BASIC'S OF INVESTING

Secret Trading Combinations

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Chapter one

What is Forex?

Personally, Forex is the exchange of one currency to another. The Forex market, also known as the foreign exchange market, operates on a global scale as a decentralized over-the-counter platform dedicated to the trading of various currencies. This expansive market plays a pivotal role in establishing foreign exchange rates for each currency. It encompasses the comprehensive spectrum of activities involving the purchase, sale, and exchange of currencies at prevailing and pre-determined valuations.

What is Forex trading?

Forex trading (FX) is the conversion of one currency to another. The foreign exchange (FX) market stands as one of the most vigorously traded arenas on a global scale. It witnesses a continuous flow of activity involving individuals, corporations, and financial institutions, collectively engaging in Forex transactions valued at an impressive 6.6 trillion dollars each day. With the official definition of the Forex market in mind, our focus shifts to the strategies that allow us to harness its potential for profit generation.

Considering the substantial daily influx of 6.6 trillion dollars into this market, even capturing a mere 0.01 percent of this volume could lead to unparalleled financial success. However, the key question revolves around how to strategically position ourselves within this realm to yield favorable returns on our investments. It's important to note that Forex is not a mere game; rather, it constitutes a lifestyle and a distinctive way of existence. Effective positioning within this domain can bestow upon us substantial benefits beyond imagination, while an ill-conceived approach could lead to unexpected and significant setbacks.

In light of these considerations, our objective becomes clear: to discern the means by which we can effectively capitalize on this lucrative market. With this perspective, let us proceed to delve into the subsequent chapter.

Chapter 2

“Buy”, “sell”, “buy stops”, “buy limit”, “sell stop”, “sell limit”.

These terms might seem foreign to you, when you say “buy” traditionally, it means going to the shop or market to exchange money for goods or services vis-à-vis. You get value (goods or services) and give value to the seller (monetary). Within the market framework, an analogous principle applies. When the term "buy" is employed in the context of Forex trading, it signifies the initiation of a "long" position. To elaborate, "long" essentially equates to the concept of "buying". Additionally, in trading terminology, "long" can be interchangeable with the term "call". Thus, the expressions "buy," "call," and "long" are synonymous, all signifying an anticipation of upward movement in the asset's value.

Conversely, the concept of "sell" operates as the converse of "buy". When one opts to "sell," it implies a projection of diminishing asset value. This notion can also be articulated using terms such as "put" or "short".

1. **Buy Stops:** A buy stop order is placed above the current market price. It becomes a market order once the specified price level is reached. This type of order is commonly used to capture potential upward momentum. Traders place buy stop orders when they believe that if the price surpasses a certain level, it may continue rising, potentially allowing them to enter a trade at a better price.

2. **Buy Limit:** A buy limit order is set below the current market price. It becomes a market order when the price reaches the specified level. This order is used when a trader believes that the price will decrease to a certain level before resuming an upward trend. It allows traders to enter a trade at a more favorable price point.

3. **Sell Stop:** A sell stop order is positioned below the current market price. It turns into a market order once the price reaches the designated level. This type of order is utilized when a trader anticipates that if the price falls to a certain point, it may continue declining. It enables traders to protect themselves from further losses or enter a short position at a preferable price.

4. **Sell Limit:** A sell limit order is placed above the current market price. When the price hits the specified level, it becomes a market order. This order is useful when a trader expects the price to rise to a certain level before reversing its trend and moving downwards. It allows traders to sell their assets at a higher price if their prediction holds true.

how do we know when to “buy” and how do we know when to “sell”? See, right there is the most challenging part for most people. When we “buy” we expect the price to go up and when we “sell” we expect the price to go down. If the market only goes up or down, why do most people fail in forex? There is a grey line in between which is called “consolidation” or “ranging”. Could you please explain "consolidation" and "ranging"? These terms refer to a scenario where the price of an asset remains relatively stable without significant upward or downward movement. Instead, the price tends to move horizontally within a defined range. During this phase, emotions play a significant role and often lead to financial losses for many individuals.

About 90 percent of the time you are going to see the market “consolidating”, It never goes in one true direction. This stands as the primary cause for the struggle individuals face in managing their emotions, given their strong emotional attachment to their finances. In forex, you should never get attached to your money. Frankly, you should never invest more than what you are willing to lose. Do not get me wrong, you are not trading! You Are Investing. You do not want to be a trader, you want to be an investor. Trading is being speculative, investing is going with the fundamentals and some technical information which keys you to the exact results that you need in investing. Therefore, day trading can be defined as hustling and investing is a way of life. It becomes a business when you invest. You are now learning the investors lifestyle rather than the hustling of trading.

