Fantastic Profit FX Disparity Strategy

This is a strategy that is virtually so profitable, and repetitive that you may only want to trade this way for
very limited risk and high profit potential!

In technical terms, it is called a Disparity Hedge, whereas once a certain setup is visible, you buy one currency and sell another simultaneously. But, It is not a Hedge.

It is not to be confused with a true Hedge, which at present, is not allowed under NFA Brokers. A True Hedge, is a simultaneous Buy and Sell position in the SAME currency. This method is totally different, as it deals with different currency pairs. Not subject to the new rules.

Once your trade is in play, you wait until the setup arrives at its maximum profit potential and exit the trade.

It is based on the 1Hr chart and you can get trades on a
regular basis depending on market conditions.
However, you do not risk anything until the trade sets

up, and then all you do is wait for the profits to mount.

Disparity Trade # 1

The EUR/USD – GBP/USD trade

The Theory: GBP/USD pays a positive rollover when
you are long. EUR/USD pays a positive rollover (but less than the GBP/USD) when you are short.

Trade Basics: Always use 1 Hr Time Frame
Always BUY GBP/USD
Always SELL EUR/USD

Trade Setup: Compare chart overlay of the 2
currency pairs, and when there is a
specific disparity between them,
the trade is ready for entry.

Example: If you have overlay capability in
your platform, you are in good
shape. You will look at both
currency pairs in the 1 Hr time
frame, with each pair viewed in a
different color.

**When the GBP/USD is below the
EUR/USD by any reasonable
degree, the trade is ready for entry.**

Look at the following instructions and example using:
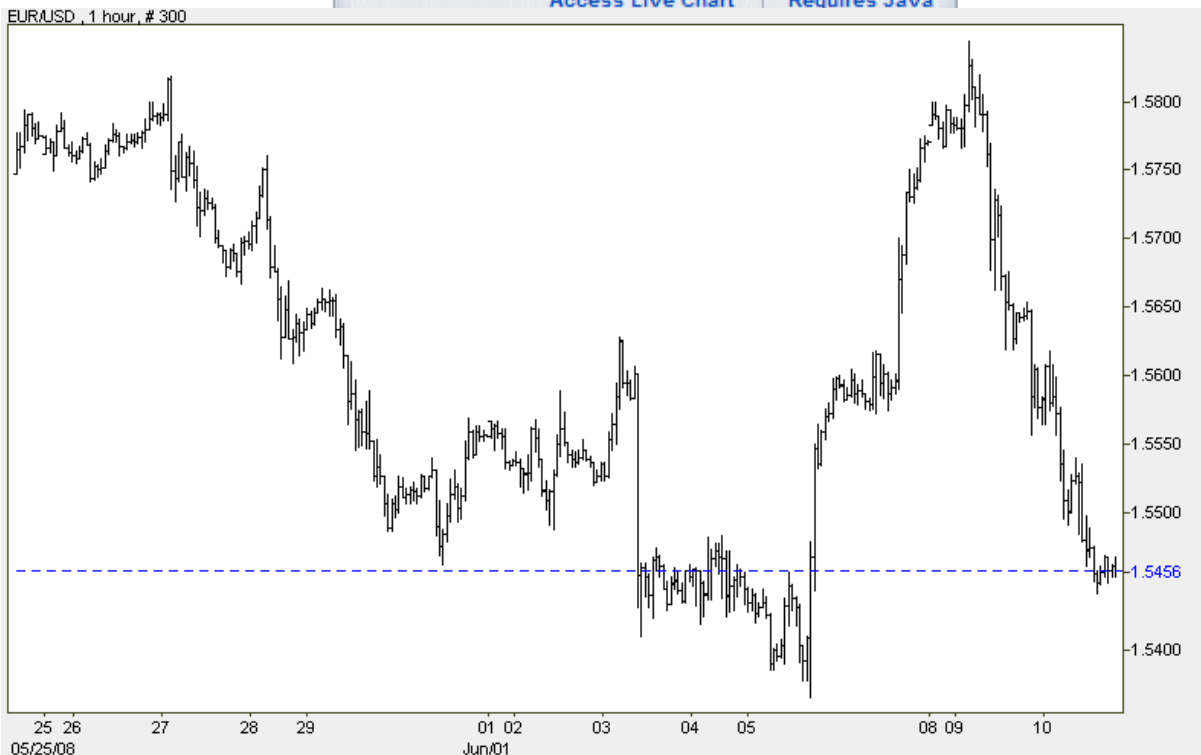**www.dailyfx.com**

