so

move onto monthly performance. Then you finally realise you have an “edge” that you have heard others talk about but more important, know that **“YOU”** are the edge! Then you start to go over proper Money Management, Leverage, Risk, Trading Psychology etc., but this time, you finally UNDERSTAND it and it soaks into your sponge of a trading brain. Then you smile when you think back to when you didn’t understand it because now you know you were not ready then, but you are now. Then you sit back and accept that all this happened because you finally realized and accepted that it was not about the system or method but **YOU**.

Step 4 - Walking on Water

Now you are taking trades when you SEE your system set up. You let your winners run and cut your losers early. You take the losses on your chin and just move onto the next trade. You know that **YOU** and your system make more money than it loses. You go from breaking even to making a few pips profit to making THOUSANDS of pips profit and think you are now the World’s Best Forex Trader. Then you start to lose focus and stop paying attention to everything that got you to where you are at this point and start taking trades that aren’t there. Then you start losing more than you are winning and your confidence begins to suffer. This makes you think the Market has changed and your system is no longer suitable for it so you begin to doubt it. Then you lose confidence in it. Then your profits and performance begin to spiral down out of control. Then someone tells you that you are trying to **“Walk On Water”** and that the last guy who tried that got hung on a cross. You finally wake up and realise that you had forgotten that your performance is all about **YOU**, not the system or Market so you beat yourself up and go back to Step 3

Step 5 - Autopilot

Eventually, you avoid Walking on Water again and get back to profitable trading and then move on to Autopilot trading. You have become Consistently Profitable and you are now trading at an unconscious level or “In The Zone”. You ignore “noise” on all trading forums because you have mastered your emotions and are in total control.

You are now a “Star” to others and help them with their trading and questions. You don’t want to pass on your “secrets” because you are frightened of them misusing them. You then become a “Mentor” to many and freely pass on your advice although you know most of it will be wasted on **“Get Rich Quick”** newbies. Some though stick at it and listen to you and will get to where you are at but most, 95%, will never get past Step 2

Trading then becomes boring for you just like everything you do that has no challenges. You begin to spend more time helping others reach your trading status to relieve the boredom. This helps you because they ask you things which you do by instinct or now take for granted so it refreshes you and your memory.

You get to the point that, when once you were proud of telling anyone that you are a consistently profitable forex trader, you don’t even care or bother now since it’s just a job like any other – except on your terms.

Support and Resistance levels

Monday, July 16, 2018 21:02

SUPPORT

Support is, simply put, a price at which point traders expect to see buying. Support can be a level that we have seen previous buying activity at (perhaps the price bounced off of it last month).

The most common place for support level is an obvious spot where traders have seen a major reversal in the past.

RESISTANCE

As you might guess, resistance is the exact same as support except it is an area where we have seen traders selling the pair in the past.

First is always to identify the direction in which the pair is trending.

So, when we do an analysis of a pair or any financial instrument for that matter:

1. We identify our SR levels
2. We find out where the BIG BOSS is relative to ITS trend AND where it is headed in the SHORT TERM relative to ITS SR levels
3. Knowing the direction of the BIG BOSS, we review the BOSS. If the BOSS is fighting the BIG BOSS, it will be very difficult to trade so we WAIT until the BOSS aligns herself with the BIG BOSS.
4. With the BIG BOSS and BOSS now in harmony (both moving together in the same direction) we drop down to the Worker.
5. We wait for the Worker to give us PASR in the direction of the BIG BOSS and BOSS. Rewarding and stress-free trades come when we time the Worker JUST TURNING into the direction of the BIG BOSS and BOSS at PASR (as shown on the attached chart)
6. The MOST REWARDING and STRESS-FREE trade comes when you can time the Worker turning into the direction of the BIG BOSS at THE SAME TIME as the BOSS turns into the direction of the BIG BOSS.
7. It sounds SIMPLE and it really is that SIMPLE but to make it stress free we MUST trade with PASR. Trying to guess trades is the best-known way to blow an account.



Planning the trade only requires a 2 or 3-minute study of each pair after 5pm NY time each day then placing our stop/limit orders and then - living your life.

The absolute worst thing for anyone trading the Daily to do is watch what happens on a shorter time frame or watch the Daily candle DURING trading hours. We don't care what goes on within that Daily candle - all we are concerned with after 5pm NY time is where the candle closes and where it's been.