If you are interested in making money very quickly and are looking for an easy escape from your normal 9 to 5 work, I have to be honest, this is not for you. If your aim is to discover a consistent and enduring income stream that you can rely on over the long term, I encourage you to continue reading this book... Feel free to share with some of your friends, your family and your love ones. Anyone you feel would benefit as this could lead to financial independence.

To Those That Came Before us, Our Bloodlines ∞

Chapter 3

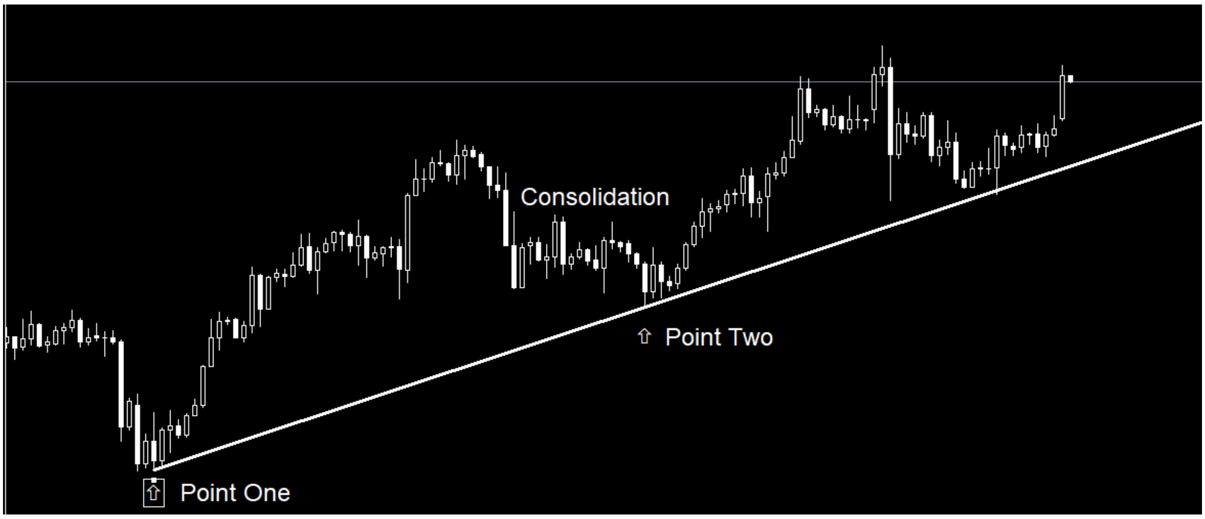
What is “Trend” and “A Trend Line”?

A trend denotes the directional movement of prices within a defined timeframe, characterized by either a progressive (upward) or regressive (downward) trajectory.

Recall from the earlier discussion in chapter 2 that the market tends to spend approximately 90 percent of its time in a phase of "consolidation," where price remains relatively stable. The remaining 10 percent of the time constitutes a "trend." The crucial strategy involves capturing the emerging trend before it fully materializes. It's worth noting that substantial profits in trading are typically generated during trend phases. In the absence of a clear trend, either upward ("call") or downward ("put"), the likelihood of experiencing losses is higher.

To discern our trading direction prior to the trend's development, we employ tools like trendlines. These tools enable us to determine whether a trend is already in place or on the verge of forming. This preparatory approach assists in strategically positioning ourselves to capitalize on emerging trends.

Figure one.



References for our trendlines are denoted by points one and two. As the market advanced beyond point one, an interim consolidation phase was observed, followed by a retracement that marked the inception of a fresh upward trend. This progression forms the foundation for point two on the diagram, illustrating the market's continued ascent within an uptrend.

In the context of pullbacks, it's important to clarify their significance. A pullback occurs subsequent to the price movement from point one, wherein the price retraces downward before subsequently rebounding to surpass the prior peak.

Figure Two.

