Markets Mastered

The TrendFX Trading System

Trade the trend as you follow the markets®

A Simple Set of Systems for Trading the Stock/Currency Markets

Contents

1. Disclaimer

Commodity Futures Trading and Options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets. It is also possible for you to lose more than your initial deposit.

The information contained within the manuals supplied by Markets Mastered is for educational use and it is neither a solicitation nor an offer to Buy/Sell futures or options; We, Markets Mastered, do not encourage you to follow the steps and advice. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed in this manual or any web site's mentioned, including www.marketsmastered.com. The past performance of any trading system or methodology is not necessarily indicative of future results. If customers act on the information provided within this eBook then this is done at their own risk, and neither Markets Mastered, nor any of its employees, agents or affiliates can be held responsible for any loss of capital or investment to customers as a result of the information supplied, or advice given.

2. Important Message

Thank you for purchasing my *trendFX* trading system, designed to trade the Forex market while following the trend, so making it an ultra-safe strategy as you DO NOT take trades against the trend. As I will show you later on, you can also use this system to trade virtually ANY instrument that you can bring a chart up for.

There is **NO** padding or superfluous content in this trading system manual, *EVERY SINGLE WORD* is there for a reason as they are important. Please **do not** skip over any sentences, paragraphs or chapters as you need to read everything (in order) contained in this eBook so that you can learn my strategies properly and then enjoy the profits that elude so many newcomers to the trading world.

Trading the markets is **NOT** get-rich-quick scheme, so please treat it as if you were learning any other profession. If you were studying to be an accountant or dentist for example, you would spend many years at University and then on-the-job training, and learning to trade is almost as time consuming but offers greater returns when you get it right. Unlike the more traditional professions, you can learn to trade part-time while keeping your day-job so you are able to still earn your normal salary while you educate yourself about the markets. But this does not mean that you can just pick it up and put it down whenever you feel like it – you need to have a definite plan of action, and part of my educational service to you is to give you some guidelines as to how you should go about it. Please follow this manual in the same order as I have written it, and complete each chapter before moving onto the next one. As a guide, you should spend this first session of reading (that you are on now) by meticulously going through the manual at least 3 times so that you can pick-up the basics of the strategy and then look at a few of the websites I have supplied links to in Chapter 5. It is imperative not to rush through this eBook, you need to take each chapter slowly and ensure you understand **EVERYTHING** written, so your education is gaining a thorough grounding. Remember, potentially you could be trading for another 30 or 40 (or even 50) years, so a few extra days spent reading this in a methodical manner is not a problem. I have contacted some of my more successful customers and overwhelmingly I found that to learn this system you need to spend your 1st three weeks reading/practising for around 3 hrs per evening plus around 5 to 6 hours each weekend.

This system has been traded by me for many years, but over the past 5 months (at the time of writing) I have added a couple of extra strategies/patterns because while trading I noticed two occurrences happening over and over again. I can safely say that I have NEVER seen anything like these two new strategies anywhere on the internet. The system has been consistently profitable and has NEVER had a losing month in all the years that I have traded it, so that gives you confidence when learning to trade. All you have to do is follow the rules 100% and the future will look rosy for you.

There is a timetable of learning tasks later on, and you can tackle this process in two ways. If you are planning to print this PDF document, you can make important notes in the margins of this manual, or if you are doing as most do and just reading it from your computer, buy a small notebook and make important notes in the pad. If like me you operate a ‘paperless’ office, just start a new Word Document for the notes. Around 75% of people who bought my earlier version of this system were experienced traders (i.e.: have been trading with over $2000 in their account for more than 2 years) so if this is you, you do not really need to read chapters 3, 4, 5 and 6 but if you are new to trading the markets, please read **EVERYTHING** in this manual.

My definition of what constitutes an experienced, professional trader comes from how I felt in 2000, I had been trading full-time for about 2 years, and I had broken through an imaginary barrier of getting more than £100,000 in my trading account. This may not sound a lot for a full-time trader, but I had also lost my entire £25,000 account 4 years previously, while I had been trading part-time in the evenings after running my previous business – this was before I researched about fear and greed in new traders, and realised why I could lose so much money while having a relatively profitable system!!

3. Introduction

My system, in a nutshell, will enable you to earn small, regular amounts of money from virtually any market you can bring a chart up for, although I will give you a few recommendations later on, in a subsequent chapter. I would suggest that your target, for the first 3 months or so, will be just 20 pips (points) per session, although some learners have started with a slightly smaller daily target and I will expand on this theory a bit further on. Having a small, achievable target will enable you to learn this strategy without the stress of large monetary targets and so you should not be troubled with the new trader's two worst enemies – fear and greed (more of these troublesome pair later)

Trading the markets should be treated just like starting any other small business – you are going to be your own boss and so are completely responsible for ALL your actions and decisions. Starting in business is not easy (*otherwise everyone would be doing it*) but you have a head-start over most people as the basics of your new home-based business have all been worked out for your already be me – as I have trodden exactly the same path as you are about to embark upon with one exception – I had **NO** guidance whatsoever, so it took me a bit longer than it should have had – but I did learn some very important lessons, which I can pass onto you. As you are being given a complete blueprint of your new home-based business, it can be argued that you are really buying a franchise, but without the extremely large investment normally required – my local McDonalds cost the operator £1.5m to set-up in 1998, and this is for just ONE site. And he still pays a franchise fee EVERY month on his turnover, but with this opportunity all your profits are yours to keep and the money you have paid already is all you are committed to paying even though I will give you unlimited email help for as long as you need it. Additionally, you have no worries about renting expensive premises (factory/offices), no business rates, no staff hassles and as mentioned before, no tax or VAT commitments (**in the UK**), what you earn is all yours to keep.

In return you have to commit to a learning programme that will ensure success if you follow every instruction is this manual. I would recommend that you spend at least 3 hours per day (perhaps before/after your day job) in the beginning reading the manual, watching live charts and learning to spot the patterns/occurrences on your chart that alert you to the fact there may be a potential trade coming up. Ideally you should ensure that you have 3 hours of **quiet time** (with NO distractions) every day that you can dedicate to your learning programme plus around 4 to 5 hours at the weekend. Try to find a place in your house where you can be on your own with NO radio/TV on in the background as this will be conducive to learning at a fast pace. Having this time for learning in the beginning will pay dividends in the future, as you will be sufficiently professional in your trading to pull up a chart on your computer at a moment's notice and trade for an hour or so a day and earn life changing amounts of money. If you are new to the trading world here is a timetable that appears in chapter 9, but is a good idea to see what you face before you start reading this manual

Period	Tasks
Day 1	Read through this manual 3 times making notes. Investigate trading websites in Chapter 3
Day 2	Open two live/demo accounts after investigation yesterday. Configure your charts and read through this manual another two times
Day 3,4 & 5	3 to 4 hours daily in front of your charts, watching for the trading signals I introduce you to later on
Day 6 to 20	(If weekdays) Start demo/paper trading. One or two trades per session plus another 2 to 3 hours reviewing historic charts for trade signals
Day 21 to 60	Trade your usual session taking as many demo/paper trades as you can see. Also at least a few hours daily reading and watching historic charts

This brings me onto an important subject – goals.

4. Goals

As that great motivational speaker, Brian Tracy once said – *"You Cannot Hit a Target You Cannot See"* so you need to sit down and decide what exactly you want in the future. Obviously by buying my trading system manual, you have made at least one decision, you want to become more profitable in the markets and carve out a career as a professional financial trader in this wonderful industry.

I have found that all the way through my life, whenever I had a compelling goal to work towards, my work was always more successful (and enjoyable) so I encourage you to sit down and write out your goals. Another way of looking at this – *when you leave the harbour in a boat, and you have not got a definite route to take and an ultimate destination to head for you are just going to bob around for days and weeks, being directed wherever the tide want to take you*. If you have a definite goal in mine, you can make plans to go for your ambition and the journey will be much clearer. I have an excellent eBook by Mr. Tracy that I will send you free of charge that will get you on the right track to your trading success, just email me and I will send it across. In the meantime, get a piece of A4 paper and start writing down your ultimate 5 year goals, and for each of those goals write down what you need to have achieved within the next 3, 6 and 12 months. This is the basis of goal setting, and will get you going to motivate yourself over the next few months of learning my trading strategy. Here are a few well-known quotations regarding goals that will reinforce the importance of carrying out this part of the educational process.

“A goal without a plan is just a wish”

“Goals are dreams with deadlines”

“Don't say you don't have enough time. You have exactly the same number of hours per day that were given to- Helen Keller, Pasteur, Michelangelo, Mother Teresa, Leonardo Da Vinci, Thomas Jefferson, and Albert Einstein”

“Motivation is when your dreams put on work clothes”

“You must have long-range goals to keep you from being frustrated by short-range failures”

“Obstacles are those frightful things you see when you take your eyes off your goal”

5. Trading Platforms

If you are new to trading please read through this chapter, but if not, you probably have your own favourite trading platform – so just go through to the chart settings on page 15. All you need to trade all the strategies in this manual is a Candlestick chart with moving averages, a MACD and a Stochastic – nothing else and certainly nothing very complicated. My strategy consists of trading Forex pairs plus any other instrument that you favour via spread betting such as Gold/Oil/S&P500 etc. and can be achieved with ease in most parts of the world except for a few countries, including the USA and Australia where spread betting is illegal. Spread betting enables you to be able to earn money in the markets without paying income tax on the winnings, so making a career of successful trading an even better proposition. If you have had no experience at all in trading by this method, or you are completely new to trading, I will give you a list of companies that you can open an account with and get started today with charts etc. if you are in the UK or Europe. Many of my customers come from the U.S. and Australia so if you are from there as well, just Google "Forex Trading Platforms" and choose a couple of companies to try out their demo platforms. Most companies that use an MT4 platform should be ideal. Also, I believe IG Index is available in Australia, so if you live there, try IG, they have an excellent charting package.

I have been spread betting ever since I started trading full-time in 2000, and my favourite companies are IG Index, Finspreads, CMC Markets, Capital Spreads and more lately – SmartLiveMarkets.

You must start your trading education by demo or paper trading and the websites below will allow you to open a demo account and enter their training programmes. With IG Index you can also trade at just 10 pence per pip (point) while you get the hang of spread betting and this level rises during the six week of their 'Trade-Sense' training programme. I would encourage you sign-up for this programme as it will give you a good grounding in trading/spread betting and is completely free once you have signed up for an account. As is common with most spread betting companies, you do not need to deposit any money to open an account.

To sign-up for the IG Index 'Trade-Sense' training programme you need to apply for an account first of all so just click on the following link: http://www.igindex.co.uk/spread-betting/apply-online.html

The IG charts are very clear and easily read and I still use them in my day-trading - with another platform to actually enter and exit my trades.

I also recommend you apply for a SmartLiveMarkets demo account - for their trading they utilise an MT4 platform which is widely recognised as a good platform to use for your everyday trading, although my trading system does not need such a comprehensive charting package. You can sign-up for their demo account by clicking on this link: http://www.smartlivemarkets.co.uk/lap/CreateDemo.aspx

I also have a Capital Spreads account as it is a very simple, easy to use trading platform and they have very competitive spreads which is what you really need to aim for when trading this system. They have also instigated a training programme similar to IG but there are a few stipulations i.e.: you need to deposit £100 into your new account before they will send out the educational material. You can sign-up for a Capital Spreads account from this link: http://www.capitalspreads.com/public/open.shtml

However, do not bother with their demo account, it is quite slow and not that life-like in my opinion. Customers have confirmed this as well. Due to stricter FSA rules since the banking crisis of 2008 all spread betting companies have tightened up their criteria for anyone wanting to open an account, so my advice to you when filling out an online form for any of the companies I have listed in this chapter, it would be advantageous to state that you **HAVE** had previous spread betting/trading experience and you have liquid funds of **at least** £10,000 and a salary of **over** £25,000. I gleaned this information while I was trying to open an account with a large spread betting company in London for my eldest son, who was 19 years old at the time (and at University full-time) and we did have 3 attempts at opening an account before we were successful.

So in summary, open an account with IG Index to take advantage of their training programme (Trade-Sense) and sort out a demo account with SmartLiveMarkets (links above) The charts from IG Index or Capital Spreads are good enough to use for paper trading, and I will explain this concept later on in the manual. IG index also have some excellent seminars which you can access via their website, and they will walk you through all the basics you will need to know when starting off on your journey in learning to trade. Click this link to watch the seminars on your own screen: http://www.igindex.co.uk/spread-betting/on-demand.html

Here are a few other websites you may wish to have a look at:

http://www.finspreads.com/

http://www.worldspreads.com/en/home.aspx

http://www.cmcmarkets.co.uk/

Getting familiar with your chosen trading platform is imperative to your trading success, so once you have opened either a demo account with SmartLiveMarkets or an ordinary account with one of the other spread betting companies I have listed above to do some paper trading, **you must spend at least 3 to 4 hours getting to know all the options and features of the trading platform**. It may take you longer, but however long it takes, just go with it, you need to understand the basics of charting. All the companies have a user guide to help you familiarise yourself with the main features, so do not skip over this part of the learning process. It would be impractical of me to write instructions for all the trading platforms available, even though setting up the charts for my strategy is very straightforward, so please familiarise yourself with your chosen platform before you attempt to start trading. Any questions pertaining to the trading platforms – please contact the company involved, I do not offer a help-line service for trading platforms. My expertise lies in MY SYSTEMS only.

6. Demo Trading

As I have mentioned previously, you will be initially getting used to the system with a period of demo (*or paper*) trading. I will show you in an upcoming chapter how to set your charts up, but now feel compelled to explain about the need to have a period of practice with the system. You have no doubt heard that to master trading you need to conquer the psychological barriers as well as actually learn a system – it is said that trading is 20% strategy and 80% mind control, and as I have taught myself to trade I can confirm these figures to be roughly correct. The twin emotions of fear & greed will be present when you begin to trade the markets – but this is such a large subject to tackle it is impractical to try to cover the whole subject in this trading manual but I have written a book on the subject ("*How To Consistently Succeed On The Stock Market*") which you can download from my website (on the top right of the home page) or just request it by emailing me directly at the normal address. Another excellent book to read on the subject is "Trading In The Zone" by Mark Douglas, and if you do not own a copy, please email me and I will send you a free copy.

To combat these psychological problems, a period of demo/paper trading is necessary. By trading without real money you can be totally detached from the emotions that winning/losing money brings. Very briefly it means that (**for example**) if you had 3 losing trades in a row (while trading with your own £1000 trading account) you may not want to risk a fourth losing trade, but when trading with a 'play' £50,000 you will not have the same emotions, as **you should** just trade like a robot, entering and exiting trades as I show you in this manual.

Demo trading on a spread betting platform is fairly straightforward, you enter and exit trades just as you would if you were using an ordinary 'live' account, whereas 'paper' trading means you watch your chart(s) for a signal, and when the price reaches the entry level, instead of pressing the 'trade' button you just note down on a piece of paper where you have entered the trade **in real time**. As you can see, there is NO emotion attached with this kind of trading, you are merely writing down where you got in and out of a trade.

I recommend that you should demo trade for at least **60 trades** before you are ready to place money into your 'live' trading account and start trading at (usually) £1 per pip. A modification of this strategy *since I started recommending SmartLiveMarkets* is to 'paper' trade for 40 trades and then trade with real money at just 10 pence per pip for the next 20 trades. Trading at this low level means that there is usually no emotion attached to your actions as the most you will lose in one trade with this system is around £2 – very manageable I think you will agree. After you have completed 20 more trades, you can then move your trading up to 20 pence per pip.

You will know when you are ready to end the demo trading part of your education as you will be placing your (demo/paper) trades exactly as I show you in this manual. If you have got to the 60 demo trades point and you are still hesitating to push the 'trade' button, or you are not spotting the same trades as I show you in this manual, you must contact me as there maybe another problem – it is extremely rare to not reach that number of trades without being professional in your execution of this strategy. Going by past experience, between 45 and 60 is normal amount of trades customers carry out before trading at the £1 per pip level – as this amount sees a habit forming in their minds about the trading signal they are looking for. If you were to have an average of two trades per day for four days per week, it would only take you a little more than 7 weeks to complete this initial stage of training, a drop in the ocean if you consider you maybe trading for another 30 years (1560 weeks) As you may be aware, repetition helps form a habit that will last a lifetime and that is what we are trying to replicate here, as trading like a robot helps keep your emotions in check, so there is no thoughts at all of doubt, greed, fear and other damaging emotions.