Once you are on the site, select "charts" from the menu bar.
Then from the window that pops up select the "Net Dania"
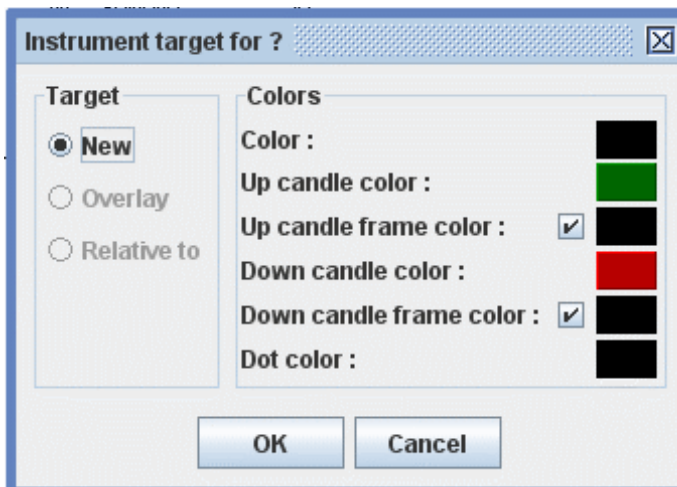Chart by clicking on "Access Live Charts"

See ex:
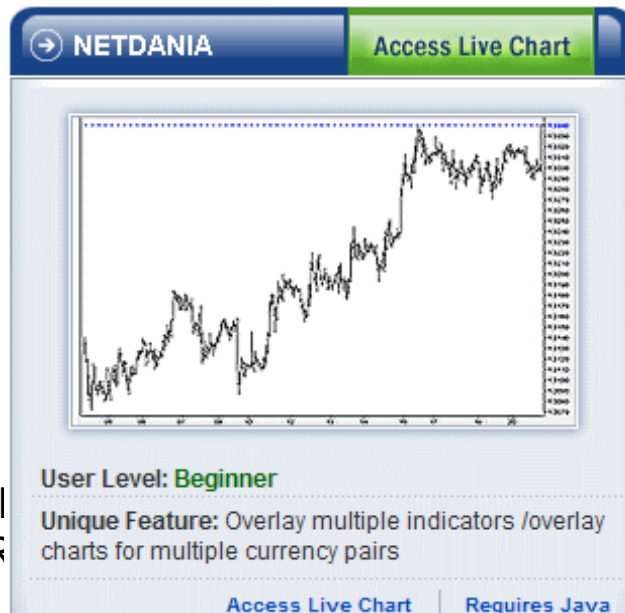
Next…. You will which will
display the EUR

Next…. you will select the "Instrument" drop down at the top left of the chart, and select GBP/USD, then select "New" at the new pop up window.

Ex:

Instrument target for ? ⊠

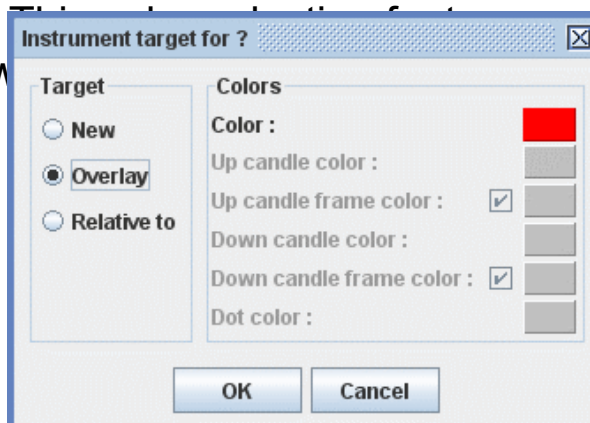| Target	Colors	
⦿ New	Color :	▮
○ Overlay	Up candle color :	▮
○ Relative to	Up candle frame color : ☑	▮
	Down candle color :	▮
	Down candle frame color : ☑	▮
	Dot color :	▮

OK   Cancel

GBP/USD will now be the new visible chart. Always make sure you are looking at the 1Hr time period. If it somehow has changed, reset it to 1Hr using the "Time Scale" drop down.

Next, you will select the EUR/USD overlay, and make it RED for clarity of viewing.

Select Instrument again, then select EUR/USD; then select "Overlay" in the drop down window…. Also selecting Red in the color box. [...] not always be available. How [...] ence in view.

Ex:

Instrument target for ? ⊠

Target	Colors	
○ New	Color :	▮
⦿ Overlay	Up candle color :	▢
○ Relative to	Up candle frame color : ☑	▢
	Down candle color :	▢
	Down candle frame color : ☑	▢
	Dot color :	▢

OK   Cancel

Setup: If you look at the example above, you will notice times when the **GBP/USD** pair is well below the **EUR/USD** pair. Those are the times the trade is set to enter.

