

Live Fx Hub

INTRODUCTION

A Trader's Mission and Goal

It is the mission of the trader to become a long-term, financially successful trader. This can be achieved when the trader adopts and accepts The 10 Keys of Successful Trading.

A trader must commit to live by three disciplines to become a successful trader.

1. A trader must believe in The 10 Keys to Successful Trading and merge them into their personality. Success depends on creating a trading plan, and maintaining the discipline to TRADE THAT PLAN!
2. A trader must be committed to Continuing Education. Study technical analyses and the psychology of successful trading. A trader must make logical decisions, void of emotions, while trading. Learn to trade in control!
3. A trader must map out a sensible equity management plan to ensure a Return On Investment. Trade no more than 20% of a Margin Account and expose no more than 5% of that account on any single trade.

Levels of Traders

- **Level One:**—Beginner Trader—Studies and paper trades for a minimum of one month with pretend currency, gaining the experience required to establish a track record of profitable performance.
- **Level Two:**—Advanced Beginner—Trades one or two lots with real money, learning to overcome emotions and at the same time, establish a track record of making money.
- **Level Three:**—Competent Trader—Trades with control over their emotional distractions. Utilizes proper equity management and achieves a positive financial return.
- **Level Four:**—Proficient Trader—Trades with confidence, education and experience. Achieves positive financial returns.
- **Level Five:**—Expert Trader—Instinctively executes profitable trades without emotion.

What is the Forex?

- Forex=Foreign Currency Exchange
- You can trade 24-hours a day
- The Forex is larger than all other financial markets

The Foreign Exchange (Forex) Market is a cash, or "spot", interbank market established in 1971 when floating exchange rates began to materialize. This market is the arena in which the currency of one country is exchanged for those of another, and where international business is settled.

The Forex is a group of approximately thousands of currency trading institutions that include international banks, government central banks, and commercial companies. Payments for exports and imports flow through the Foreign Exchange Market, as well as payments for purchases and sales of assets. This is called the "Consumer Foreign Exchange Market." There is also a "speculator" segment in the Forex Market. Speculators have great financial exposure to overseas economies participating in the Forex to offset the risks of international investing.

Historically, the Forex Interbank Market was not open to small speculators. With a previous, minimum transaction size, and often stringent financial requirements, the small trader was excluded from participation in this market. Today, Market Maker brokers are allowed to break down the larger interbank units and offer small traders the opportunity to buy or sell any number of these smaller units (lots).

Commercial Banks play two roles in the Forex Market:

1. They facilitate transactions between two parties. For example, two companies wishing to exchange different currencies would seek the help of a commercial bank.
2. They speculate by buying and selling currencies. The banks take positions on certain currencies because they believe they will be worth more if, "long", or less if, "short", in the future. It has been estimated that international banks generate up to 70% of their revenues from currency speculation.

"Other" speculators include many of the world's most successful traders, like George Soros. The Forex also includes central banks from various countries, like the U.S. Federal Reserve. They participate in the Forex to serve the financial interests of their country. When a central bank buys and sells its own or a foreign currency, the purpose is to stabilize their own country's currency value.

The Forex is so large and is composed of so many participants, that no one player, not even the government central banks, can control the market. In comparison to the daily trading volume averages of the \$500 billion U.S. Treasury Bond market and the approximately \$100 billion exchanged in the U.S. stock markets, the Forex is huge, and has grown in excess of \$5 TO \$7 trillion daily.

The word "market" is a misnomer describing Forex trading. Unlike other markets, there is not a centralized location for trading activity. Currency trading takes place via the Internet or over the phone.

A large portion of Forex trading is done by large, international banks. These banks will process transactions for large companies, governments and their own accounts. These banks continually provide prices ("bid" to buy and "ask" to sell) for each other and the broader market. The market's current price of a particular currency is the most recent quotation from one of these banks. The "live" price information is reported through a variety of private data reporting services and is able via the Internet.

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There are numerous advantages to trading on the Forex.