7. Your Chart

Once you have opened your **Live** or **Demo** trading accounts, you are ready to configure your charts. The way you are going to trade my system is by setting up your chart exactly as I do, and then look out for occurrences/patterns that happen on that chart at virtually any time of the day or night

As I have previously hinted, the instruments that I trade are the popular Forex pairs plus the S&P500 index, Gold, Brent oil. There are a few instruments that I would NOT trade mainly due to adverse volatility at certain times and also market manipulation and they are the Dow Jones 30, the UK FTSE100 index and also the German Dax and Bund indexes. Once you are experienced in this strategy and you would like to experience real volatility, try trading the Spanish IBEX index. I often look at it if I am having a quiet time with my usual charts!! The popular FX pairs I like are **EUR/USD**, **GBP/USD, EUR/JPY, USD/CHF, USD/CAD** and **AUD/USD**. As you grow more familiar with the four strategies in this manual, you can bring up ANY chart up on your screen and see immediately whether it worth carrying on searching for a signal. I will turn you into a professional trader in a relatively short period of time – but you MUST follow every rule I lay down.

As I have mentioned before, it would be impractical of me to show you how to configure every different kind of chart, but as my system uses a fairly basic chart, I will show you a few different set-ups, and once you have spent a few hours getting to know your own charting package, you will be qualified to set your own trading platform up with ease.

TIMEFRAMES – I would suggest that you do not use any chart below 15 minutes. Charts of 3 or 5 minutes are far too 'busy' to be of any use. When I trade this system, I tend to watch a 15 min chart first of all, and then also look at 30 minutes and 1hr. The longer you trade the system, the more you will become ‘comfortable’ with a couple of your favourite timeframes. If you want a more relaxed kind of trading look at 2 and 4 hour charts.

There are no complicated indicators; all you need is a **Candlestick** Chart, a few **Moving Averages**, a **Stochastic** indicator and a **MACD**. That’s it.

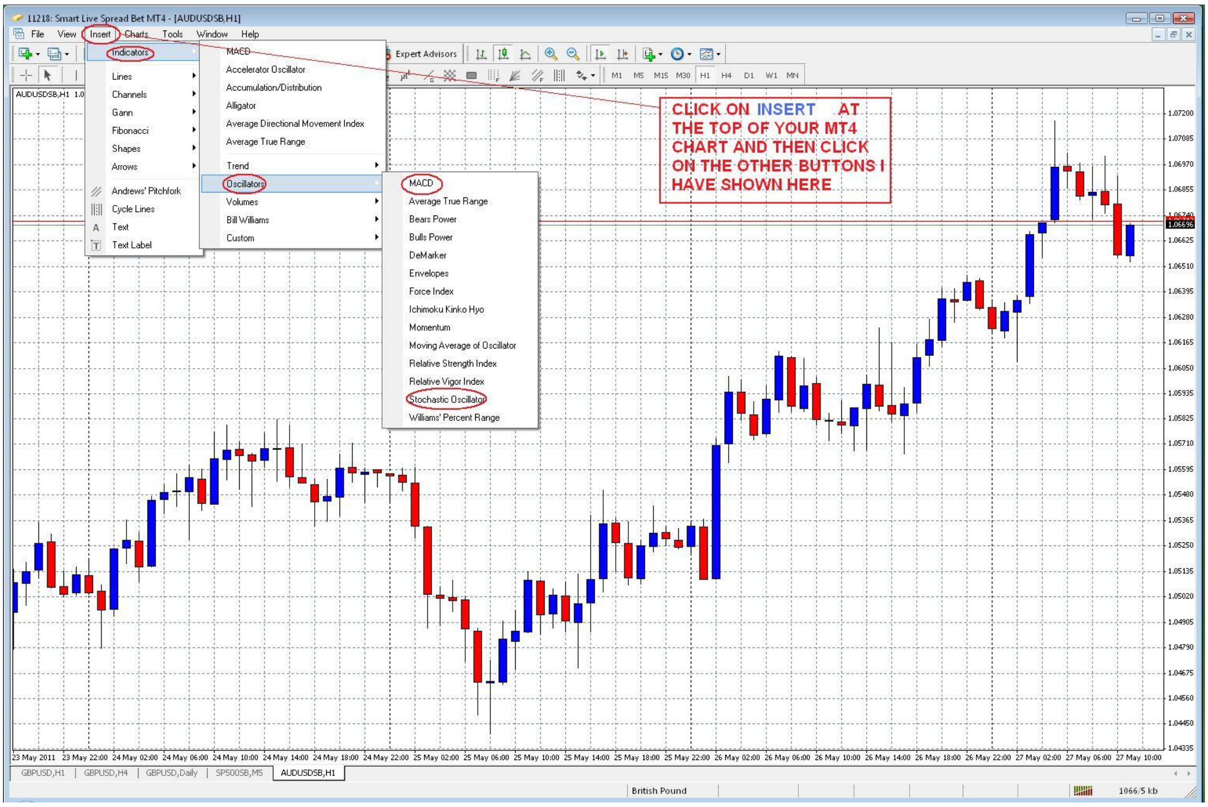
This is how you would set-up your chart if you are using charts from **IT Finance,** which IG Index, Capital Spreads and Finspreads (amongst others) use.

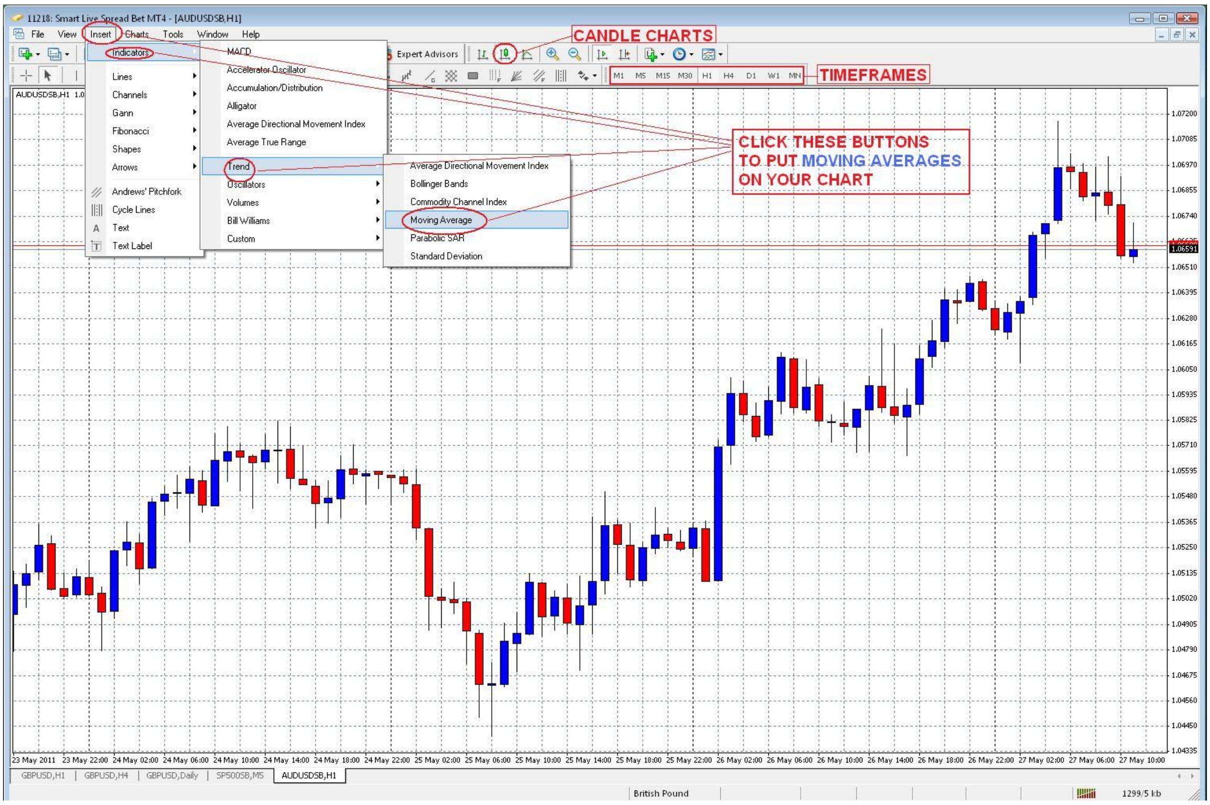
I will also show you how to set up the chart on an MT4 platform, which most people in the U.S./Australia will favour I believe.

As you can see, you just need a Candlestick Chart, and a MACD with settings of **5,19,1.** And a Stochastic **8,3,3.** Make sure that you have read your user manual for the charting so you know how to save the settings so that this chart is displayed every time you open the trading platform. All charts I have ever come across have these same settings available, but if for some reason you do have difficulties putting in these numbers PLEASE contact the technical dept./customer service of your chosen trading platform supplier, they will have knowledgeable staff ready to answer your queries. I have on average, around 10 emails per week on trading platform questions, so you really do have to read the instructions thoroughly before you attempt to configure your charts. My answer to these questions is always the same – **please re-read the instructions.** After customers do this, all is ok.

If you use SmartLiveMarkets, they utilise the MT4 platform as mentioned above. This is a good trading platform and is used widely in the USA/Australia

This is how your screen should look like when you are setting it up:





Remember – your Moving Average settings are **EMA 10, EMA 33** and **MA 66**

EMA means Exponential Moving Average

And this is how it should end up. Not quite the same? You need to go back to the start of the chapter. If after an hour of trying to set it up your chart still does not look exactly the same, email me and I can help sort it all out for you

8. Spotting a trend

As you are aware, the main point of all of the strategies in this manual is to trade safely with the trend, and I am going to show you how to spot the start of one, and also when it appears to be running out of steam.

Firstly, see the chart below. I have marked the main constituents of a trend – i.e.: when prices are making Higher Highs (HH) and Higher Lows (HL) you can be fairly certain that the price (candlesticks) are in an up-trend. Conversely, if price is making Lower Lows (LL) and Lower Highs (LH) you can deduce from that you are probably in a down-trend. Here it is shown graphically on the chart below.

The first part of my chart (above) shows the price in a decline (down-trend) and as long as there are continuous LH's and LL's you can safely assume the trend is intact. Every time the level is broken past a LL or a HH you know that the trend is ok at that moment.

Around the middle of the charts the price fails to make another Lower Low, and instead we have the first Higher Low (HL in Blue)

You will not be able to draw this first HL in at the exact time as it appears as you need to confirm there is not going to be another Lower Low a few candles along. Once price has broken through the level I have marked with a small red A, we can start to believe that price **MAY** have changed direction. Once you get better at spotting trends, this will all become second nature to you.

9. The Systems

It is now time to look for the 1st signal for a potential trade. There are actually **four** different types of trading strategy in this one trading system instruction manual, so the whole of this eBook is very good value for money.

Strategy 1

The first is one I introduced in a previous system of mine, the *USA Forex* system (or *Trade With A Day Job USA*) and as I have been trading it over the past 5 or 6 years, I have noticed TWO other occurrences/patterns that happen with great regularity, and are also very reliable. Also there is the last strategy which I have experimented with over the past few years and it has performed very well – it is another 'price-action' strategy but you can use the oscillators as well. As I have mentioned before, I have NEVER seen anything like them on the internet – so they are, I believe, totally unique. The second 'pattern' is related to the first strategy, and the third one just relies on price action, and two of the moving averages. But first I am going to now show you how to spot the signal for the FIRST strategy in this manual.

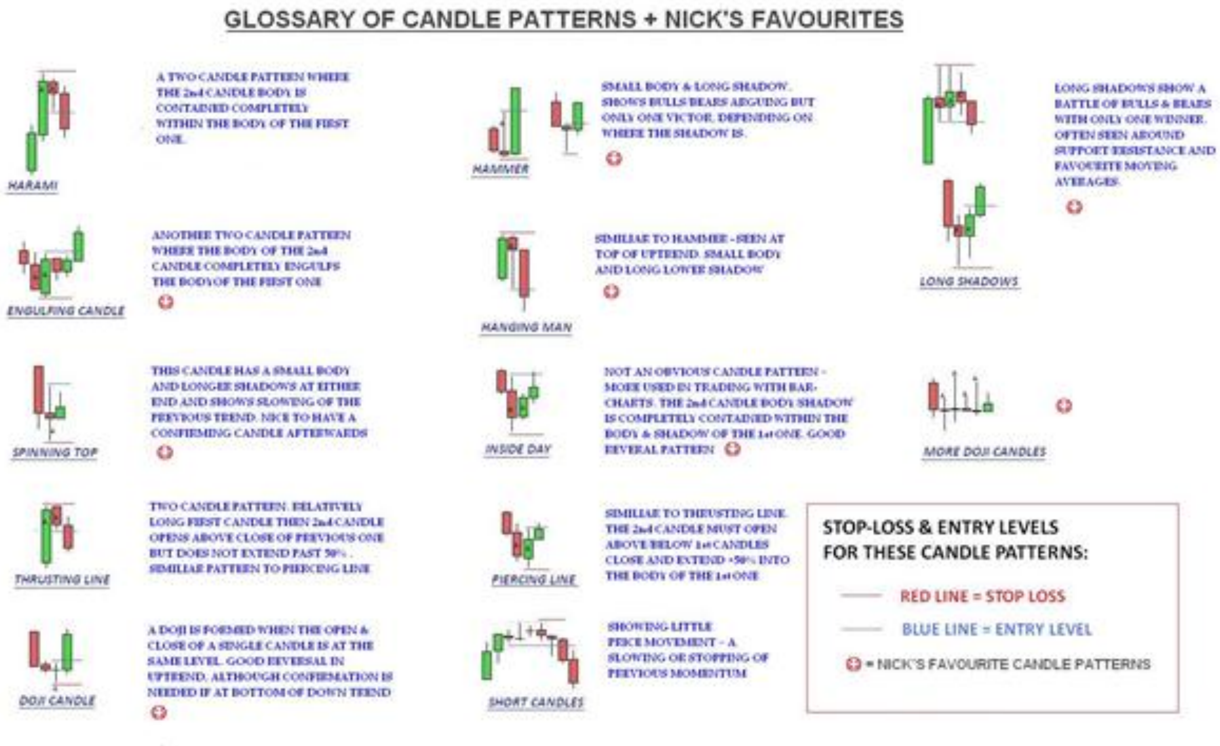
In the first trading strategy of mine, I use just two **LEADING INDICATORS** – *Candlestick Patterns* **and** *Oscillator Divergence* and a trading alert area that the price (candlesticks) **MUST** be in for you to contemplate looking for a trade signal. I call this area the T.E.A. (the **T**rade **E**ntry **A**rea) but I will deal with the candles first.

Included with this trading system manual is Steve Nison's excellent book on Candlestick Theory "*Japanese Candlestick Charting Techniques*" where he runs through all the major candle patterns and shows you how to spot them. Please read through this book at this stage, so that when you continue reading through this manual, you have a thorough grounding with Nison's theory. It will take you a few days to work through it, but it is very worthwhile and **should not** be skipped over.

I have prepared my own sheet of popular Candlestick Patterns, and you can zoom in on the document below. If you would like a separate copy, please email me and I will be happy to send it over to you. If you would prefer to read Nison's book in a week or so, use my sheet of Candlestick Patterns for the time being. Do not wait too long before you read the whole book.

You will find that Steve Nison (*and many websites*) mentions a lot more candlestick patterns that I have drawn in the document below, but over the past eleven years (at the time of writing) these are the patterns that occur **most of the time**, so you just need to memorise these ones.

A good idea is to sign-up for Nison's Candlestick Newsletter by going to this website: http://www.candlecharts.com/free-education/
Then just fill out the form at the bottom of the page. Anyway – here are my favourite candlestick patterns



Above are the **eleven** main *Candlestick Patterns* that over the past 15 years have been the most popular in **MY** trading. **There is actually just two that work time and time again**, and they are anyone of the patterns with a LONG SHADOW attached, such as the hammer/hanging man/spinning top and also the engulfing candle.

Knowing the Candlestick Patterns is the first part of using them for your trading, you then must memorise the entry and exit levels. These levels are shown in my sheet (above) as RED and BLUE lines. These lines are **ONE PIP** above or below the high/low of the Candlestick Pattern. This point is important so please ensure that you remember this fact. I will show you this point later in the chart screenshots SHOWING a complete trade from start to finish. I will also show you more detail as to why the entry and stop loss levels are important, and also how to move your stop loss level as the trade progresses to maximise your profits, and minimise your losses. One of occurrences you need to avoid is turning a winning trade into a losing one.

I am ***slightly disappointed*** regarding the quality of the Candlestick Pattern chart (above) so if you are having difficulty reading the smaller text please email me and I will send you the PDF version on its own, it is much more clear.