- **S/R levels matching trading style**

We all know accurate S&R is difficult to identify (or is it?). Which S&R to identify?

Even on the Worker, there are many levels of S&R to identify. Which S&R you identify depends on the type of trader you are. If you don't know which type of trader you are, you will NEVER be successful.

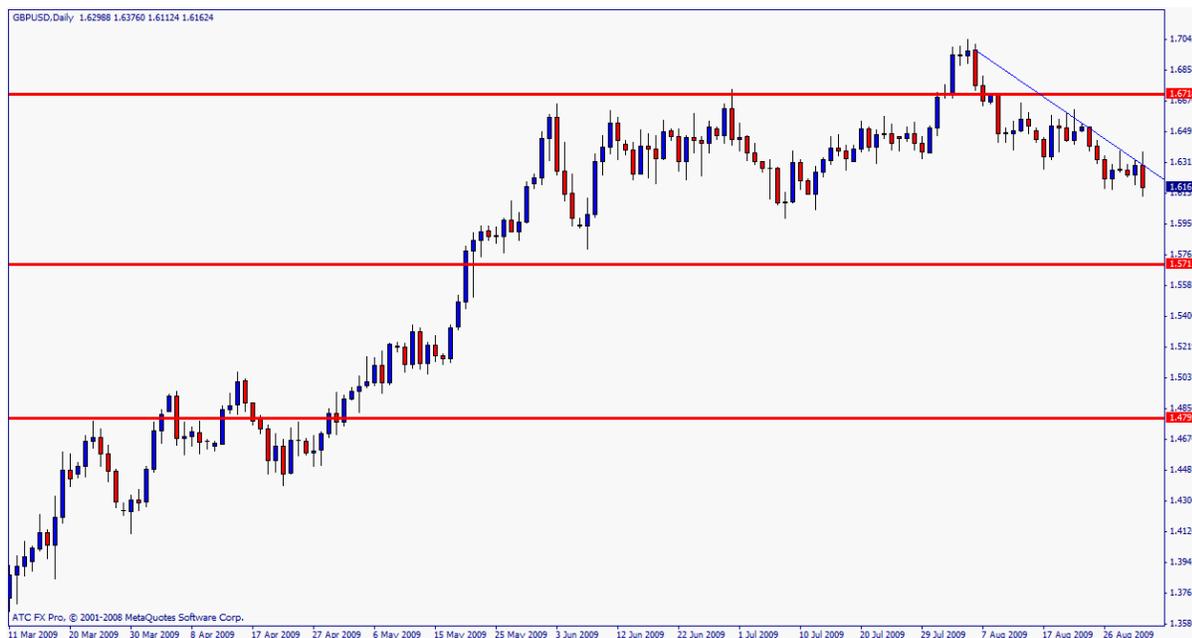
If you are a Worker Scalper (trading from support to the 1st level of resistance), then you need to identify micro S&R.

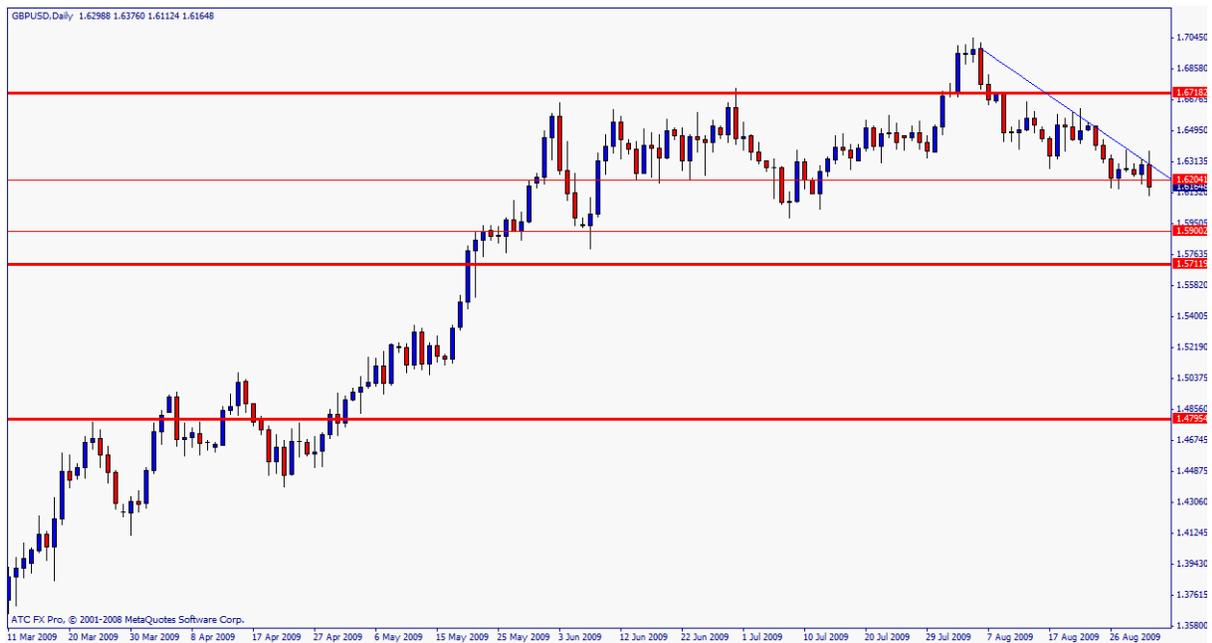
If you are a short term trader, then you need to identify minor S&R.