Note: The farther they are apart, the more profit you can
expect to make once they converge. Therefore, you

may enter at any time you wish, however..... with proper
technical analysis, you may be able to wait for the gap
to widen. That would be your choice. The trade will be profitable in any case.

It does not matter what direction the currencies head from this point, only that they head into a point of convergence. Sometimes this may not be immediately apparent, but they will eventually get there.

If the gap widens more, from the point of your original Hedge setup, you may want to consider an **Additional Hedge Trade** to capitalize even more on the disparity.

The reality of trading this strategy, is that you must have
sufficient capital in your trade account, just in case the
gap continues to widen against you. But that being the
case will be rather rare, if you exercise patience and a
little technical analysis, as I mentioned earlier.


Money Management Considerations:

You should be aware that the #1 set of pairs we are trading, does not routinely move in the same pip ratio.

Usually the **GBP/USD** gets about 50% more movement than the **EUR/USD.** This is not always the case however,
depending on specific economic fundamentals, but it is
a good rule of thumb.

Therefore: The ratio should be.... For every 1 lot buying
The GBP/USD, you will be selling 1.5 lots of EUR/USD.

This is not a hard and fast rule, due to economic
Fundamental forces. It is a more accurate ration if you are
trading the longer term hedge, as in the daily charts.

Trade A
Close
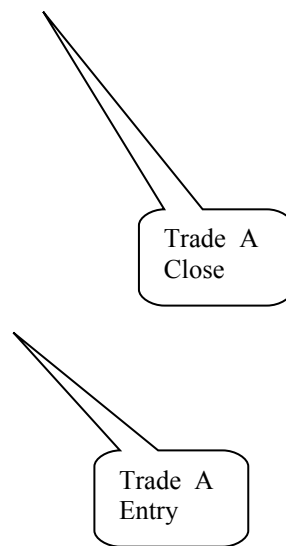
Trade A
Entry

Remember: It is the amount of pips the long trade moves up vs. the amount of pips the short trade moves
that makes the trade work when convergence arrives. Look at the 2 examples above, and you will see that the GBP moved nicely up, while the EUR moved literally
horizontal, meaning that you made a nice gain in GBP while suffering little loss in EUR. That is how it works!

Sometimes, you will get a dual profit situation, as in the last trade example below. If you do your homework, you can let these highly profitable trades run their course, even after the pairs converge.

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The next example is the NZD/USD vs. AUS/USD hedge, commonly called the Kiwi Hedge.   This is Trade # 2.

This is a smooth running trade most of the time, and you invest the same lots for one vs. the other.
Remember: Long the NZD/USD pair.
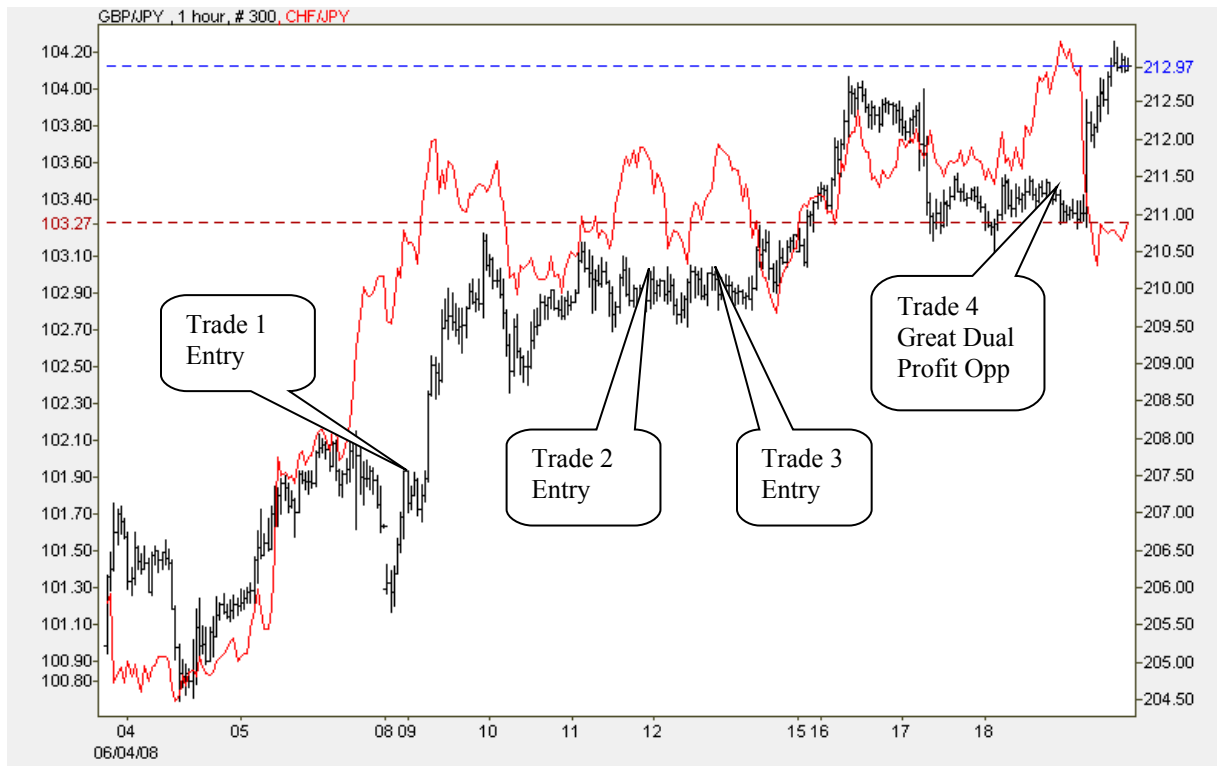   Short the AUS/USD pair.