Below is a screenshot of a candle chart and I have taken it to show just how many *Candlestick Patterns* there in any given time – in this case, around 5 hours. As you can see, you have to become proficient at spotting these *Candlestick Patterns*, but once you are, that is half of the strategy sorted!

Remember please zoom in on the diagrams and pictures, so that you can see ALL the details.

As you may observe, every time there is a change of direction in the chart, we have a Candlestick Pattern. This is not typical, but it does show you how useful the patterns are. However accurate candle patterns may be, you would be foolish if you used just those for a trading system, so I will introduce a second (leading) indicator in a moment.

I would suggest that to learn the *Candlestick Patterns* you should print out my A4 sheet of the patterns and place it front of your computer screen so that you can see it all the time that you in front of your computer. An even better strategy for learning is to take a fresh piece of white A4 paper each day and draw the patterns yourself onto your sheet of paper, and at the end of the day, throw it away and start again on the next day. Customers have reported that they learnt the patterns within 4 days. Perhaps give it a try?

Once you have understood and learned the Candlestick Patterns, you can then move onto my second indicator - Divergence.

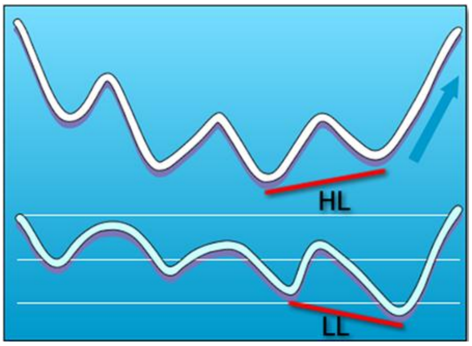
The concept of divergence does worry a few people, and this is usually because it has not been properly explained before. To be able to watch for divergence you need a price chart (we have Candlesticks) and an Oscillator – in this chapter I am using the MACD but as you know, we will also use a Stochastic. If you look at your newly set-up charts you will see that the MACD and Stochastic show remarkably similar patterns, although the stochastic is better at hidden divergence. To learn about divergence you just need to remember ***ONE*** point:

Divergence is present on a chart when the price and the oscillator diverge (*i.e.:* go in different directions) It's as simple as that.

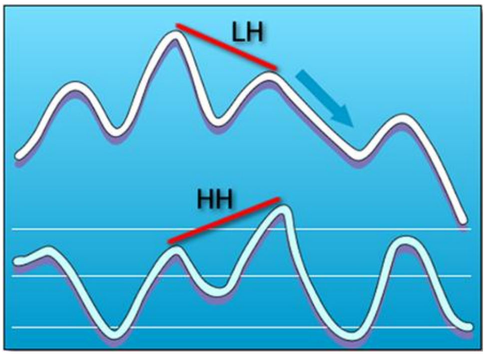
This is Divergence

The type of **DIVERGENCE** that we will be using is *Hidden Divergence* (also called **Negative Divergence** for some obscure reason) you can have regular divergence, but that signifies a change in direction – for example, a change of direction after a long down move.

Hidden divergence gives us a clue that the price **MAY** continue in the original direction of the trend, after a short break (pull-back)



As you can see from the example ***ABOVE*** the price makes a higher low(**HL**) as it can in an up-trend, but the oscillator makes a lower low (**LL**) This suggests that the price *MAY* continue in the direction of the trend.
Below is what divergence looks like in a ***down-trend.***

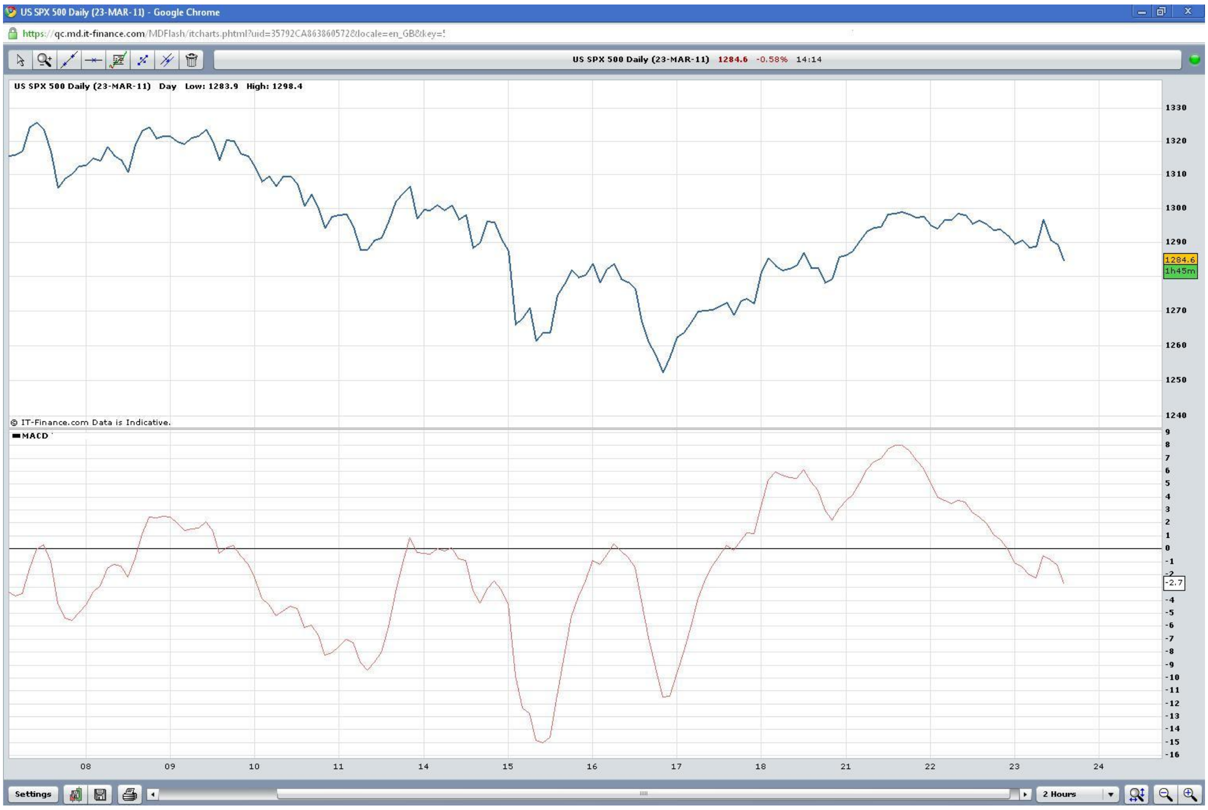


So that is divergence, a ***very simple*** concept but very helpful when looking for changes in the trend, and also whether the trend is going to continue.
Now to transfer it onto a chart that you recognise. Firstly, bring up the normal chart with Candlesticks and my setting of MACD that I have shown you in an earlier chapter. You should have a chart like the one below.

Once you have a chart like the above up on your screen, enlarge the window for the MACD so it is the same height as the price part of the chart.

Secondly, change the candlesticks to a simple 'line' chart and apply it to 'Close' if it gives a few options.

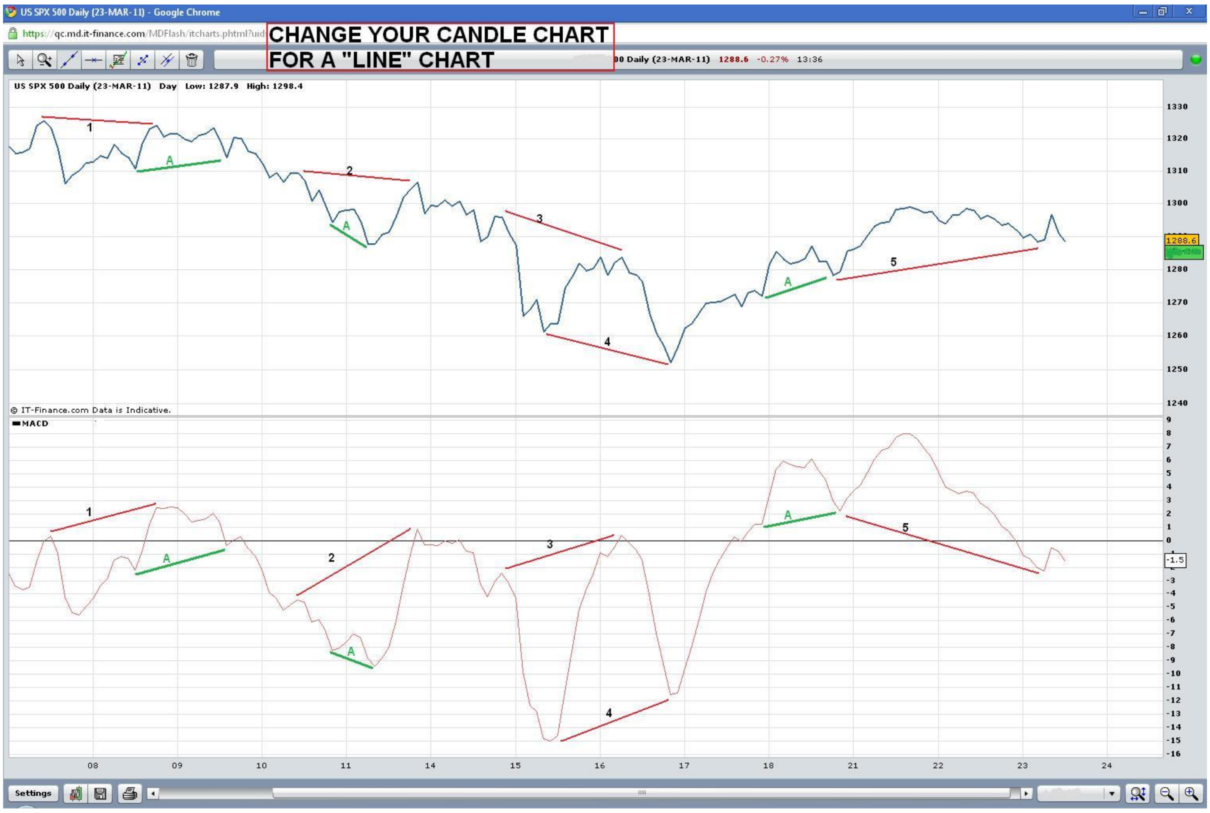
You should then have a chart similar to the one below.



As you can see, the price part of the chart (top part) now **looks the same** as the oscillator (MACD) so making spotting divergence easier if you are new to the concept.

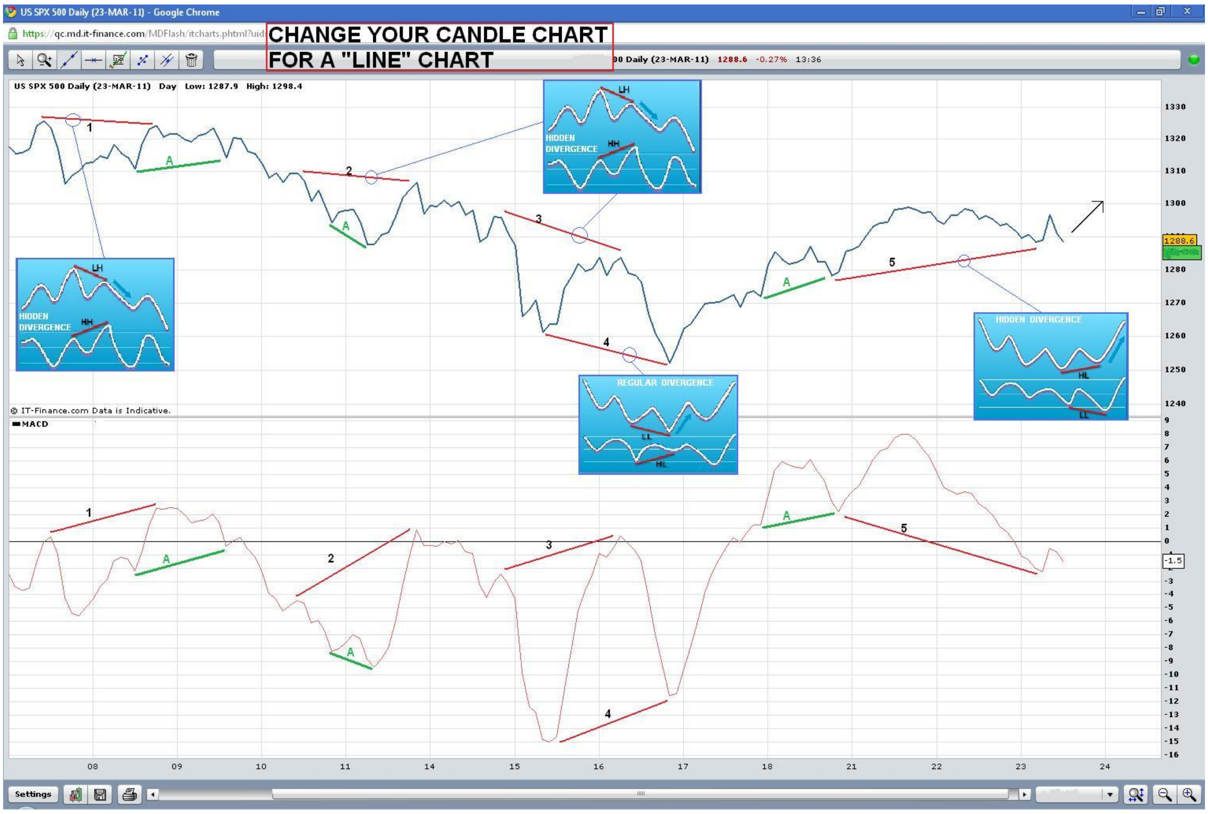
You can see on the above chart that most of the time, the price and MACD moves in the same way, but occasionally they are different (or diverge) which is where we get the phrase *Divergence*.

On the next chart I have drawn GREEN lines (marked A) where the 'Price' line is moving in the **same way** as the MACD line – meaning the same direction/angle. I have also drawn RED lines (marked 1 to 5) where the price and MACD are moving in opposite direction. This is an important point, so make sure you fully understand this before moving on. If you need to read this chapter a few extra times, this is not a problem, but do not move on until you are happy with the divergence concept.



On the chart above I have marked the different types of divergences. Lines marked **1**, **2** and **3** are all **Hidden Divergence Lines** – hinting at *Trend Continuation* (as has happened) – line **4** is a **Regular** Divergence and line **5** is Hidden Divergence once more. I have added just this ONE example of regular divergence (line **4**) just so you can see how it looks. You do not need it for this system.

In the chart below I have added some of the divergence pictures from the start of this document to help you.



The next part of your education is to spend four or five learning sessions* bringing up different charts onto your computer screen and practice spotting the **2 different types** of hidden (negative) divergence

Every now and then, swap the line chart for a candlestick chart which will get you used to watching for **divergence** with a '*normal*' chart.

It is important that you understand the strategy of 'Divergence' before you move onto other parts of my system. You will see as you spend time practicing this concept - divergence **does not** work 100% of the time, but if you use it together with some other simple concepts, you will have an unbeatable system for earning money every week on the world's financial markets.

*A learning session should be around 3 to 4 hours **daily**, so you get continuity in your education. Most people study after work and also 5-10 hrs at the weekend

The next part of this 1st strategy is the area on your chart where we are going to look for potential trades. I have called this the **T.E.A.** or Trade Entry Area (for obvious reasons).

First I want to show you two charts that are all set up with the only indicators you will need for all the strategies in this manual. They are both from the S&P500 over the same period of time, so the only real differences are the small ones due to the fact they are from different trading platforms.

The first is from an MT4 platform and I have marked out the Moving Averages that you must concentrate on in this chapter.

And this one (*below*) is from an IT Finance platform *

*IT Finance charts are used by all the large spread betting companies in the UK.

Now for the first part of the strategy. The area I have marked on the chart below, between the EMA 10 and the EMA 33 is where you will be looking for trade entries, hence the name – **T.E.A.** (**T**rade **E**ntry **A**rea) This means you can open up a chart of your choice with these settings (that you have saved as a template) and see within 1 or 2 seconds whether there is a trade coming up, and if the price (candlesticks) is not on or in this area you should look somewhere else for potential trades – spotting them does become that easy once you have got used to the strategy.

The first chart (*below*) shows the T.E.A. for 'long' (up) trades when you are in an up-trend.

Please notice that the area I have marked between the EMA 10 and the EMA 33 (the T.E.A.) **must be above** the long term MA 66, as you are taking trades WITH the trend and that means the price (candlesticks) MUST be above the long-term Moving Average.

Please notice the order that the Moving Averages are in when spotting trades in an up-trend. The MA 66 is at the bottom of the chart, and then you have the EMA 33 in the middle and finally the EMA 10 at the top. You must have the MA's in this order. Once you have used these charts for a few days it will become 2nd nature, believe me.