Liquidity In the Forex Market, there is a buyer and a seller! The Forex absorbs trading volumes and per trade sizes which dwarf the capacity of any other market. On the simplest level, liquidity is a powerful attraction to any investor. It suggests the freedom to open or close a position 24 -hours a day. Once purchased, many other, high-return investments are difficult to sell at will. Forex traders don't have to worry about being "stuck" in a position due to lack of market interest. In the nearly \$3.5 trillion U.S. per day market, major international banks have "bid" (buying) and "ask" (selling) prices for currencies.

Access

The Forex is open 24 hours a day from about 5:00 PM ET Sunday to about 4:00 PM ET Friday. An individual trader can react to news when it breaks, rather than having to wait for the opening bell of other markets when everyone else has the same information. This timeliness allows traders to take positions before the news details are fully factored into the exchange rates. High liquidity and 24 hour trading permit market participants to take positions, or exit, regardless of the hour. There are Forex dealers in every time zone and in every major market center; Tokyo, Hong Kong, Sydney, Paris, London, United States, et al. willing to continually quote "buy" and "sell" prices. Since no money is left on the market table—referred to as a "Zero Sum Game" or "Zero-Sum Gain"—and providing the trader picks the right side, money can always be made.

Two-Way Market

Currencies are traded in pairs—for example: Euro/Dollar (EUR/USD), Dollar/Yen (USD/JPY) or Dollar/Swiss Franc (USD/CHF). Every position involves the selling of one currency and the buying of another. If a trader believes the Swiss Franc will appreciate against the Dollar, the trader can sell Dollars and buy Francs. This position is called "selling short". If one holds the opposite belief, that trader can buy Dollars and sell Swiss Francs—"buying long". The potential for profit exists because there is always movement in the exchange rates (prices). Forex trading permits the opportunity to capture pips from both rising and falling currency values in relation to the Dollar. In every currency trading transaction, one side of the pair is always gaining, and the other side is always losing.

Leverage

Trading on the Forex is done in currency "lots." Each lot is approximately 100,000 U.S. dollars worth of a foreign currency. To trade on the Forex market, a Margin Account must be established with a currency broker. This is, in effect, a bank account into which profits may be deposited and losses may be deducted. These deposits and deductions are made instantly upon exiting a position. Brokers have differing Margin Account regulations, with many requiring a \$1,000 deposit to "day-trade" a currency lot. Day-trading is entering and exiting positions during the same trading day. For longer-term positions, many require a \$2,000 per lot deposit. In comparison to trading in stocks and other markets, which may require a 50% margin account, a Forex speculators' excellent leverage of 1% to 2% of the \$100,000 lot value means the trader can control each lot for one to two cents on the dollar.

Execution Quality

Because the Forex is so liquid, most trades can be executed at the current market price. In all fast moving markets (stocks, commodities, etc.), slippage is inevitable in all trading, but can be avoided with some currency brokers' software that informs you of your exact entering price just prior to execution. You are given the option of avoiding or accepting the slippage. The Forex Market's huge liquidity offers the ability for high quality execution. Confirmations of trades are immediate and the Internet trader has only to print a copy of their computer screen for a written record of all trading activities. Many individuals feel these features of internet trading make it safer than using the telephone to trade. Respected firms such as Charles Schwab, Quick & Reilly and T.D. Waterhouse offer Internet trading. These companies would not risk their reputations by offering Internet service if it were not reliable and safe. In the event of a temporary technical computer problem with the broker's ordering system, the trader can telephone the broker 24 hours a day to immediately get in or out of a trade. Internet brokers' computer systems are protected by firewalls to keep account information from prying eyes. Account security is a broker's highest concern. They take multiple steps to eliminate any risk

Execution Costs

Unlike other markets, the Forex generally does not charge commissions. The cost of a trade is represented in a Bid/Ask spread established by the broker. (Approximately 4 pips)

Trendiness

Over long and short historical periods, currencies have demonstrated substantial and identifiable trends. Each individual currency has its own “personality,” and offers a unique, historical pattern of trends that provide diversified trading opportunities within the spot Forex market.

Focus

Instead of attempting to choose a stock, bond, mutual fund, or commodity from the tens of thousands available in other markets, Forex traders generally focus on one to four currencies. The most common and most liquid are the US Dollar, Japanese Yen, British Pound, Swiss Franc, Euro and Canadian Dollar. Highly successful traders have always focused on a limited number of investment options. Beginning Forex traders will usually focus on one currency and later incorporate one to three more into their trading activities.