Rollover rates will be minimally negative.

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The next example is the fabulous **GBY/JPY** vs **CHF/JPY**
This is Trade # 3.

Look at the following chart:

Notice how the above chart offers 4 distinct trading opportunities……   Trade 4 is a nice example of winning on both sides of the disparity (if you placed it correctly).

This pair is a 1 / 1 lot entry, and rollover greatly favors this trade. Positive gains daily, in addition to profit from trade convergence. (refer to the chart below for all recent rates.)

The following chart reflects rates for rollover, which will be applied (with most brokers) to your set.

Following taken from FXDD.com Rollover Rates 6-08:

Pair	"BUY Positions"	"SELL Positions"
AUD/CAD	9.51	-12.72
AUD/JPY	15.93	-18.52
AUD/NZD	-4.39	1.69
AUD/USD	11.5	-14
CAD/JPY	4.91	-7.69
CHF/JPY	2.5	-5
EUR/AUD	-14.98	11.9
EUR/CAD	3.4	-6.7
EUR/CHF	7.52	-10.48
EUR/GBP	-6.24	1.56
EUR/JPY	13.8	-16.3
EUR/USD	6.5	-8.8
GBP/CHF	14.57	-18
GBP/JPY	22.59	-25.37
GBP/USD	13.5	-16
NZD/USD	11.3	-13.8
USD/CAD	-7.28	2.91
USD/CHF	-1.52	-2
USD/JPY	3.7	-5.74
USD/MXN	-16.41	10.64
XAG/USD	1.41	2.21
XAU/USD	6.21	-9.21

The Chart above shows interest paid to or from your account in the event you hold the trade past daily recap time.

The following 3 sets of pairs show the combined credit or debit when doing those trades.

Buy	Sell	Comb'd Rollover
GBP/USD	EUR/USD	
13.5	-8.8	4.70
NZD/USD	AUD/USD	
11.3	-14	(2.70)

GBP/JPY	CHF/JPY	
22.59	-5	**17.59**

As you can see, the 3rd pair offers fantastic rollover credit per standard lot traded / per day. This however, is not to say that you should concentrate on that one pair. Each of these offers unique a opportunity, when the trade sets up.

See the Excel Spreadsheet for an additional pair you may use this strategy with. It is shown here also.   Buy side is on left. Sell, right.

GBP/CHF   EUR/CHF

Remember to update the rollover numbers before you make your final decision on which pair to concentrate on.

The final thought to remember is this.   The strategy works with pairs that normally act similar to certain news. When one gets out of sync, due to a multitude of outside pressures, it may set up a disparity for you to capitalize on.   Be patient, and don't jump in to soon.   Try to wait out the largest possible gap, and catch it just as it starts to head back to normal.

These are MUST READ notes to the changes at the website dailyfx.com.   They have just changed their features, and the way to get the overlay is different than explained above. The new way is as follows:

Get to the original chart 1st in the same manner as explained above.   Once there, select your base currency from the instrument menu.   Then "Right Click" on the chart and select "Overlay". Then select the secondary currency, and it will appear in a different color over the base currency. It will be as

a line chart.   Very simple, and it eliminates a few steps. Thanks

PS. Please go back to the Top and read from the beginning, bearing in mind…. these notes as changes.

Good Luck!