Here is that chart (Trades in an up-trend)

This chart also shows the (probable) start of the trend – when the Moving Averages crossover and separate into the desired order that I mentioned above. The two lower time Moving Averages will crossover first and then finally the price (candlesticks) will go above/below the main MA 66.

The chart below shows the **T.E.A.** for a chart in a down-trend. This time the main MA 66 has to be at the top of the chart, above the other two MA's. Under the MA 66 you must have the EMA 33 then at the bottom the EMA10.

Make sure you follow how to spot the T.E.A. on any chart, and then you can start putting this first strategy together.

The next part is to watch for small retracements in the price while the candles are going up (in a 'LONG' trend) or down (in a SHORT trend). This happens because the traders who are in the (say) market with LONG trades will occasionally want to take a profit, so on the way up, they will sell part or all of their holding, and this appears on the chart as a small reversal. Usually when a trend starts, you will a few of these retracements on the way up (or down) and this is the chance for you to get into the market with the trend.

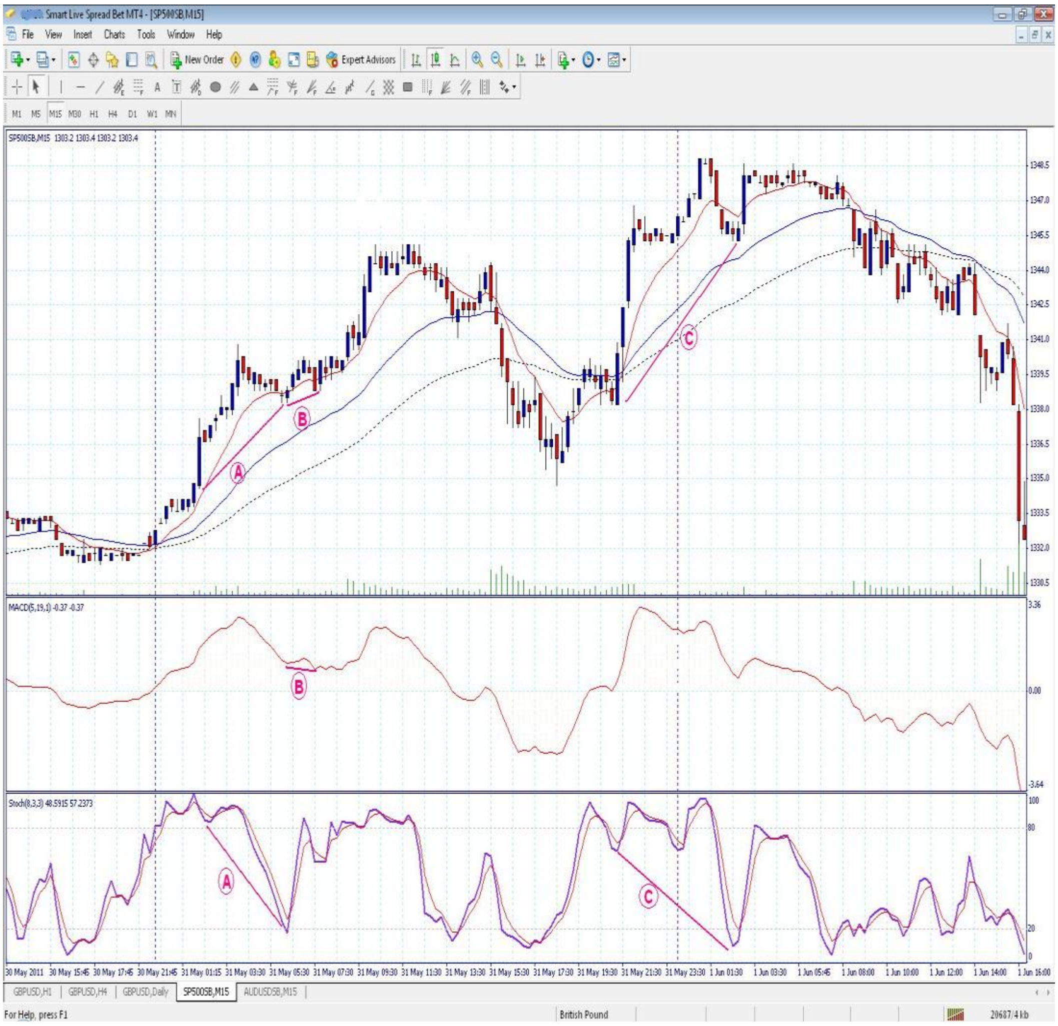
First of all you need to be able to spot a divergence, and I will show you on the chart below a few examples of divergence between the price and either of the oscillators you have on your charts. I use two oscillators (MACD & Stochastic) as you have more of a chance to see a divergence. This 1st chart is showing divergence in a downtrend.

As you can see (above) the candles at the end of the divergence lines (A & B) are in the T.E.A. so they will qualify as potential trades as long as they are patterns that are included in my Candlestick Pattern Sheet on page of this manual. The divergence lines, as mentioned before, can be drawn from either the MACD or the Stochastic, or both.

I have also marked where it looks like the trend has come to a stop, so you need to be out of the market at this point.

The stage you need to be with this strategy eventually is that when you are looking at a live chart, you are aware of whether divergence is present or not. Getting to this level means that you only have to look at a chart for a few seconds as you will know whether the price is in the T.E.A., whether it is in a divergence situation, so all you have to do is spot a candlestick pattern.

Anyway – here is some divergences in an uptrend.



I have again marked the hidden divergences A, B & C.

As you can see, the divergence marked **B** is only a few candles long – the minimum is SEVEN candles, anything less than seven should be ignored.

I will now show you a few charts with hidden divergence, so you can get the general idea. Look over them for 30 minutes or so, and then open your own charts and try to spot at least 20 more examples. Please do not skip over this exercise; it will help you as go further into this manual.

The divergence at C is ok as the shadow of the candle (*the spinning top*) is in the T.E.A. area.

The following chart shows the strategy very well, take particular notice. There are quite a few trades, and then right at the end, there looks like a change of trend, so time to be out.

As you can see, on any trend there are usually at least two or three chances to get into a trade. This means that when you start trading this particular strategy, you must aim for just small regular profits. This means that as a rough rule of thumb, you can either go for around 15 pips on a 15 minute chart and about 25 pips if using a 30 minute chart. Alternatively you could set your target at the same level as your stop-loss level. To see the exact stop-loss for each candlestick pattern - refer to my candlestick pattern document.

Here are some more examples:

I hope you have now got the idea. Keep watching your own charts, trying to spot potential trade set-ups. Once you have catalogued around 40 trades you should be able to spot them quickly in the future.

Another good strategy for learning is to take screenshots of your charts, as I have done here, put them into a folder and then you have your own resource you can use for revision over the next few months. Carry on taking live screenshots as well in the coming weeks and months.

Another part to this strategy is when you have a possible signal but the price (candles) are out of the T.E.A. slightly – as the chart below shows.

What you can do is move timeframes up a couple of notches, so if you are working on a 15 minute chart, have a look to see if there is a genuine trade signal on the 30min/60 min chart. If you are working with 1hr charts, move onto a 2 or 4 hour chart to see if you can see a valid trade pattern there.

Here is the chart to show you what I am trying to explain.

Now that you understand divergence and also watching for candles in the T.E.A. let me put it altogether as the first strategy of the four in this manual.

To recap, the first part is understanding the T.E.A. and what it means as far as potential trades are concerned. For a trade to be valid, any part of the candle pattern has to be either in the T.E.A. – or on one of the MA lines that encapsulate that area (the 10 or 33 EMA). This means either the candle body or one of the shadows. What this ensures is that firstly there is a valid trend being played out and secondly that you are trading in the correct direction –

it really is a fool-proof method of spotting a trade. Once you have your charts set-up, you very quickly check ANY chart to see whether there is a trade coming up. And if there is not, you can simply move onto another chart.

Next you must recognise all the 15 candlestick patterns that are on page 22. The best way to learn them is to print the sheet out (ask me for a copy) and have it placed in front of your screen. Once a day, take a fresh sheet of A4 paper and then draw out the patterns yourself as well. You should have the patterns committed to memory in less than one week.

Also on my sheet, pay particular attention to the trade entry level on each pattern (one pip above/below the high/low of the candles involved in the pattern) as you must learn these as well – you cannot be referring to other documents when you are trading on a live chart. Please commit to memory the example that I have shown just after the Candlestick Patterns on page22.

Also commit to memory the targets you have set yourself after guidance earlier on in this chapter. Start off small and increase as the months go by.

Well there you are, that was the first strategy of this comprehensive trading system manual, but before we move onto the 2nd pattern, I am going to highlight ONE trade with this 1st method and show you screenshots as we advance 'candle-by-candle' as the trade unfolds.

The first screenshot (below) is similar to what you may see when you first switch on your computer and open up your chosen trading platform. In this case I have used an IT Finance chart, the ones used by IG Index, Capital Spreads and Finspreads to name but a few.

So this is what you may see when you open up a EUR/USD chart with my settings already programmed in:

I have marked the T.E.A. in for you this time, but you must get to the stage where you recognise where it is instantly, as soon as you open up a chart.

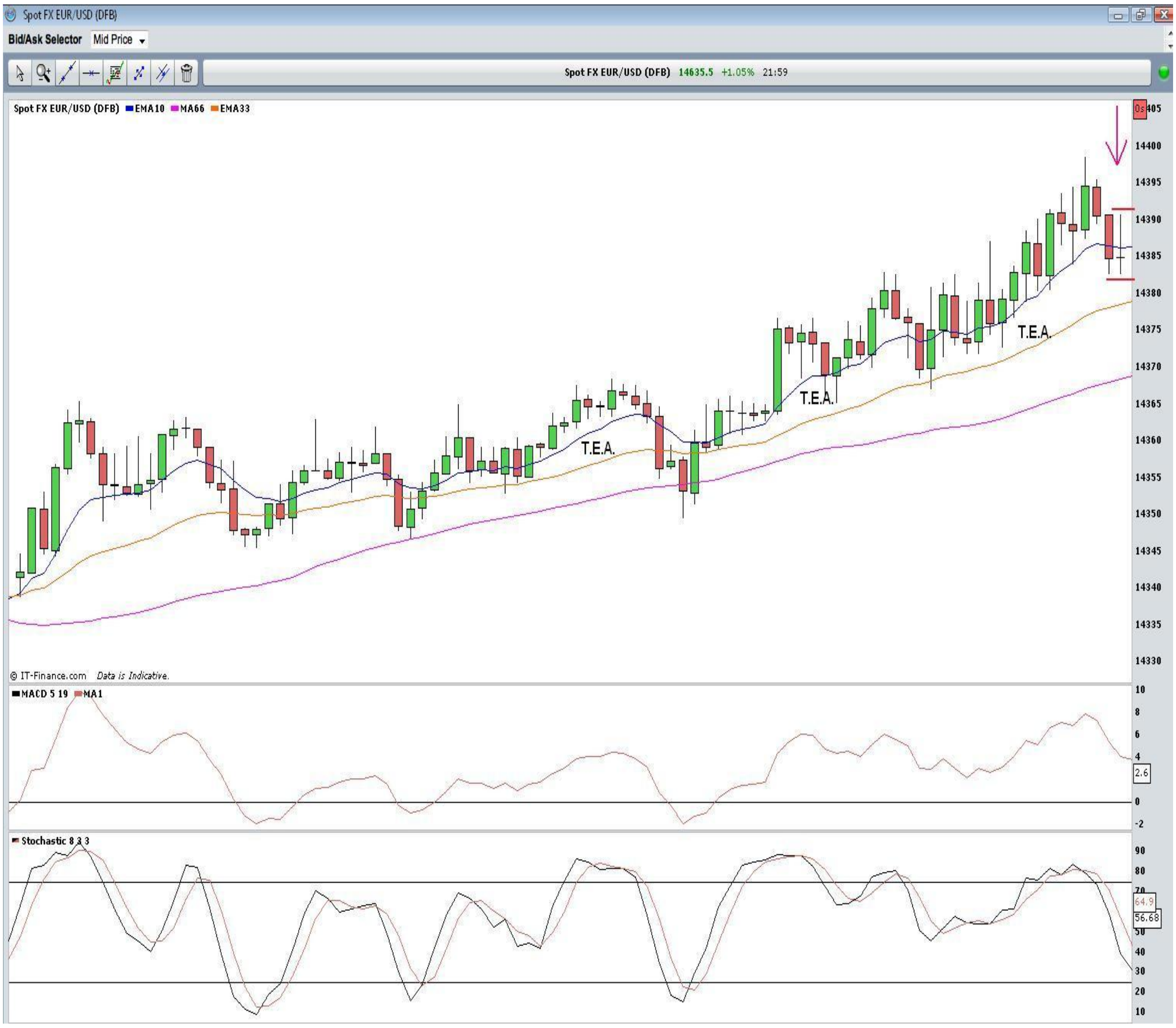
The arrow at the top of the chart is indicating a 'Doji' candlestick pattern, so as we have two of the three main constituents for a trade, we now just have to check if there is divergence present.

As time goes on, you should at this stage be able to see instantly whether there is divergence or not, but on the next screen I will show what I have spotted. You may be able to see it already, and if not – spend a few minutes looking at this chart above before moving onto the next one below.

I have drawn in the 'hidden divergence' line, but hopefully you had already spotted it?

You should get to the stage in your trading when you are watching **ANY** chart that you always know whether the candles and oscillator are in divergence or not. This will make your spotting of the trade signals much easier (and quicker)

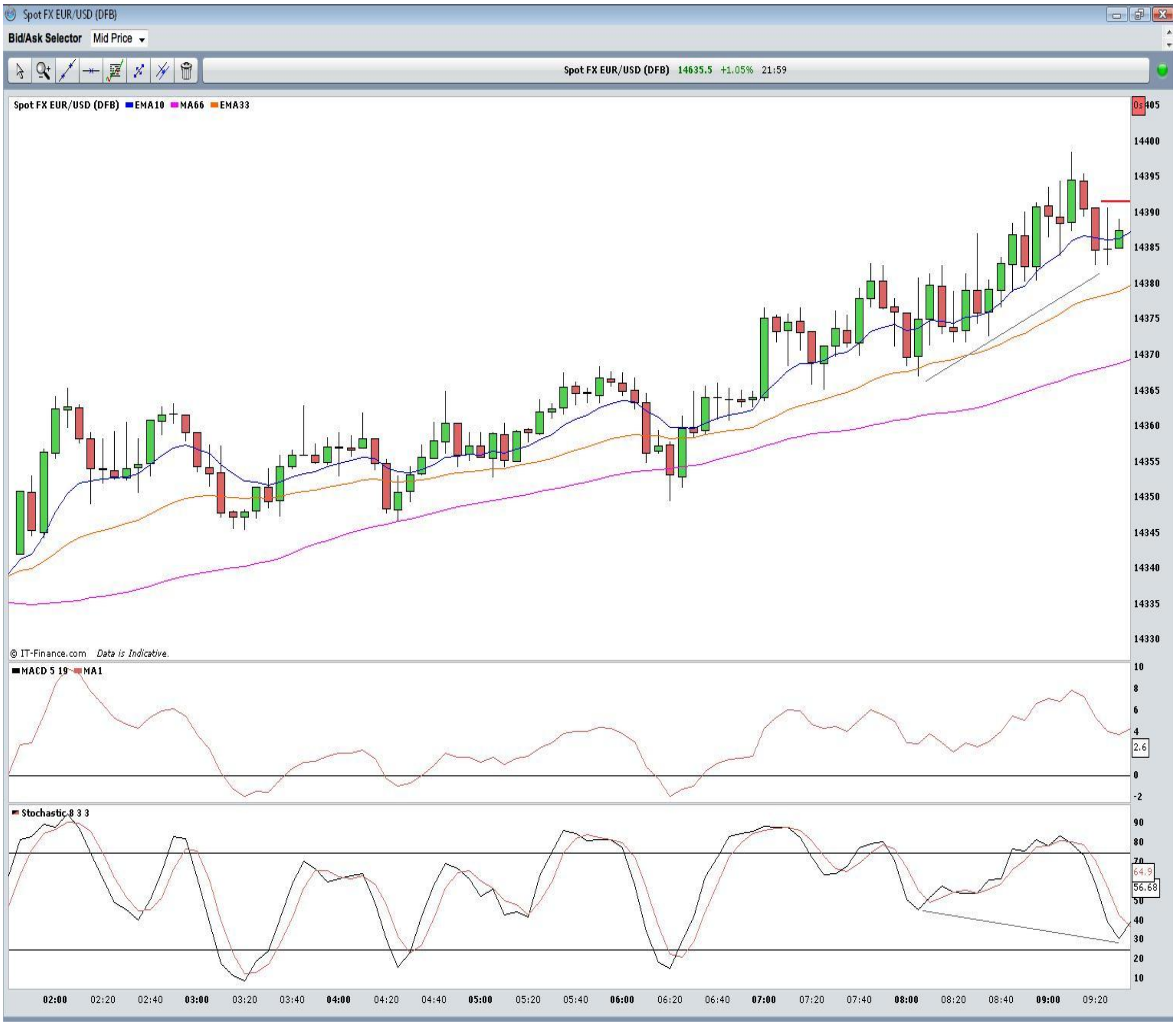
The next stage is to mark in your **trade entry level** – which as I have mentioned before, is **ONE** pip above or below the high or low of the candlestick pattern as shown on page 22. The next chart (below) shows this in detail.