If you are a swing trader, then you need to identify major S&R.

If you are a "don't know" trader, then you need to go back to the beginning of The Path of Learning. How to identify these different S&R levels has been covered many times. If you don't know how to do it, then you need to go back to the beginning of The Path of Learning.

GBPUSD is providing a very nice example for us this evening with a very nice juicy Lucy BEOB. Based on the first chart with major resistance, what would you do? What would you do after seeing the second chart with minor resistance added?





- **Supply and Demand** is very different to Resistance and Support.

You can do a search on the web and get some very fancy and complicated answers, most of which do not help in practical trading.

There are self-proclaimed experts, gurus and "know it alls" on here and other public and private trading forums who trade Supply and Demand - some profitably, others just pretending/dreaming. Still, there are others who understand it like no other yet can't explain how to use it in practical trading. Then there is the "herd" - the 95% who trade Supply as Resistance and Demand as Support and don't know the difference or how to use either.

My ""SIMPLE"" understanding of Supply and Demand is what has worked for me over the years so I don't care whether it is "right" or "wrong" nor do I care what others think or say. Trading is SIMPLE (but not easy). PASR is SIMPLE (but not easy) so everything I do in PASR has to be SIMPLE.

So, DEMAND, in PASR terms, is that PRICE level over a period of time (usually years and, the longer, the more accurate) where PRICE did not go lower and formed a mounting pad to ACCUMULATE (build) long positions from which PRICE made a HUGE move.

Supply, in PASR terms, is that PRICE level over a period of time (usually years and, the longer, the more accurate) where PRICE did not go higher and formed a mounting pad to DISTRIBUTE (build) short positions from which PRICE made a HUGE move.

In my SIMPLE trading mind, I think of Supply and Demand as the MAJOR SWING on the HIGHEST time frame of the PASR strategy I am trading.

In between Supply and Demand are Resistance and Support and MINOR swings.

Shooting stars and Hammers

Friday, August 3, 2018 14:16

Don't got looking for pins randomly. Set your charts up with all the SR levels etc and then wait for the market to come into those areas. If a pin forms between 2 major SR levels I usually pass on it. Pins are 5% of the trade. The other 95% is where they have formed and why. The pin just shows the rejection of that level.

I find by doing this I limit my markets down to a few pairs a day. Set the major levels on the Weekly, Daily and maybe 4hr and then scan the charts to see which pairs are coming into those levels.

I'm not interested in pairs in the DMZ (De-Militarized Zone from Vietnam days - the area of dead ground between North / South Vietnam, our DMZ being the area between the major SR levels). They don't feature that day. Only trade the pairs at these levels. Some days many will be, others nothing. Depends how many you trade. Remember, the best value is generally found around these levels.

Until you have mastered the horizontal levels I wouldn't bother trading anything else. **Forget** break outs, Fakeys, Patterns, Trend lines (only use them for direction if you can't see it from the bars!)

For better trades ensure you have fib confluence and make sure the hammer/star is clearly at the top / bottom of a move with a big Kangaroo tail into thin air if you like!! And make sure you take all the best-set ups to tip the win ratio into your favour. Sure, some will fail; get over it! There are no certainties in trading only probable outcomes based on rigid application and implementation of your rules. **The moment you diverge from your rules you have failed. Simple.**

A smoker who had given up but has a crafty fag with a beer on a Fri night has not given up and is fooling himself. Same in trading. You can't follow the rules 95% of the time and then have a 'blowout' on 5% because it's that 5% of ill-discipline that will kill you!!