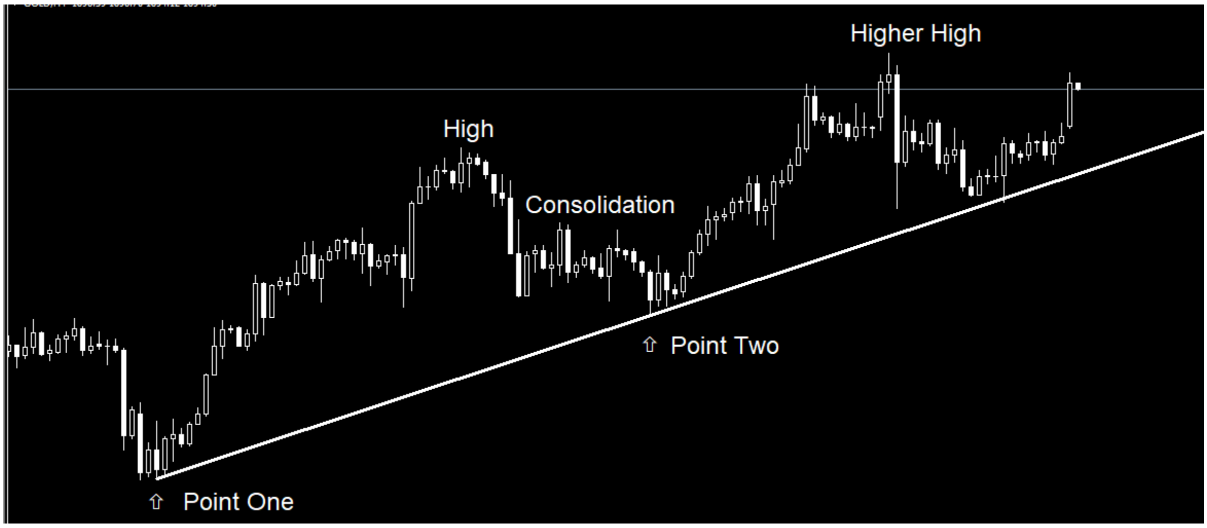
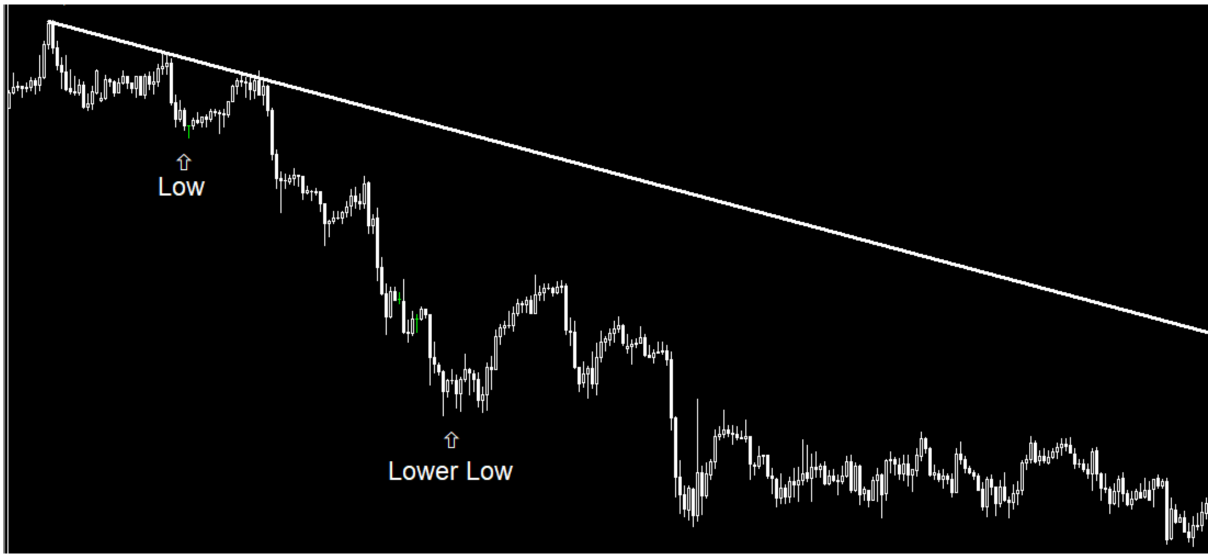


Figure Three.



The pinnacle preceding the consolidation within figure two is referred to as the "high," while the peak subsequent to the consolidation is termed a "higher high." When both a "high" and a "higher high" are identified, this signifies an upward trajectory in the market, known as an "uptrend." Conversely, the presence of a "low" and a "lower low" indicates a downward course, characterized as a "downtrend." (For visual clarification, refer to figures two and three).

A Channel serves as a simplified rendition of the trend line, encompassing the identical conceptual framework. The drawing of the trend line is depicted in figures 1, 2, and 3. The channel facilitates the identification of key points such as "high," "higher high," "low," and "lower low."