You can see (above) that I have marked in my entry level for the 'Doji', ONE pip above the high of the candle, and also the stop loss level for that particular candlestick pattern.

An important point to remember here, if the price now goes through the stop loss level instead of going up through the entry level, the trade is OFF and you will have to start again, looking for another candle pattern.

The chart below shows what is happening as I move on just one candle, as would happen if you were watching a live chart and waiting for the (potential) trade to play out



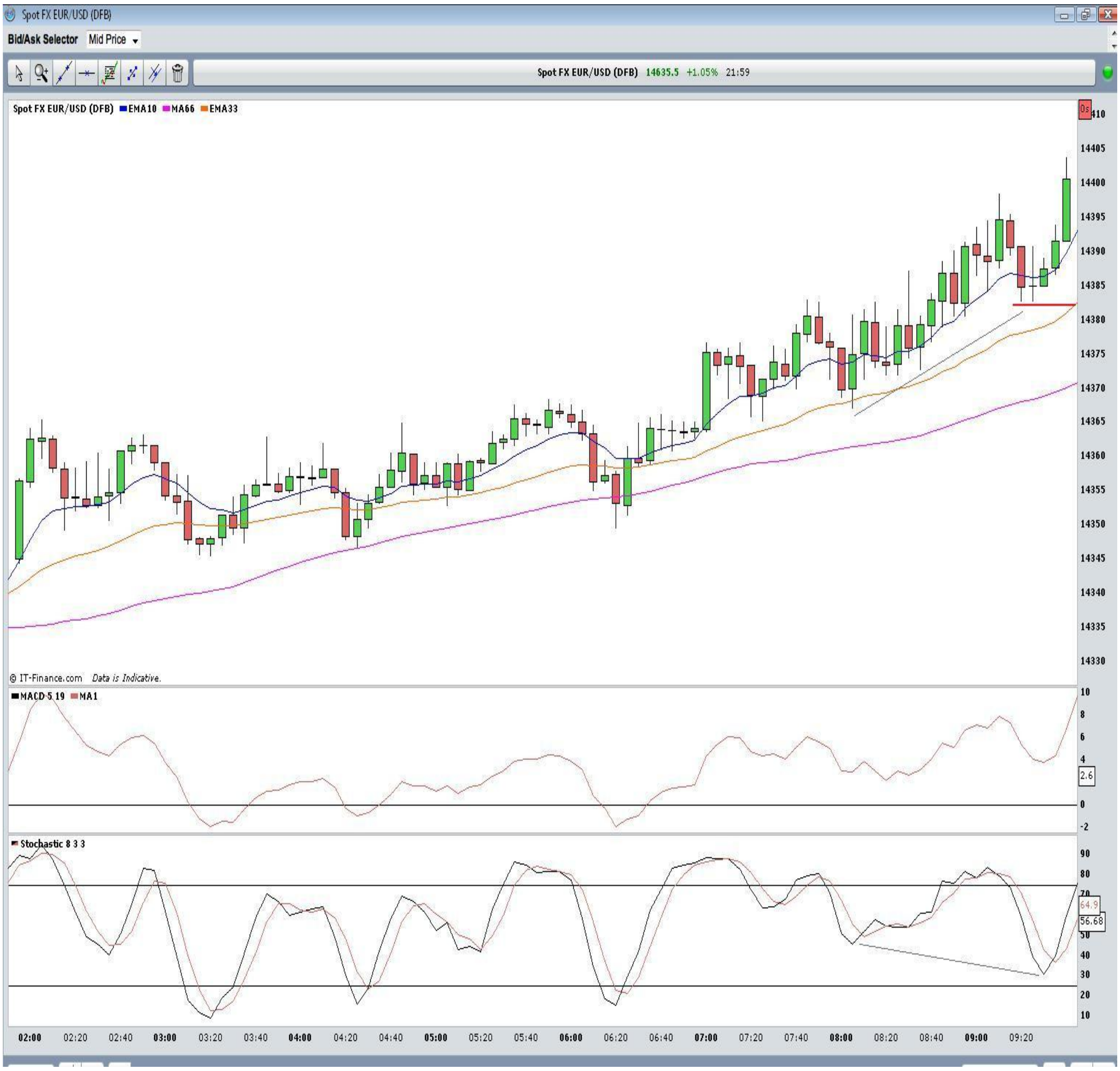
You can see from the chart **ABOVE**, moving on one candle reveals that nothing much has happened. The price has neither triggered a trade nor invalidated the set-up.

The chart below shows the picture after moving on ONE more candle.

We are now in a ‘Long’ trade, as the price has risen above the entry line that was drawn in.

This is the time to ensure your stop-loss level is placed on your chart permanently.

Scroll down to see how the trade progresses



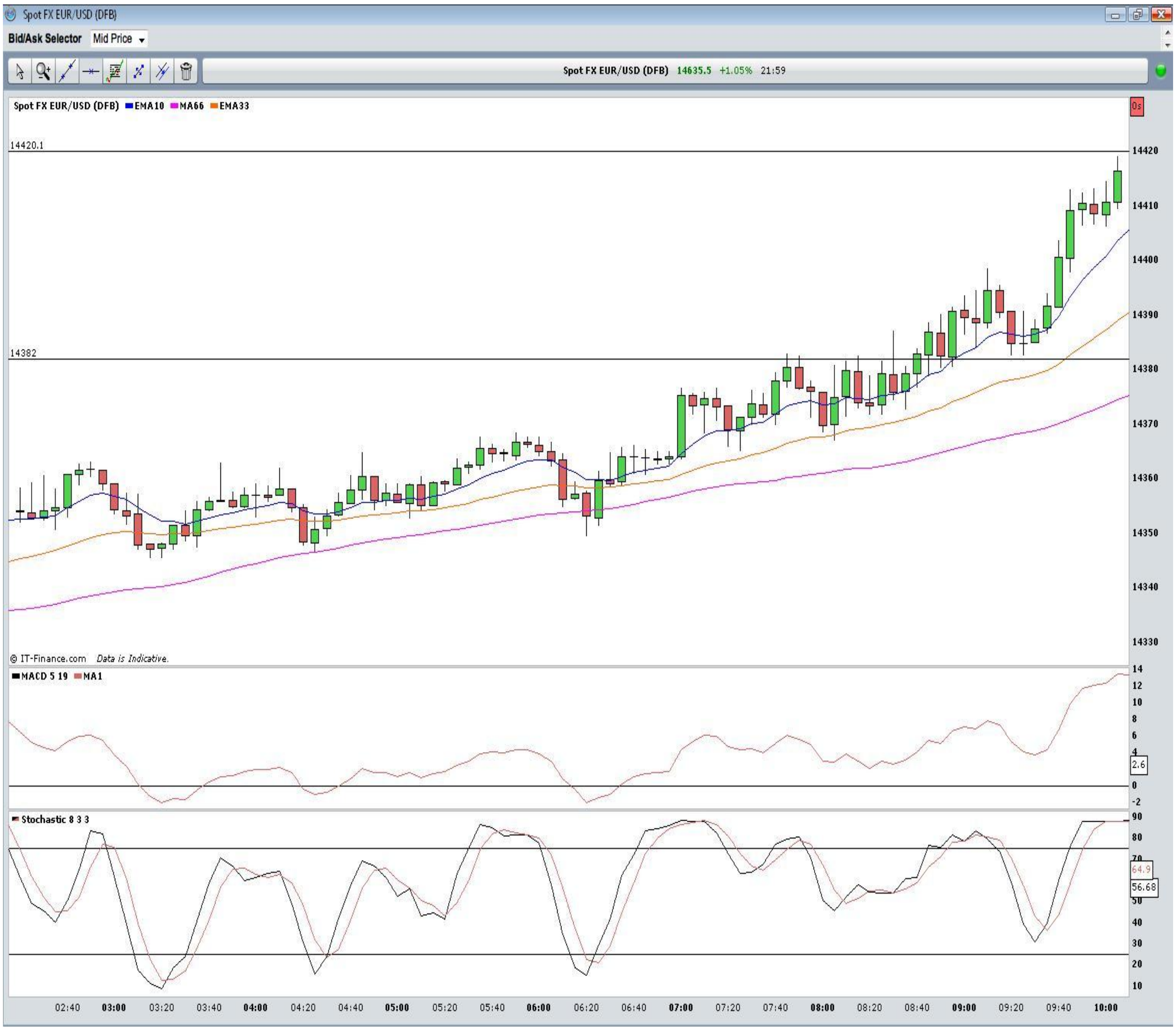
The stop-loss level (**RED** line on chart above) is ONE pip below the low of the Doji, but the price has not moved on sufficiently for me to draw in my target level, as I am probably looking for at least 20/25 pips profit initially, which would mean around 14415/20 as I got in about 14392. If it looks like there is still upward movement when the first profit target is reached, I will show you how to increase your profit without putting your initial profit in jeopardy.

Moving on a couple of candles, the price has moved sufficiently upwards for me to be able to place the target level in (at 14420)

These lines are put on the chart and are permanent, so I am always aware of the levels.

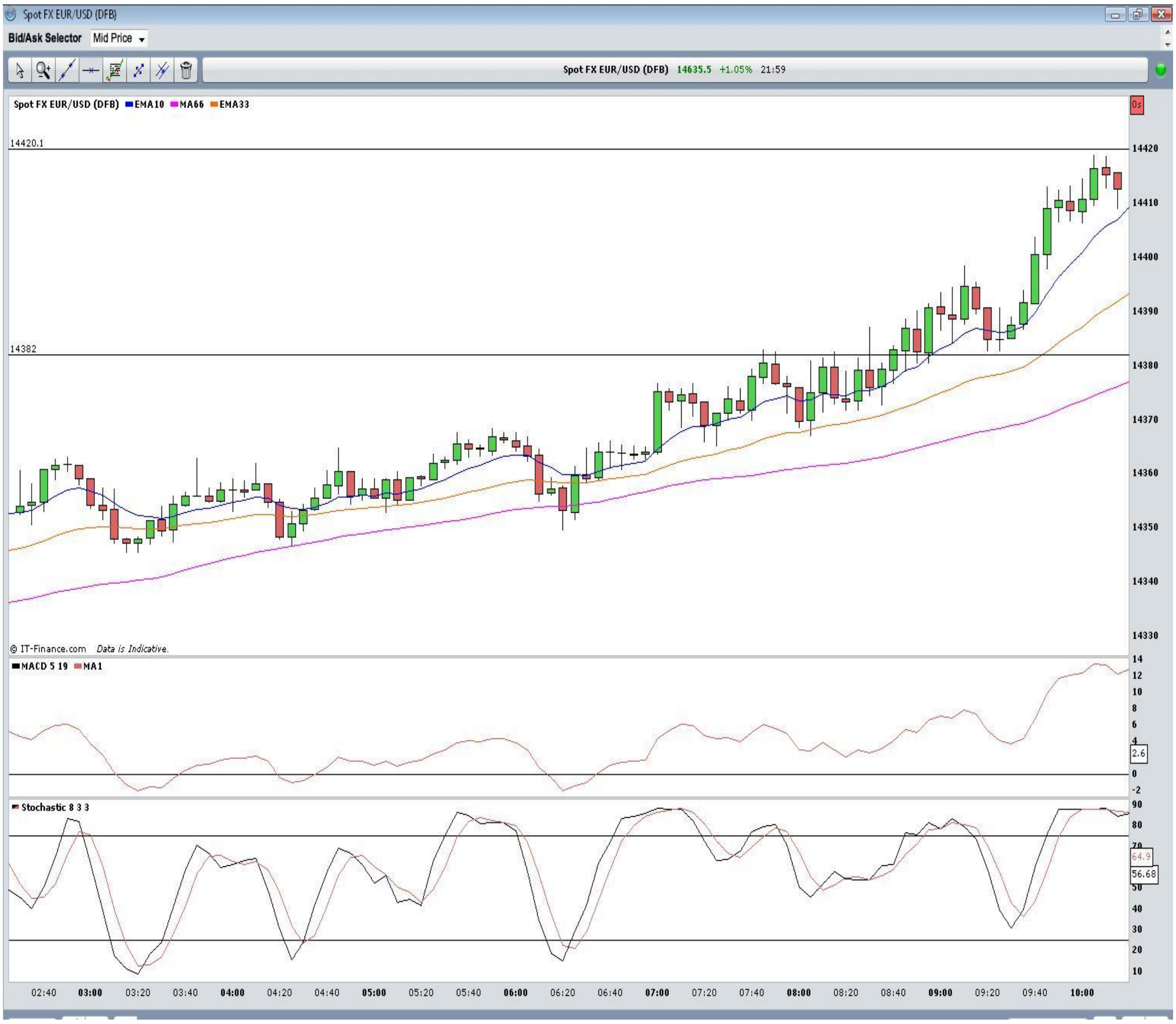
As the price is advancing very well, it is time to move my initial stop loss level up, so I do not find myself turning a winning trade into a losing one.

Usually after a new trade has achieved a profit of around 10-15 pips, I would move the stop loss level to break even, so I am effectively having a 'free' trade as there will be no danger of having a loss after moving the stop up.



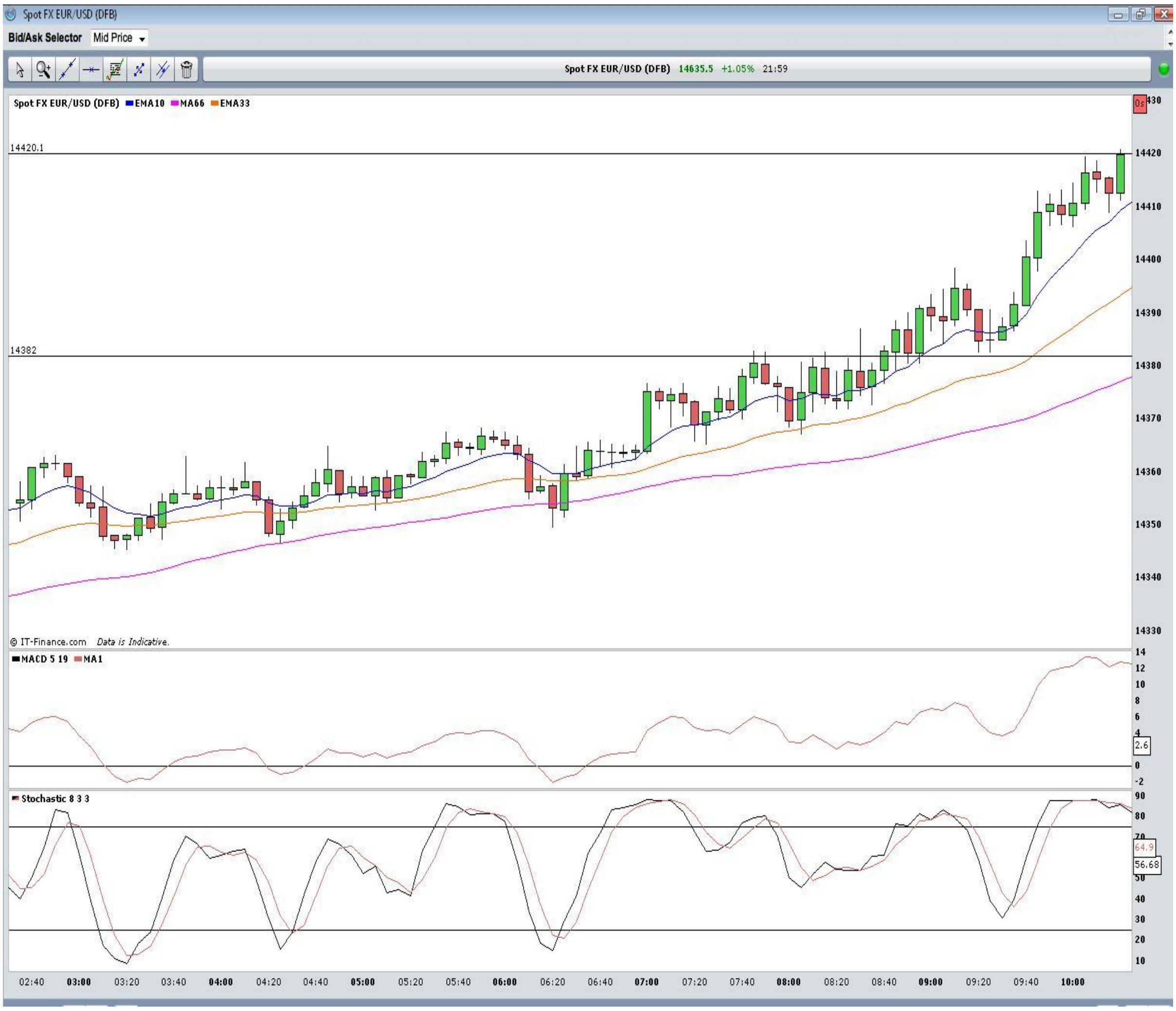
On the chart above, you can see the price ALMOST hits the profit target level, but not quite. The momentum seems strong and there is NO regular divergence to indicate a possible reversal, so it is soon time to move the stop loss level up a bit, and also calculate a new target.