I'm thinking it may be better for some of you to refer to them in their Japanese names. **Shooting Stars and Hammer.** Look them up on 'tinters there are loads of free examples. Shooting stars - falling from the heavens ie turning point after a rally
Hammer - Hammering out a bottom (after a fall).

Pin bars at the bottom of a move with the tail in the direction of the recent move are not 'pin-bars' but 'inverted-hammer'; when followed by a bullish bar/candle they often indicate the bottom of a move, not a signal to get short.

Study the bar; where it is and ask why; look at the PA around it. Just don't trade a pin because it's a pin bar?

Money management

Monday, July 16, 2018 21:00

- **PLAN YOUR TRADE and TRADE YOUR PLAN**

1. Enter each and every trade in your Trade Log/Journal
2. Always be IN CONTROL
3. Consider loss FIRST before profit.
4. ACCEPT your losses – you are not wrong – they are just part of doing business
5. ACCEPT and be prepared to make losses
6. Assume your worst loss has not yet happened.
7. Always PLAN for the worst possible case.

- **Additional Money Management tips:**

- *If you make a mistake, get out. If in doubt – get out.*
- *Don't get paranoid by watching PA during the day. Let the trade develop in accordance with your PLAN. Getting out too soon on the first "wobble" (minor retracement) before the big run will be more frustrating and psyche damaging than taking a small loss.*
- *Amateurs manage money by taking RISK. Professionals manage RISK by taking MONEY.*
- *Trading is a zero sum game – someone has to win and someone has to lose.*
- Do not trade unless you are 100% physically fit and mentally prepared.
- Follow your system/strategy/method – if you can't do this – DO NOT TRADE!
- Take only ACCEPTABLE risks within your risk tolerance and financial position.
- Do not trade or even look at exotic or other thinly traded markets
- Use multiple lots to get to "free trade" status
- As your equity grows consistently over time, increase your stake within your risk tolerance. Add to winning positions within your risk tolerance.
- Decrease your stake during losing "streaks"
- Do NOT increase your risk by trading correlated pairs
- Increase your lot size on a pair you understand rather than trading a pair you don't understand to compound your money.
- Specialize and focus on a small number of pairs maybe just the six majors.
- Do not get over confident as your success grows – keep doing what you did to get you where you are at now – just do more of it. Never forget what happened to the last guy who thought he could walk on water.
- Use the market's money for your trading account. Once you have doubled your equity, take your original stake out and put it into a CD or Bank account. From this point forward you are trading with your profits and the markets money. Do not change anything at this point, just more of the same.
- If you WIPE OUT, do not add additional funds until you know what caused you to wipe out. Control your emotions – fear and greed are momentary, regret and disappointments last a lifetime.
- Before you take a trade, look for reasons NOT to take the trade. We are all guilty of seeing a trade that isn't there (much like people who see Mother Theresa in clouds or pizzas)
- Eliminate negative thoughts – only think POSITIVE thoughts
- Surround yourself with successful and winning people – avoid the losers
- Finally, once you get to a point in your trading where you are comfortable with your system/strategy/method and MM, then you know you have "arrived".

- The first thing, after identifying a trade **MUST ALWAYS BE - WHAT IS MY RISK?** Remember my earlier posts about millionaire and professional traders? The **ONLY thing** they care about is how much they can **LOSE**. Amateurs and all other traders think just the opposite - how much can they make.