Margin Accounts

Trading on the Forex requires a Margin Account. You are committing to trade and take positions today. As a speculator trader you will not be taking delivery on the product that you are trading. As a Stock Day Trader, you would only hold a trading position for a few minutes, up to a few hours, and then you would need to close out your position by the end of the trading session.

All orders must be placed through a broker. To trade stocks you would need a stockbroker. To trade currencies you will need a Forex currency broker. Most brokerage firms have different margin requirements. You need to ask them their margin requirements to trade currencies.

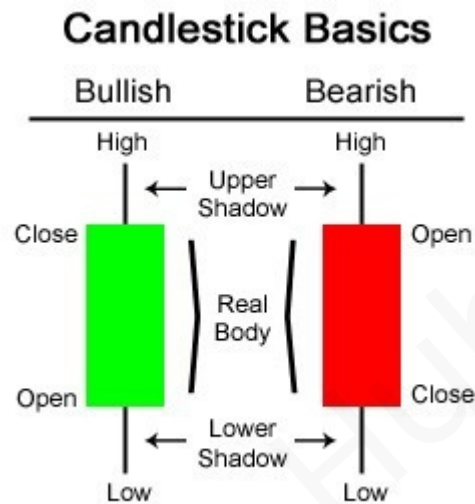
A Margin Account is nothing more than a performance bond. All traders need a Margin Account to trade. All accounts are settled daily. When you gain profits, they place your profits into your Margin Account that same day. When you lose money, an account is needed to take out the losses you incurred that day.

A very important part of trading is taking out some of your winnings or profits. When the time comes to take out your personal gains from your margin account, all you need to do is contact your broker and ask them to send you your requested dollar amount. They will send you a check or wire transfer your money.

Candlestick Basics

If you prefer a of candlesticks, then please see [Candlestick Charts Explained](#). Candlestick charts are an effective way of visualizing price movements. There are two basic candlesticks:

- **Bullish Candle:** When the close is higher than the open (usually green or white)
- **Bearish Candle:** When the close is lower than the open (usually red or black)



Candlestick Parts

There are three main parts to a candlestick: Upper Shadow: The vertical line between the high of the day and the close (**bullish candle**) or open (**bearish candle**)

Real Body: The difference between the open and close; colored portion of the candlestick

Lower Shadow: The vertical line between the low of the day and the open (**bullish candle**) or close (**bearish candle**)

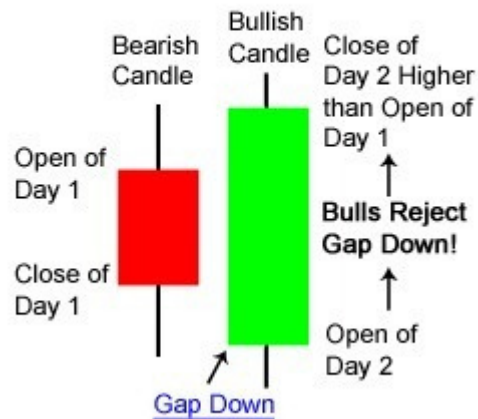
Candlestick Patterns

The power of Candlestick Charts is with multiple candlesticks forming reversal and continuation patterns. Live Fx Hub has many detailed explanations of these candlestick patterns; the links are given below

The Bullish Engulfing Candlestick Pattern is a bullish reversal pattern, usually occurring at the bottom of a downtrend. The pattern consists of two Candlesticks:

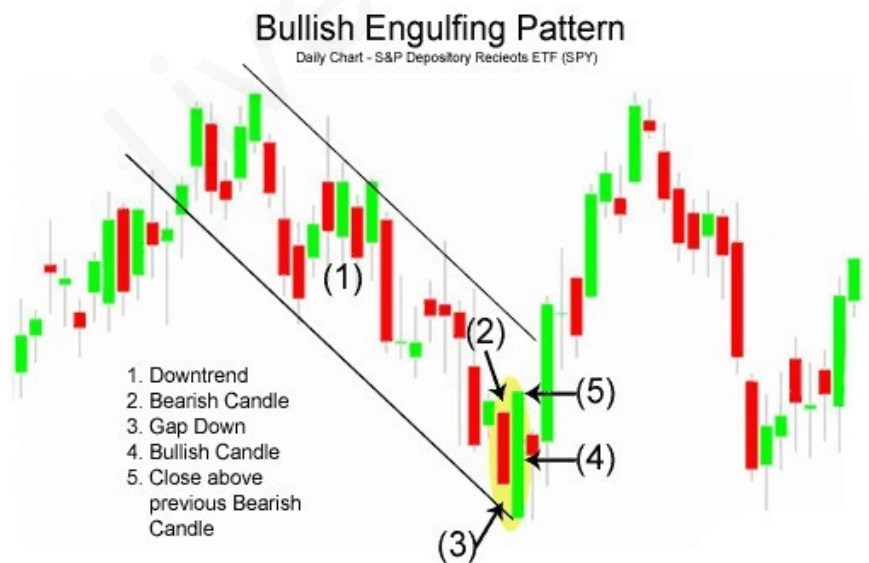
- Smaller Bearish Candle (Day 1)
- Larger Bullish Candle (Day 2)

Bullish Engulfing Pattern



The bearish candle real body of Day 1 is usually contained within the real body of the bullish candle of Day 2.

On Day 2, the market gaps down; however, the bears do not get very far before bulls take over and push prices higher, filling in the gap down from the morning's open and pushing prices past the previous day's open. The power of the Bullish Engulfing Pattern comes from the incredible change of sentiment from a bearish gap down in the morning, to a large bullish real body candle that closes at the highs of the day. Bears have overstayed their welcome and bulls have taken control of the market. The chart below of the S&P 500 Depository Receipts Exchange Traded Fund (SPY) shows an example of a Bullish Engulfing Pattern occurring at the end of a downtrend:

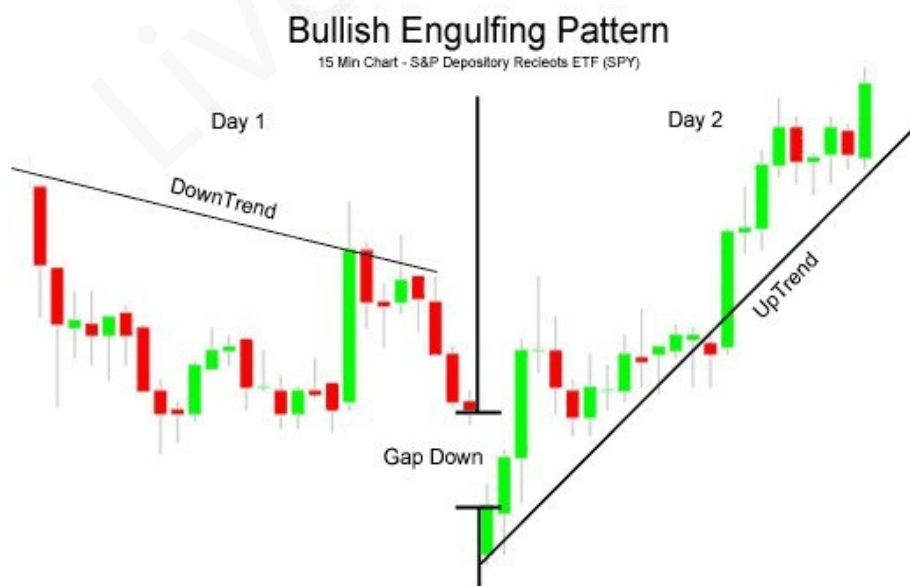


Bullish Engulfing Buy Signal

1. Buy at the close of Day 2 when prices rallied upwards from the gap down in the morning. A strong indication that the rally on Day 2 was significant and truly a reversal of market sentiment, is if there was a substantial increase in volume that accompanied the large move upward in price (see: Volume). There are three main times to buy using the Bullish Engulfing Pattern; the buy signals that are presented below are ordered from the most aggressive to most conservative:
2. Buy on the day after the Bullish Engulfing Pattern occurs; by waiting until the next day to buy, a trader is making sure that the bullish reversal and enthusiasm of the prior day is continuing and was not just a one day occurrence like a short covering rally. In the chart above of the SPY's, a trader would likely not enter the market long on the day after the Bullish Engulfing Pattern because the market gapped down significantly and even made new lows. A trader using methodology #2, would likely wait for a more concrete buy signals such as the one presented in method #3 next.
3. After a trader sees the Bullish Engulfing Pattern, the trader would wait for another signal, mainly a price break above the downward resistance line (see: Support & Resistance), before entering a buy order. An example of what usually occurs intra-day during a Bullish Engulfing Pattern is presented next.