Let's see what happens when we move on a few more candles:



You can see in the above chart that the price is retracing slightly, this often happens in a good, strong trend. It is just a period of profit taking by major players in the market, and will sometimes hit a Moving Average before it resumes its original direction.

All we can do now is to wait and see if price is eventually going to reach the first target.

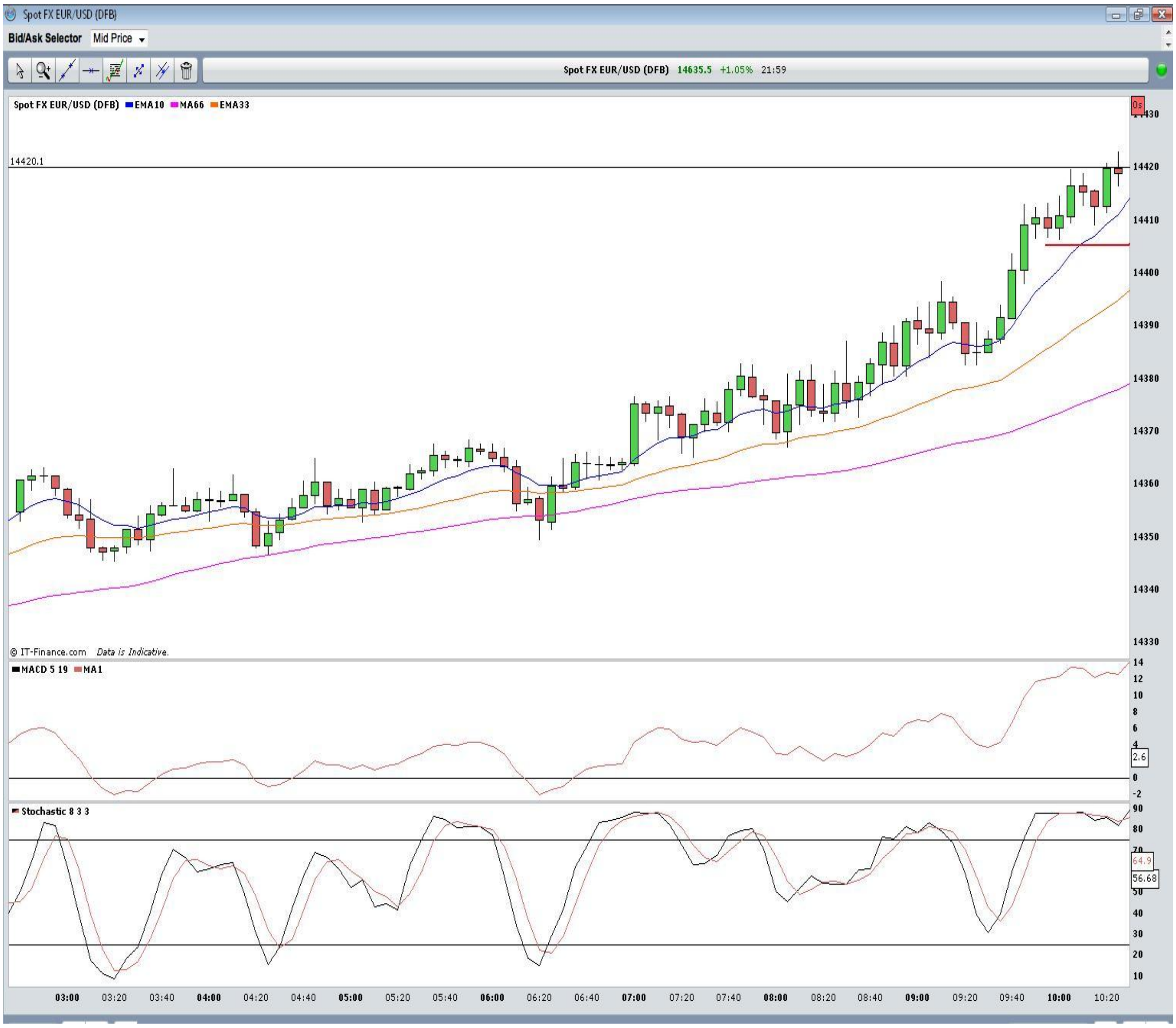


Target hit at last!!

It is now time to move the stop loss level up a lot closer, so we do not lose out on the profit we have already accumulated.

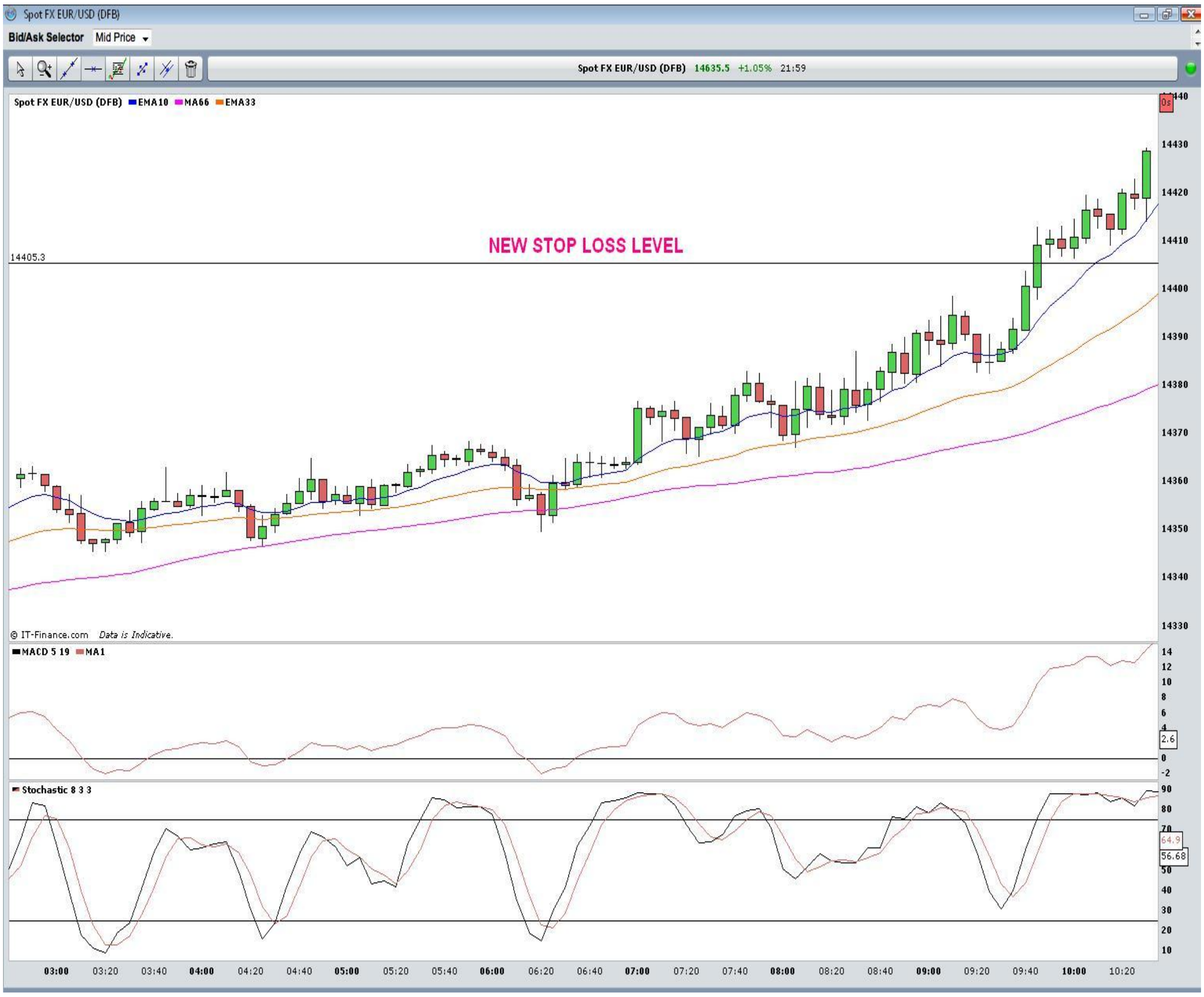
When you are this far into a trend, also watch for possible reversal signs, which may come in the form of candlestick patterns.

The next chart moves on one candle and shows the new stop loss level for this trade.



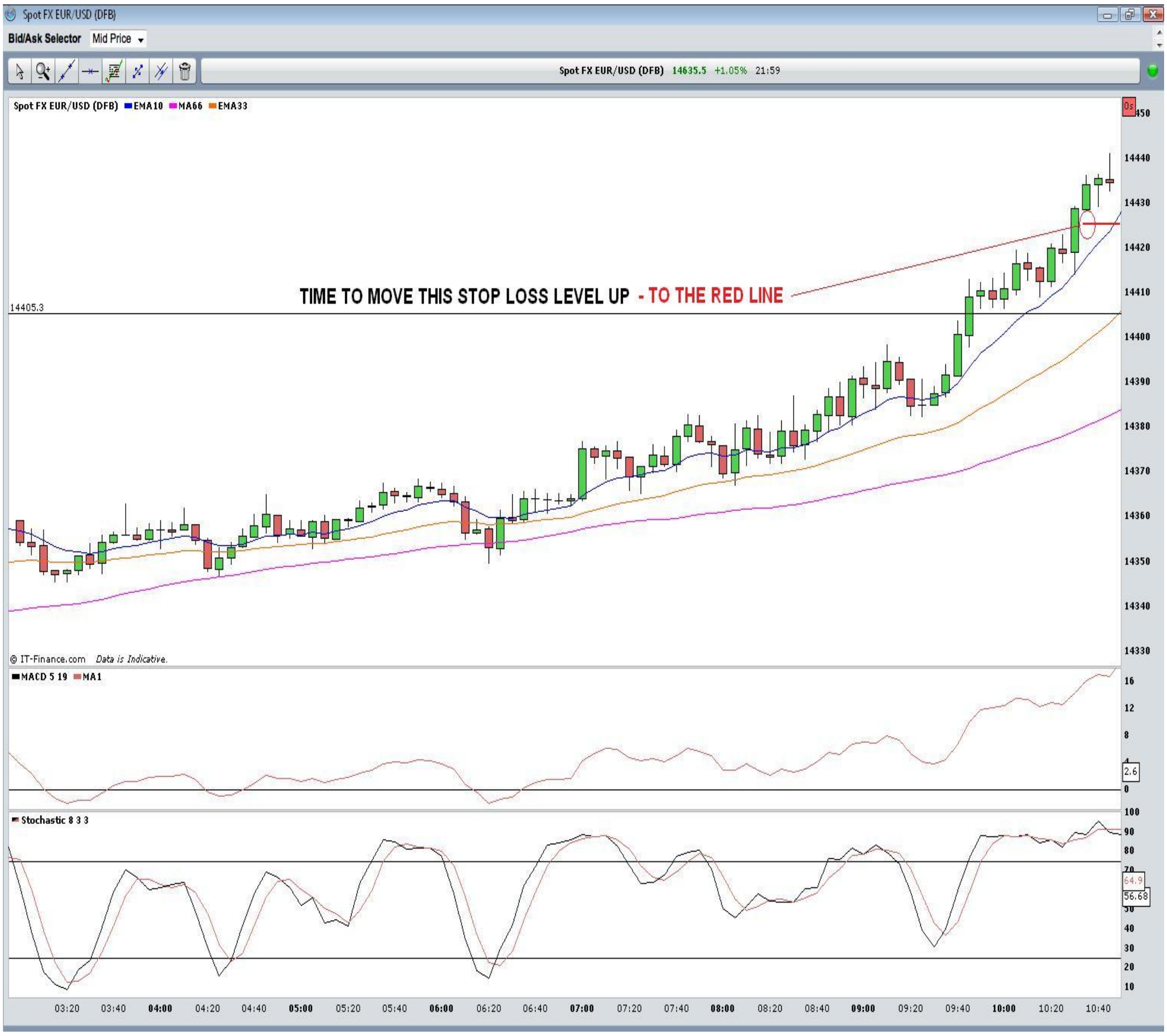
I have moved the stop loss level fairly tight, just in case we have a sudden reversal. The latest candle also shows some indecision in the market, it is a '**Spinning-Top**' pattern

In the next screenshot of my chart, I have marked the new stop loss level in permanently – and I am also watching the candles to give me some sort of clue as to whether the trend is going to carry on. Look for any reversal patterns, especially Dojis, Hammers, Spinning Tops etc.



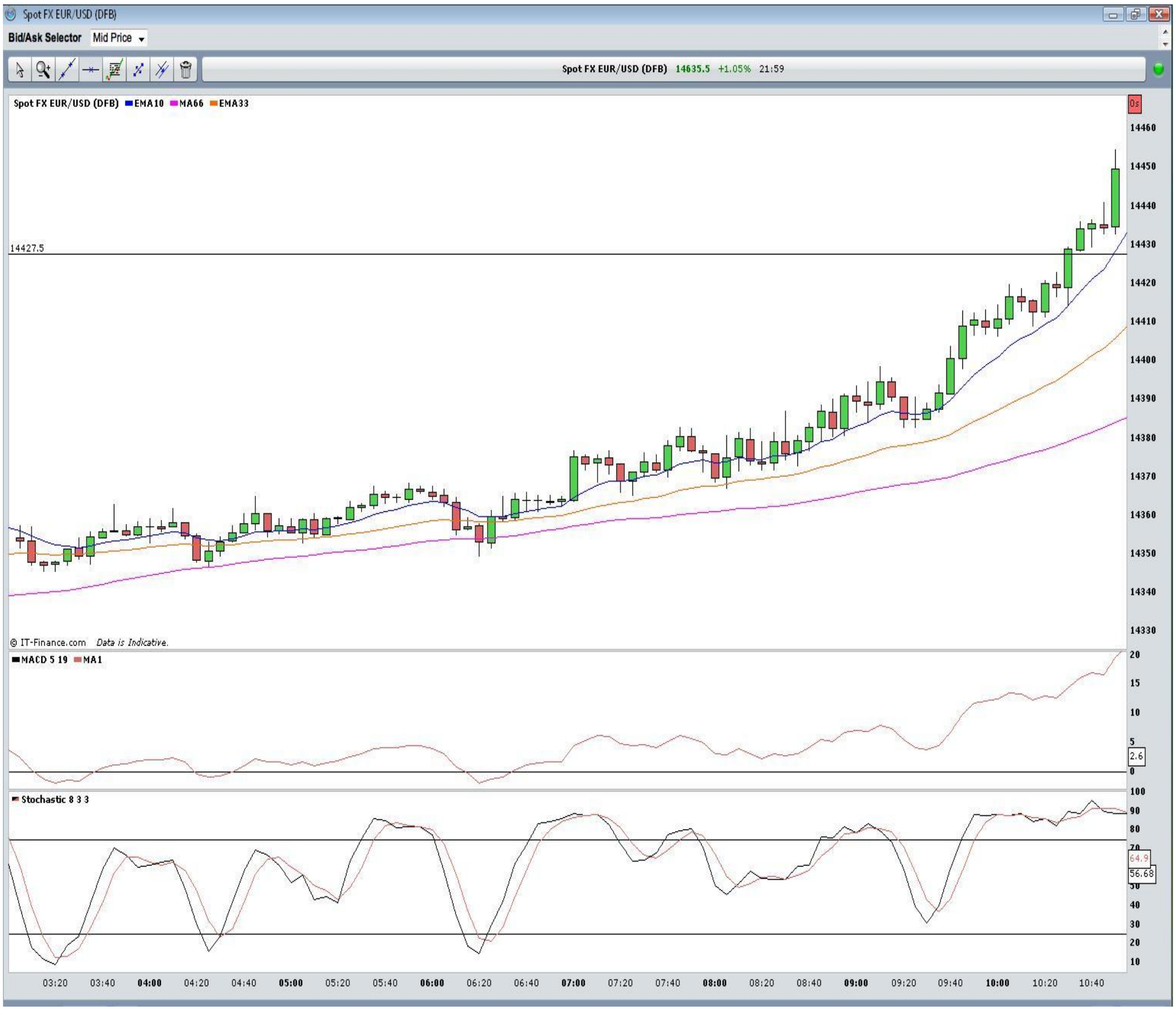
As you can see, the next candle is still showing a fairly strong upward movement, so it looks as though we are quite safe for the moment.