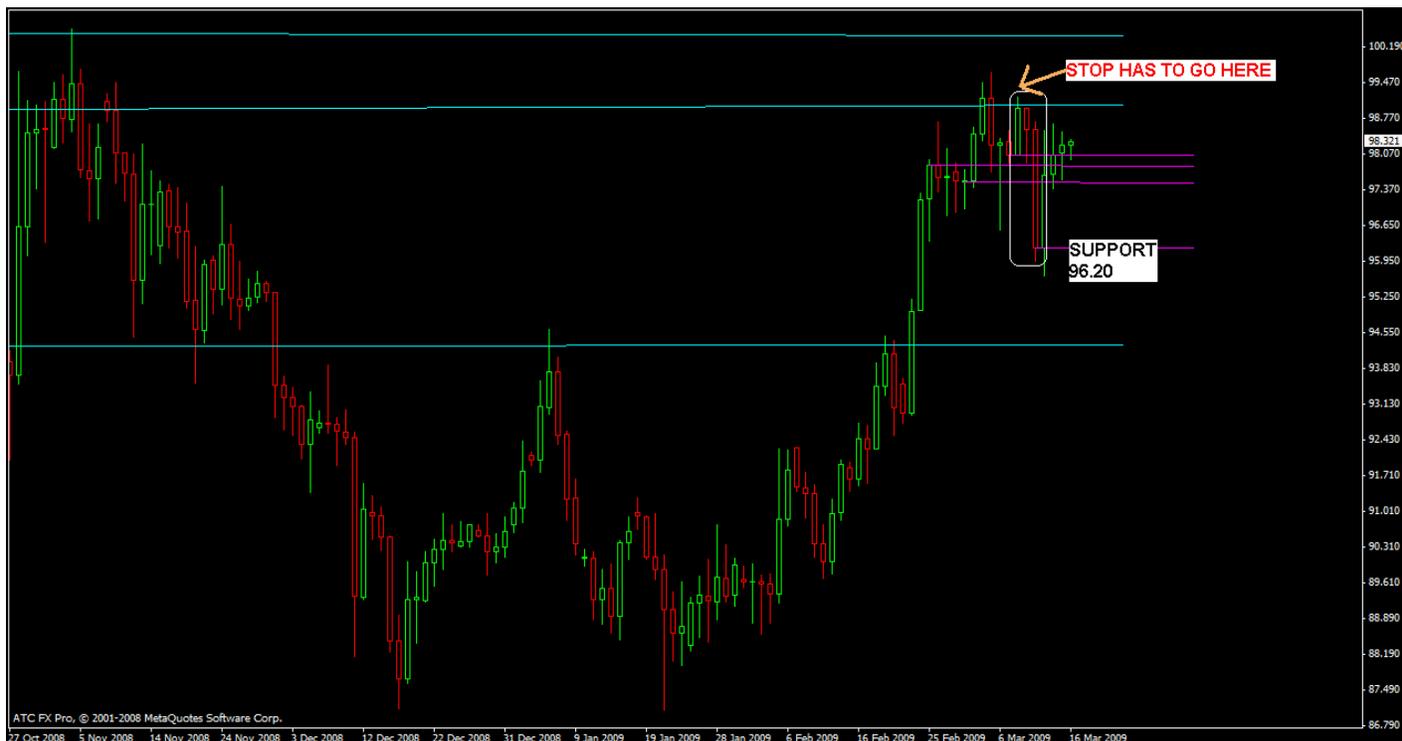
When professionals **PLAN THE TRADE**, the very first thing that goes down on their sheet of paper is **HOW MUCH WILL I LOSE?** Their whole plan is predicated around **LOSING**. If they are not comfortable with the amount they **WILL LOSE**, they will either reduce their positions (lower \$ per pip) or **NOT TAKE THE TRADE**. They don't concern themselves with winning

because they are successful traders, know it's all about probability, and will come out winners in the end (total number of trades).

When they are comfortable with **HOW MUCH THEY WILL LOSE**, they go ahead and place the trade. This **IMMEDIATELY** takes all decisions and emotions away from you on this trade leaving you with a **STRESS FREE TRADE**. You then **TRADE THE PLAN** by letting the market either (i) take you out (stop loss hit) or (ii) put you in profit. Once in profit, your plan should tell you when to take profits, go to break even etc. It may not have hard numbers but just something like take profit at 50 pips on the first contract, bring rest to break even at 100 pips or take profits at first S&R, second S&R etc.

If you feel the need to interfere with your Plan then you have not planned it correctly. Once in a trade with a plan - just let it go and do its thing! If you plan it correctly, those demons, goblins, voices inside your head, man in the mirror no longer have a base on which to trick you on.

Attached is a later chart so let's get into it. I wrote something like I hope everyone had their sell stop in place at 97.52 I think it was. Then I later wrote that there was a **HUGE PROBLEM** with it.



If you had a sell stop in place below the 97.52 support line, say 97.42, did you measure your **RISK**? Where did your SL go on such a move? If you did it correctly, your SL should have gone **ABOVE THE SWING HIGH** at say 99.23. That is a **181 pip SL!** That is **HUGE!**

Would you have been prepared to **LOSE 181 pips**? That is the **FIRST** question you should have asked yourself. If not, then either adjust your \$/pip or do not take the trade.