Intra-day Bullish Engulfing Pattern

1. The following 15-minute chart of the S&P 500 exchange traded fund (SPY) is of the 2-day period comprising the Bullish Engulfing Pattern example on the prior page:



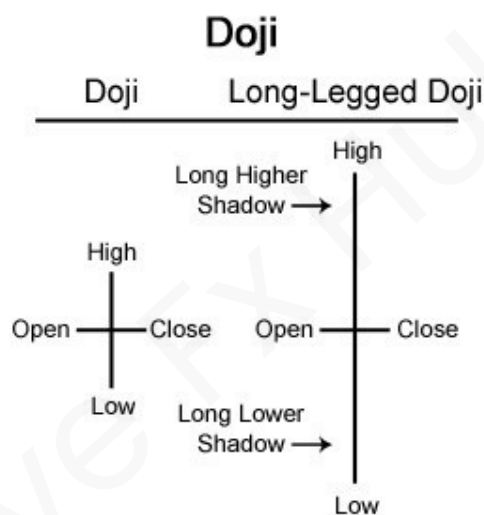
Day 1: As is seen in the chart above, Day 1 was a down day, even closing the day at the low (bearish sentiment).

Day 2: The open was a gap down, very bearish sign; but the bulls appeared to have had enough because the price of the SPY's went up the rest of the day, closing near the day's highs (bullish sentiment) and higher than Day 1's high.

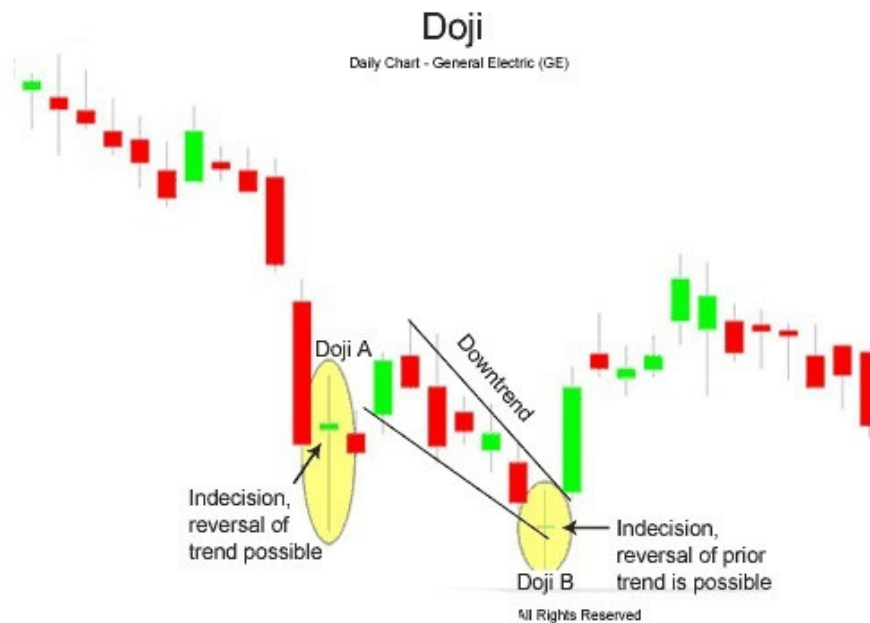
The Bullish Engulfing Pattern is one of the strongest candlestick reversal patterns. Its opposite is the Bearish Engulfing Pattern (see: Bearish Engulfing Pattern).