With such a large move on the last candle, I can now move my stop loss level up a bit closer to the action. See next screenshot (below)



You can see the stop loss level is getting very close to the action, and please also note that there is a couple of new candles that may be hinting at a price slow down, so you need to be extra vigilant over the next few candles.

Scroll down to see what happens when we go forward ONE candle.



The stop loss level is marked in permanently again, and the price (candles) is off again in an upward direction!!

All we can do is sit and watch, and look for signs of a slowdown in momentum. This can be seen if there is either a regular divergence appearing between the candles and the oscillators or some reversal patterns on the candles.

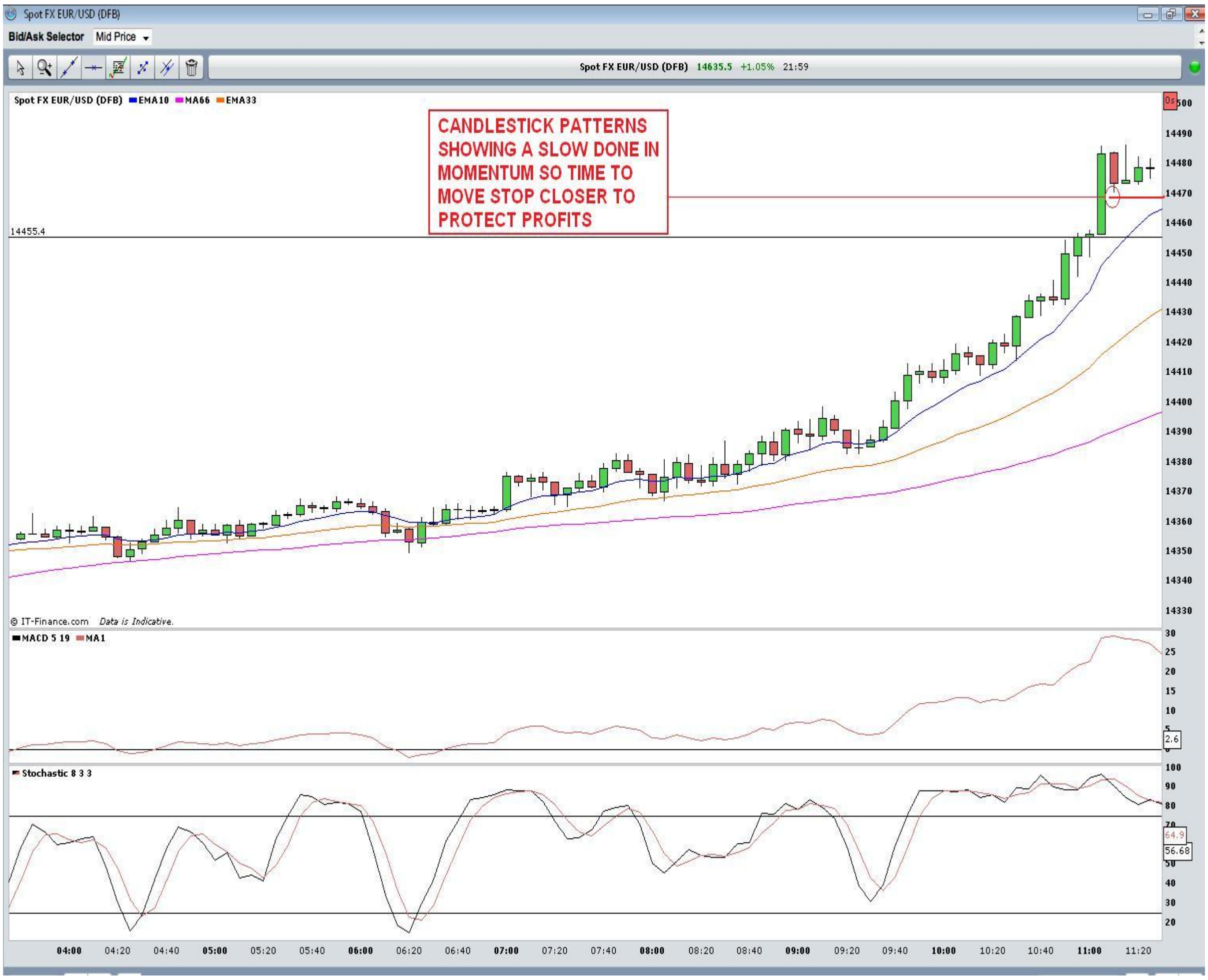
As the price is going up so well, and the trend has been going for a while now, it is time to once more move the stop up a bit more.

See the chart below:

I have now moved my stop up a bit more, to the **RED** line I have marked on the screenshot above.

The chart below shows that after moving on 4 more candles, we can see that the candles are perhaps hinting that there may be a slowdown in momentum, so I will now move the stop loss level up very close to the action.

See below for details:



The Doji and subsequent 'short' candles hint at the fact that the original momentum is slowing slightly – as you can see in the above chart screenshot.

I will show you the next series of 4 screenshots, so you can see what happened next.

In the next chart, the price starts to go sideways, and slightly lower at the same time – and then hits the stop loss, and I am out of the trade with a nice profit.

Scroll down to see:

I came out with a profit of +77 pips.

After I came out, the price just 'drifted' for quite a long while.

So that was the first strategy of this manual played out candle by candle, so you can see how the actual system works.

Now you need to spend the next few days searching out similar opportunities and make sure you know how to take the trades forward to their conclusion.

It is now time to introduce you to the other three strategies that make up this TrendFX trading manual.

The following strategies are all related to a greater and lesser extent, and all are obviously '*trading with the trend*'.

Strategy 2

This 2nd strategy is closely related to this first one that I have highlighted in the preceding pages.

On occasions you will take a trade using the strategy 1 that turns out to be a losing one due to the fact that the price does not go in the desired direction, and you find yourself being stopped out.

The pattern that I shall now describe will show you that you can re-enter the market almost immediately and earn back **ALL** the money (a usually a bit more) that you have just lost on the first trade.

Let me show you a chart, as a picture is worth a thousand words.

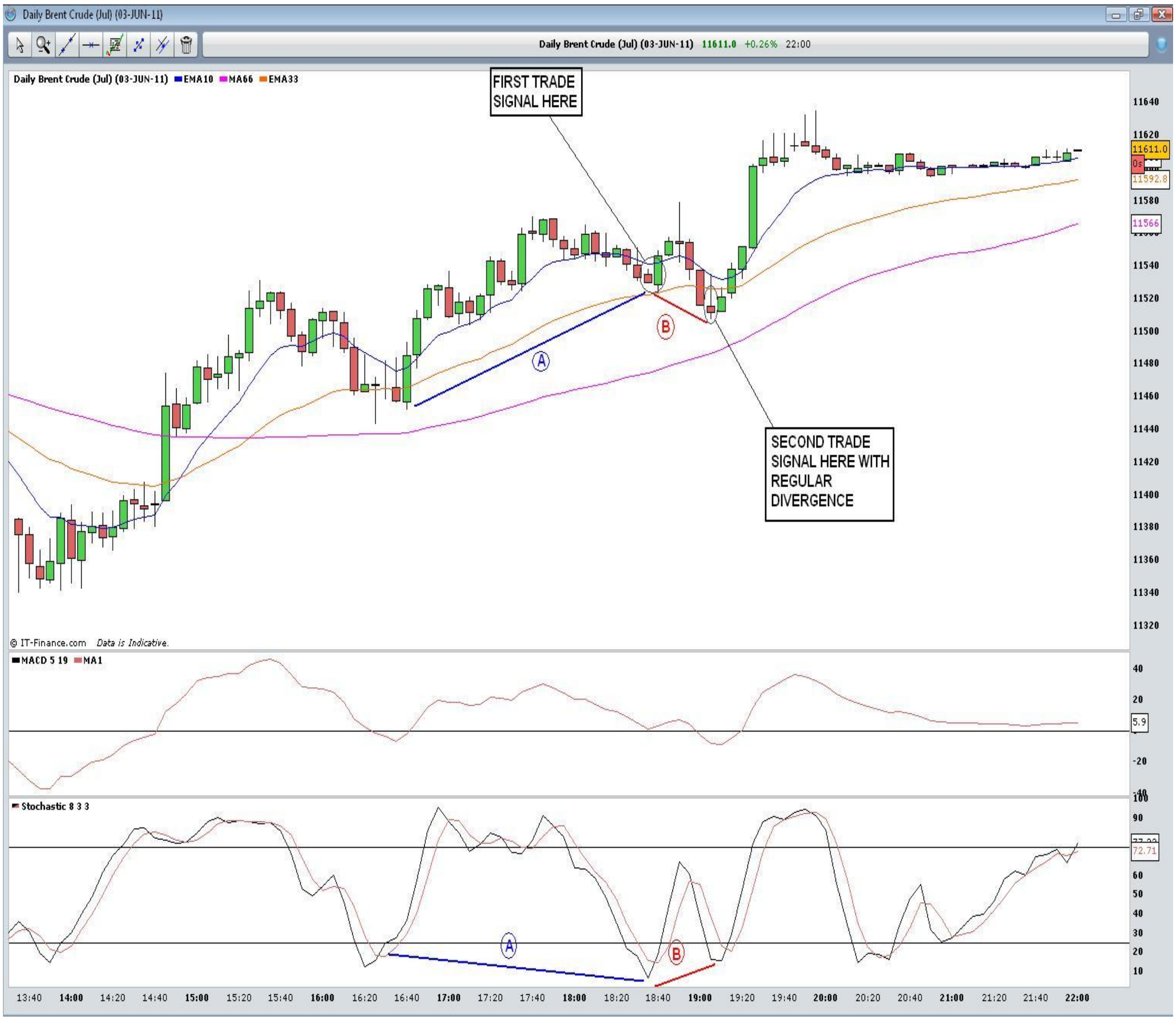
On the chart below, you can see a set-up for a 'Long' trade as the price is in a long-term upward movement.

Scroll down for the chart:

As you can see from the chart above, there is 'hidden divergence' marked **'A'** and an 'Engulfing' candlestick pattern marked '**1**' ~ and you would normally enter a 'long' trade as soon as the price had gone ONE pip above the high of the 'Engulfing' candle. As you can see, around 5 candles later, the trade was stopped out by the 'Spinning-Top' candlestick marked '**2**'

If you see a candlestick reversal pattern soon after being stopped out of one of these trades (strategy ***ONE*** in this trading manual) you must then look for some 'regular-divergence' on the Stochastic ONLY, and if there is some present (as you can see from the line marked '**B**') you can then re-enter the market with a long trade, and most of the time, these trades work out ok.

In the next chart (below) I will show you the same set-up, but this time in a down-trend.



This chart is Brent Crude – one of my favourite instruments to trade. There is a good up-trend in place and the 1st trade set-up gets stopped out after just four candles. The hammer I have highlighted as the 2nd trade signal has also got the required **REGULAR DIVERGENCE** between the candles and the Stochastic – ***do not*** use the MACD.

Also notice when the candles run out of steam a bit after the 2nd trade entry, there are a lot of 'long shadow' candles to signify a slowing of momentum.

You can use this set-up even if the 1st trade you took did give you a small profit, it means that you can also go for a 2nd small profit with greater confidence.

That’s all there is to this second strategy, so you just need to go off and check as many charts as you can over the next few days, so you can get the strategy firmly implanted in your mind.

Strategy 3

This third system is really just a price action system, as you do not have to use either candlestick reversal patterns or oscillator divergence.

The chart set-up is very easy, the main part of the chart you already have as your template can stay the same – the candle/price part, and you can ignore the MACD and Stochastic. Do not, however, delete these as you need to be able to eventually be on the lookout for all four strategies when you trading normally during your chosen hours in front of your computer screen(s)

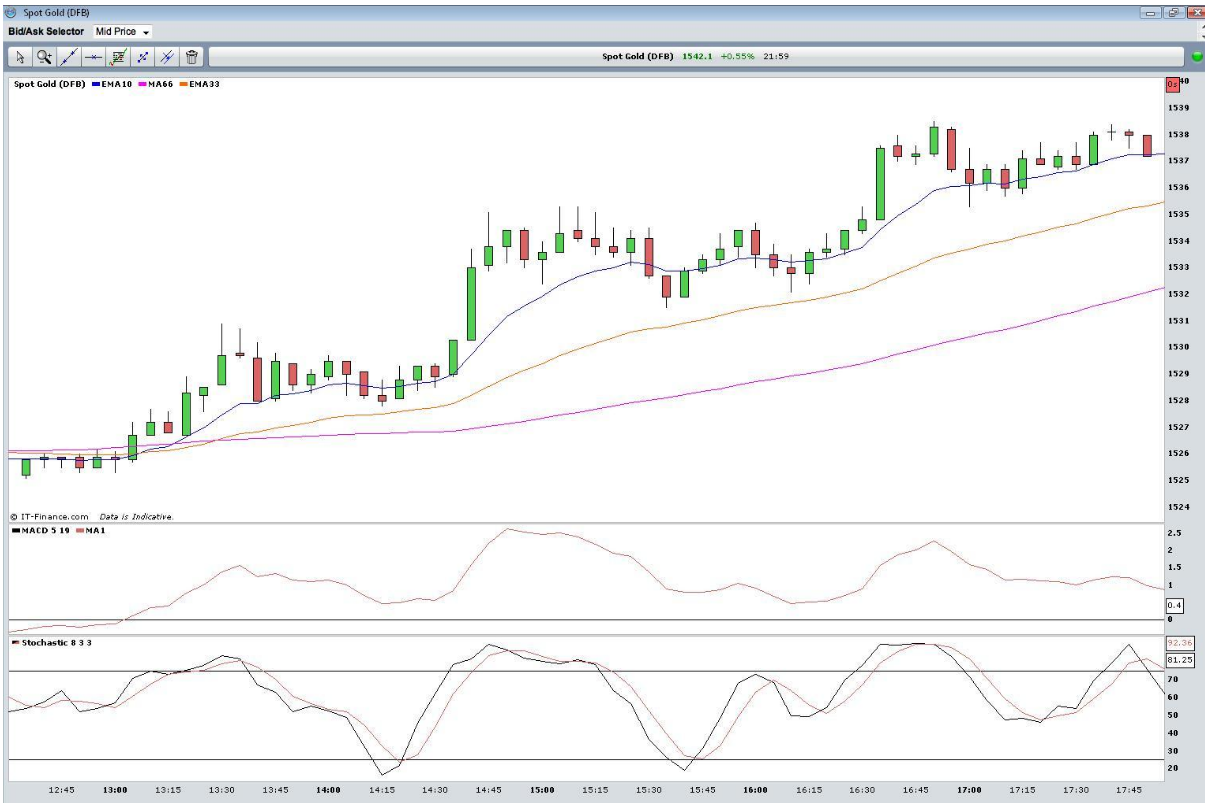
For clarity however, I am going to show you a series of screenshots without the Oscillators present, but please keep yours on your charts.

What you will be using is just the Moving Averages, the exact settings as you have for the previous two strategies – EMA 10, EMA 33 and to a lesser extent, the MA 66.

I have explained earlier how to spot a trend, but you are now going to use the MA’s to show you that the price has just started a possible trend. I say ‘possible’ as nothing is 100% certain in trading, but we do come pretty close with these patterns.

Here is a chart which will help explain what you are going to be looking for.

I am starting with all the usual indicators from the previous strategies, but I will take some of them off just for clarity as mentioned above.



Above is your normal chart which you MUST use at all times.