Now for those who are going to tell me they dropped down to H4 to identify a smaller SL, then **at that point, they were no longer trading the Daily**. You cannot trade a time frame with a shorter time frame's S&R. There are 6 H4 price bars within one Daily price bar and if you set a SL from H4 then it would be hit within that Daily price bar.

If we managed our trade correctly, we should have taken profit when it hit support again at around 96.20, so we did make 132 pips. For those who do the Risk to Reward ratio, this was lousy.

Now that huge down bar was not the normal range for this pair and we should expect the elastic band theory to take place after it completed. If you are not familiar with the elastic band theory, take the elastic waist band in your under pants or knickers and pull it out as far as it will go. Then let it go! This is also true for the distance price is away from the 20 - the further it is away, the more likely the elastic will pull it back.

That being the case and since we all know what to do when price hits support, it provided another magic trade **PROVIDING** you knew where to put your SL. If you did know where to put your SL then you are back at the beginning of this post because it is another **HUGE SL**

So, since no-one came even close to this, tells me you are all acting like rank amateurs.

You will NEVER make serious money at this UNTIL you turn your logic upside down, forget about profit and **CONCENTRATE** on **HOW MUCH YOU CAN LOSE**.

I promise you with 100% certainty that if you do this, you will turn your trading career around BIG TIME!

Stop-Loss placement

Saturday, August 4, 2018 21:13

- Without a thought, my SL ALWAYS goes below the low; it's not conservative, it's just a fact of Price Action. I would NEVER, EVER ignore a nearby S & R level. If the low is slightly above support then the SL goes below the support. If there is a psycho number nearby, then it would go below that. Those bastards who create these long tails, the brokers and the MMs, don't care how long the tail is, they will drive the price to wherever they want to clear everybody out.
- Break-even is mostly used by Amateurs and those who don't understand its function but mostly by those who don't really know what they are doing and how it fits in with their PLAN. This results from not knowing what, which and how you are trading a particular strategy.
- I struggle with getting SL to break-even also. It's a toss-up between hanging in for a longer move or getting out with some profit. I try to look at where the next roadblock (support/resistance) is and work back from there. It also depends where you are in the trend (or not in a trend).

From the trading psycho view, it is always best to grab some profits while you can and not let a profit turn into nothing, or worse, a loser. However if you do screw up and end up with nothing or a loser just take it on the chin and move on to the next trade. The absolute worst thing you can do is mull over it and think what might have been -forget it, let it go and move forward.

- With regard to stop loss, if that is how Trader Dante did it for his method then he must know it works for him. There are as many ways to set up your Forex ATM machine as there are traders. I cannot comment on what works for one method compared to another. The way I trade, Price Action using Support and Resistance, I would be stopped out on most trades if I did what you suggest. Since I'm trading reactions to Support and Resistance, my stops have to go either above/below Support and Resistance or at swings. For me, they have to be away from the noise of all the time frames below the Daily. This is all part of the PLAN. If you have done your analysis correctly then you will set stops according to that and let the market work it out for you. There are no emotions. You either believe in yourself and your plan or you will never make it in this business. When I place my stop loss, I EXPECT the MMs to run the stops and clean everyone out BUT I believe in my plan and let it run accordingly. I also don't put in hard stops. For example, if you are scalping, where your profit is only a few pips, you need, and must, go to Break Even as soon as you have enough profit to cover the spread and any commissions.

In Basic PASR, the only time I would move my initial Stop Loss to Break Even is when PRICE has successfully closed above/below minor "wobble zones".

In Swing PASR, and especially PASR Trend Trading, we manage our RISK as declared in our irreversible PLAN so that we allow PRICE room to BREATHE.

The teachings of PASR allow students to UNDERSTAND that PRICE moves in ""steps"" rather than straight lines. In Swing PASR these are bigger ""steps"" than in Basic PASR. In PASR Trend Trading, the "steps" are even bigger and more often than not are some derivative of a swing.

So, the ""trick"" is NOT moving your Stop Loss to Break Even as soon as possible and is just the opposite - UNDERSTAND what strategy you are trading and let PASR determine your Break Even if there is a need for one.

The "trick", if there is one, is letting PRICE BREATHE in your chosen trading strategy.