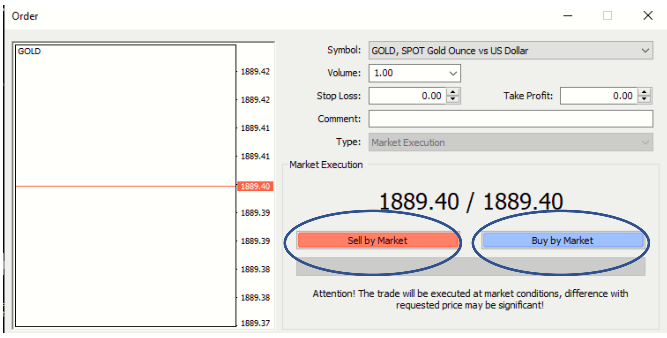
In a downtrend scenario, attention should be directed toward spotting the instances of a "low" and a "lower low," **alongside** seeking out the occurrences of a "high" and a "lower high." Conversely, during an uptrend, focus shifts towards recognizing both a "high" and a "higher high," as well as observing a "low" and a "higher low." (Further illustration of the channel is available in figure four).

Figure Four.

Chapter 4

Entry Order & Exit Order

An entry order is a directive placed at the current designated price level for a specific currency pair. When selected, the order is executed or filled. On the other hand, an exit order serves the purpose of concluding an entry order. Entry orders encompass both "long" and "short" positions, indicated as "buy" or "sell." Exits come into play when you perceive that a satisfactory profit has been achieved or when the aim is to mitigate the loss from a trade. See Image below



Once the concepts of entry and exit orders are grasped, the subsequent step involves establishing the conditions for entry. This involves the utilization of Exponential Moving Averages (EMAs). The exponential moving average represents the average of prices across a defined timeframe and acts as a dynamic level of support and resistance. While the topics of support and resistance aren't covered in this book, for those interested in delving deeper into these aspects and other untouched subjects, we invite you to engage with our community on Telegram, YouTube and Website. Furthermore, you can avail yourself of the chance to engage in our V.I.P Access pass, granting you access to cutting-edge financial tools and ensuring you're at the forefront of updates by enrolling as a member. By joining our website's membership, you'll unlock entry to our core training program, which holds the power to reshape your trading outlook and unveil opportunities for days with a 100% potential for success. Additionally, we provide entry to our automated trading program.

Chapter 5

EMA'S

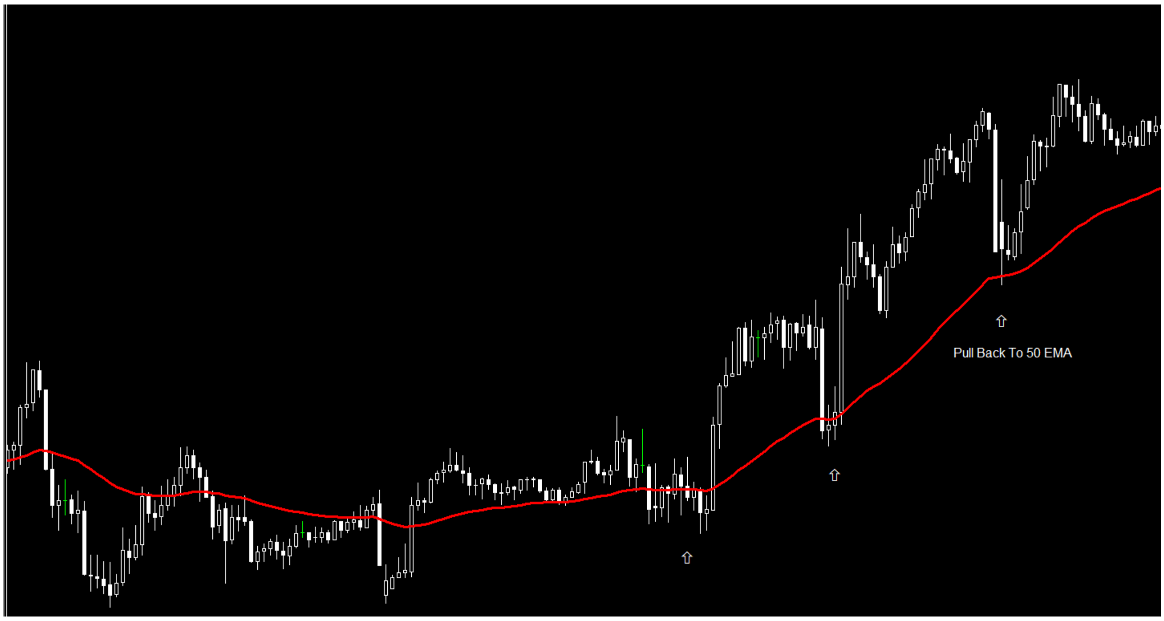
Our focus will center on the 20, 50, and 200 Exponential Moving Averages (EMA). The 20 EMA represents the average price over a 20-day span, while the 50 EMA indicates the average price across 50 days. The 200 EMA pertains to the average price over a 200-day period.