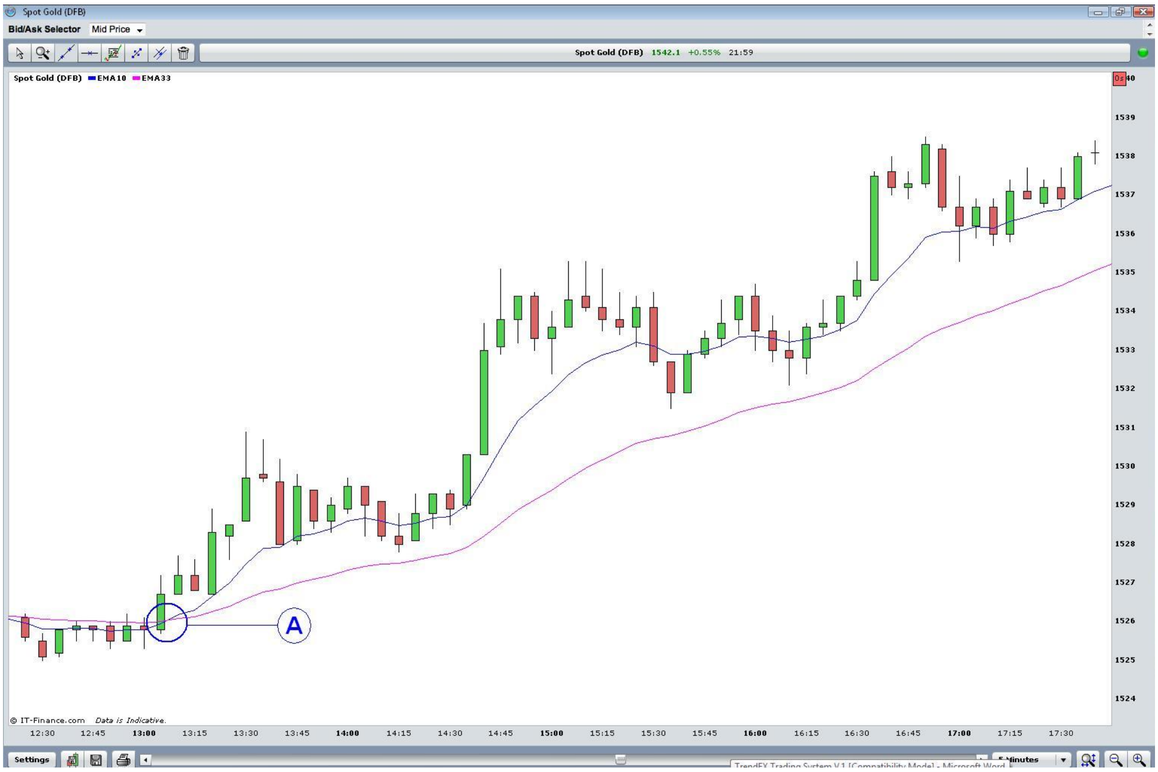
This chart (above) has the MACD/Stochastic removed for clarity while showing you the pattern you are looking for.

And finally, I have now taken off the MA 66 long term Moving Average as you do not really need to pay attention to it while looking for the pattern.

So we just have the two Moving Averages, and they will be the two lines that you must pay attention to.

After a period of either a trend that has now come to a stop, or when the price has been going sideways – such as through the night when there is not much trading volume and all the Moving Averages are all grouped together, you will find that they start to separate and cross-over each other.

You can see this happening in the chart above, at the bottom left-hand corner, and the in the same chart below, I have marked it for you to see, so please zoom in on the chart using the + button at the top of this page, in the control bar.



At the point marked A the two Moving Averages have crossed over, at the same time that the candles have taken off in an upward direction.

I have seen a few systems that would take this as a sign to enter a trade, but you DO NEED to ensure that the trend is going to continue.

Firstly, you NEED to ensure you do not use a chart less than 15 minutes. NO 5 or 10 minute charts, they will get you into trouble as there is too much 'noise' - I have experimented with this system for the last 5 months, and my findings show that 15 and 30 minute charts are the best. The higher the timeframe, the less signals you will get, so I set my default timeframe at 15 minutes, and then move out from there, up to 2 hours.

The crossing of the two Moving Averages is the first part of this strategy, and then you need to be looking for a slow-down in momentum, or a small retrace. It can be a full-blown retrace lasting 3, 4 or 5 candles, or it can be like the example below, and just show in ONE candlestick.

Scroll down and I will explain.

As you can see, candle 1 is the first candle after the crossover. Candle 2 is a slight retracement downwards, as the high of candle 2 s slightly lower than the high of candle 1. This is all you need to confirm a trade is valid, and this example shows you what a ONE candle retracement looks like.

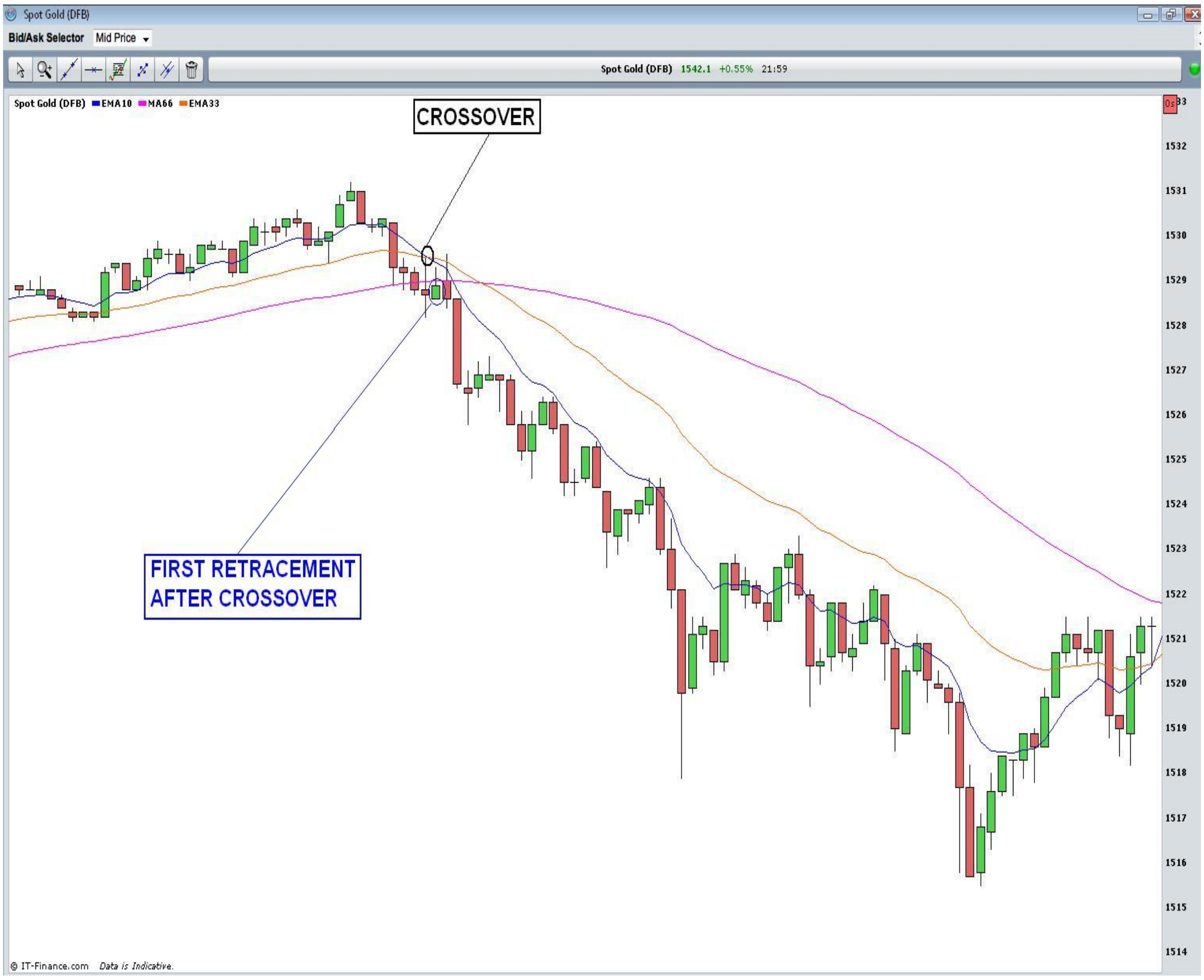
The RED line I have drawn in to show you the retracement can also be used as an entry level to get into the market with a long trade.

The target on a 15 minute chart will be around 15/20 pips as usual, and if you are using a 30 min chart, go for around 25 pips.

I will now show a few more charts showing trade set-ups. On some of the charts I will leave off the MA66 for clarity.

Above is another trade signal for a 'Long' trade. The retracement was over a longer period than the previous chart, this one was around TEN candles long.

The chart below shows a 'short' trade, with only a ONE candle retracement again.



Another small retracement. There are a couple more examples below, and then it is your chance to scour your own charts for examples.

You will often find this type of pattern when a particular market opens for business for the day, such as the UK/European open. Study as many charts as you can – and form your own opinions.

I hope you have got the idea now, it is a simple pattern to watch for and suits those charts that trend well, such as Gold, S&P and EUR/USD.

Have a search over the next few hours and see how many times this patterns comes up

Strategy 4

This is another price action strategy that again needs just the Moving Averages already on your chart. You can incorporate the oscillators if you wish, to add a bit of weight to your signal, as it may give you extra confidence when entering a trade.

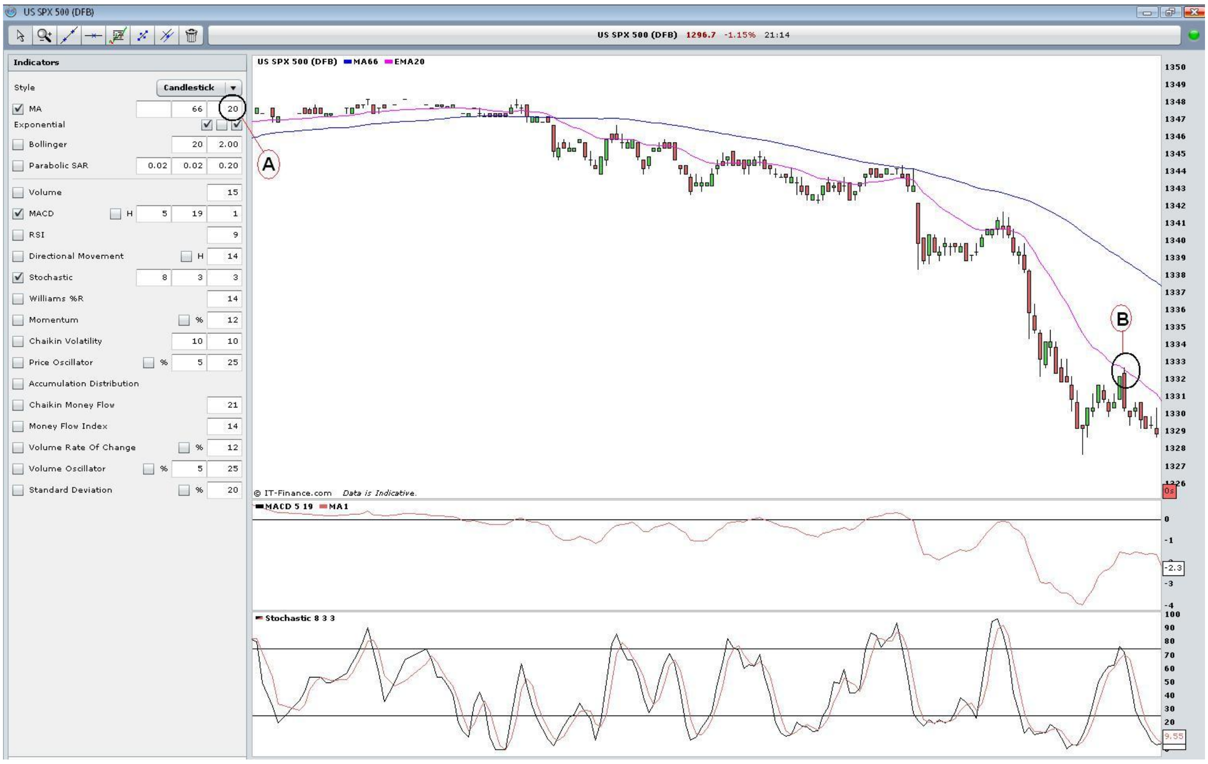
If you look at a number of charts with the default settings, you will notice that in a trend, the price tends to ‘Hug’ one or two of the Moving Averages.

It would seem as though these MA’s act as support and resistance lines and you can take advantage of this, although it may take a few weeks to get the strategy exactly right.

I will illustrate the point with some charts and add some comments to each screenshot. As my smallest Moving Average will hug the price anyway, it is of no use to us in this strategy, so I will take it off. This is how your chart should look like now:

In the chart above, you can see how the EMA33 is very close to the candles in the two places I have marked, but as the trend continues, the price loses touch. If we can get it to be nearer, we can make use of it in two ways.

Have a look at the chart below:



I have changed the EMA33 to 20 so that at point B on the chart (the first good retracement) the Moving Average is now touching the candle.

To do this accurately WILL TAKE a lot of trial and error, but the effort you put in is worth it, as I will now show you the two ways you can use this new ADJUSTED Moving Average.

To illustrate what I mean, it would be best to advance the chart a few candles at a time, so have a look at the following charts and the comments I have written on them.

As you can see on the chart above, once you are in a trade (using one of the other strategies perhaps) you can use your NEW Moving Average line as a stop loss line so you can get out with a decent profit before the trend stops or reverses.

Scroll down for another way you can use this NEW Moving Average line.

As we advance a large number of candles, you can see that the price (candles) still retrace back to this NEW Moving Average that you have created. A good way to re-join the trend is to enter after there has been a long-shadow candle, which is a very good indication of a reversal in sentiment with the buyers/sellers.

That was just one example of how this strategy and I would now encourage you to practise with your own charts as it will take a bit of trial and error to get it right fist time.

When I originally started playing around with the concept (on holiday with my trader friend Tim – who ONLY trades price-action) I found that I was confidently guessing the Moving Average number within about an hour, so it shouldn't take you much longer.

10. Conclusion

In the preceding chapters you have four separate strategies that you can use together, or if you already trade with your own system, you can add these 4 to your arsenal and become a very busy trader!

If you have any problems whatsoever in setting up your charts or actually spotting/executing the trades, please email me at:
nick@marketsmastered.com

Finally some rules to assist you. Please take notice of them, they are important – **perhaps print them out** and have them in front of your computer, together with your *Candlestick Reversal Patterns Sheet*.

1. Concerning your demo/paper trading – ***YOU MUST*** complete 60 of these types of trades before you start trading at the £1 per pip level. If you have taken my advice regarding trading with SmartLiveMarkets at ten pence per pip, you can start trading with your own money at an earlier time, perhaps after you have carried out 30 to 40 demo/paper trades. This is rule number one because **it is the MOST IMPORTANT.**

2. When reading this manual, even the first time, do not skip over large parts of the text by looking at the index and trying to decide where you would like to start – read the whole manual every time from page one.

3. Remember, only around 10% of new traders will go onto be successful in the long term and this is mainly down to what is happening in your brain. Spread betting companies in the UK are reporting they are gaining around 2000 new customers **EVERY MONTH** so that means that 1800 of these are doomed to failure. Now this sounds a bit pessimistic, so to look at it another way – 200 people a month **ARE**

going to succeed, so stack the odds in your favour – you have an excellent system here, so do the ground work with the psychology of trading and ensure you are going to be one of those 200 winners. Read my eBook – "*How to Consistently Succeed Trading the Stock Market*" at least two times and try to understand the theory behind the psychology of trading including all the pitfalls that are waiting to trip up the new trader. You must also read Mark Douglas's famous book "*Trading in the Zone*" at least once a month for the next year or so. I can send you a copy if you have not got one.

4. Ensure you have a solid grounding in divergence. If you need to, just keep reading the chapter over and over again, all you need to know is contained in those few pages.

5. ***Do not*** try to short-cut the demo/paper trading process. A few customers spend a week or so paper trading and then jump in far too early with 'real-money' trading. Guess what happens? Yes, they lose all their account balance and email me to find out why? There is a fault which afflicts men (sorry chaps) more than women and that is jumping in without reading the full instructions. I am partly guilty as I can unpack some Ikea furniture and before reading the assembly documentation I will jump in and start building the furniture. Having said that, this is much more important, and you must read **EVERY** single word before you configure your charts.

6. Do not forget the minimum seven candle rule for the length of the divergence line when trading the first strategy in this manual

7. Learn about trends – it will help you in your trading for the rest of your life

8. Learn rules 1 to 7 and follow them religiously

Thank you for purchasing my trading system manual, if you follow the instructions to the letter you should be as successful with it as I have been.

With my best wishes,
Nick