As an illustration, consider a scenario where the price trend is ascending, experiencing a brief downward retracement towards the 20 EMA. In such instances, the 20 EMA can function as a dynamic support level. This dynamic support can then serve as a potential entry order point (refer to figure five). Similar principles apply to both the 50 EMA and 200 EMA. For further examples showcasing dynamic support and resistance levels, refer to figures six and seven.

Figure Five

Price Pullback to 20EMA

Figure Six



Price Pullback to 50EMA

Figure Seven

Price Pullback to 200EMA

The EMA can also function as a viable exit point. When the price reaches the relevant Exponential Moving Average, it's prudent to close your trade and secure your profit. Alternatively, if the price breaches an Exponential Moving Average, it's advisable to exit the trade and cut your losses.

Irrespective of your chosen approach for utilizing the Exponential Moving Average, this tool wields significant potency. Moreover, a notable advantage arises when these EMAs are combined—resulting in an amplified effectiveness. Additionally, when the 20, 50, and 200 EMAs are interwoven, it's advisable to refrain from entering a trade. This configuration aids in identifying a consolidation or ranging market, serving as a clear indicator to abstain from engaging in that particular trade.

Let's talk about take profits and stop loss.

The take profit level is the price you deem optimal for exiting a trade while securing a profit. Conversely, the stop loss represents a designated price at which you exit a trade to minimize losses. Why is take profit and stop loss very powerful? Let’s imagine you have a $1,000 account and had no stop loss (no price of exit) when you entered into a trade. You entered a “buy” trade and price started going down, immediately you are losing money. Without a stop loss you might lose your entire $1,000 depending on the lot size you are trading with.

Stop loss is necessary as it positions you to not lose more than a fixed amount. Let’ look at the inverse “take profit”. Let's imagine you entered a trade and your starting balance is $1,000 and price started going in your traded direction “up” and your $1,000 is now at $1,500 then $2,000 and you have no take profit. What happens when the price starts dropping? You now have $1,400 then $1,000 then $500 then $0. You would have wished you had taken your profits at $1,900. Take profit ensures that you take your money out of the market when prices have reached the optimal point you feel it’s appropriately valued. That's why take profit and stop loss is highly necessary in every trade.

Chapter 6

ATR and Probability

ATR represents the average true range of price over a specified timeframe. For instance, consider the ATR calculated across 14 days. This calculation provides insights into the extent of price movement within this period, guiding our estimations for potential take profit and stop loss levels.

To elaborate, suppose the average true range of price over the last 14 days amounts to 100 pips. This suggests that under stable market conditions, there exists the likelihood of an additional 100-pip price movement within the next 14 days. Armed with this information, we can strategically position ourselves by setting our stop loss at the ATR value and our take profit at twice the ATR value. This setup establishes a trade ratio of 1:2, optimizing risk management and potential returns.

What is probability?

Probability refers to the percentage used to gauge the potential price movement on a particular date. These percentages are derived from algorithmic calculations that assess both historical price behavior and present market dynamics. This analysis aids in identifying optimal entry points by pinpointing favorable market days.

Moreover, probability assists us in pinpointing days with minimal trading risks. In the realm of trading, probability stands as a profoundly influential tool, serving to enhance decision-making processes.

Final Statement

I've provided you with insights into the fundamental aspects of Forex, including concepts like "buy," "sell," "buy stops," "buy limit," "sell stop," "sell limit," trends, trendlines, channels, entry, exit, EMA, take profit, stop loss, ATR, and probability. However, I assure you that the captivating realm of Forex holds an abundance of further knowledge waiting to be explored.

Now, I'm not here to sell you dreams, neither am I here to tell you it is going to be a smooth ride. Through your dedication, commitment, adept money management strategy, and well-defined formula, you will undoubtedly pave the way for amassing substantial value through Forex trading.

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