Doji

The Doji is a powerful Candlestick formation, signifying indecision between bulls and bears. A Doji is quite often found at the bottom and top of trends and thus is considered as a sign of possible reversal of price direction, but the Doji can be viewed as a continuation pattern as well.



A Doji is formed when the opening price and the closing price are equal. A long-legged Doji, often called a "Rickshaw Man" is the same as a Doji, except the upper and lower shadows are much longer than the regular Doji formation. The creation of the Doji pattern illustrates why the Doji represents such indecision. After the open, bulls push prices higher only for prices to be rejected and pushed lower by the bears. However, bears are unable to keep prices lower, and bulls then push prices back to the opening price. Of course, a Doji could be formed by prices moving lower first and then higher second, nevertheless, either way, the market closes back where the day started. The chart below of General Electric (GE) stock shows two examples of Doji's:



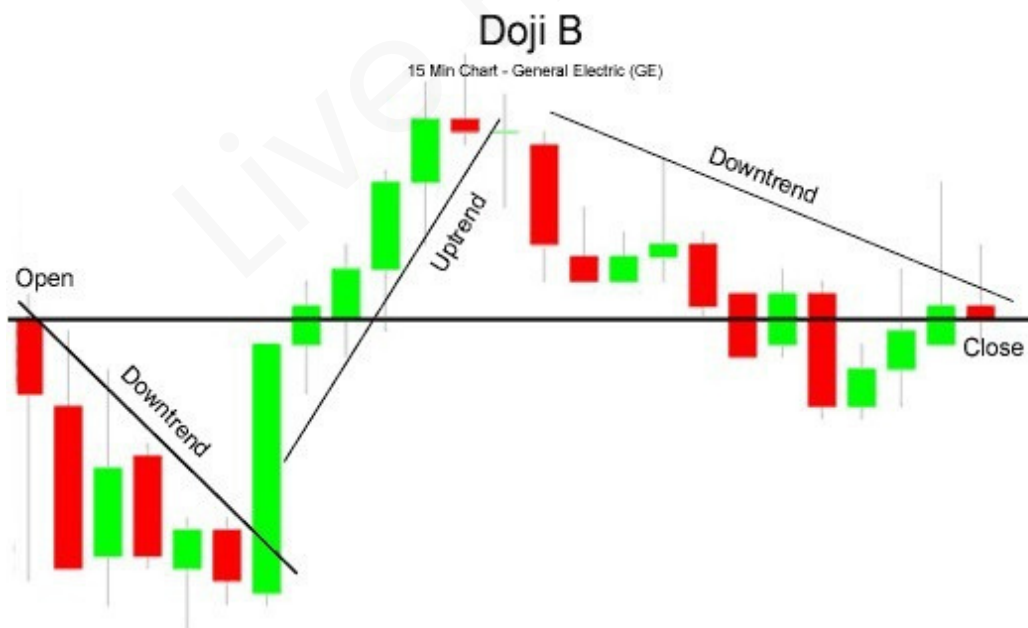
In a Doji pattern, the market explores its options both upward and downward, but cannot commit either way. After a long uptrend, this indecision manifest by the Doji could be viewed as a time to exit one's position, or at least scale back. Similarly, after a long downtrend, like the one shown above of General Electric stock, reducing one's position size or exiting completely could be an intelligent move. It is important to emphasize that the Doji pattern does not mean reversal, it means indecision. Doji's are often found during periods of resting after a significant move higher or lower; the market, after resting, then continues on its way. Nevertheless, a Doji pattern is a great sign that a prior trend is losing its strength, and taking some profits might be well advised. Two intra-day examples of how a daily Doji formation is created is presented next.

Intra-day Doji Formation

The first Doji outlined on the daily chart of General Electric on the previous page was a high-low Doji, where prices made the highs for the days first, and the lows for the day second. The intra-day chart (15-minute) of this occurrence is given below:



At the opening, the bulls were in charge; however, the morning rally did not last long before the bears took charge. From mid-morning until late-afternoon, General Electric sold off, but by the end of the day, bulls pushed GE back to the opening price of the day. The second Doji daily chart on the previous page is shown next. In the intra-day chart below (Doji B), the Doji was created the exact opposite way as the chart shown above (Doji A) was created; Doji B made its day's lows first, then highs second.



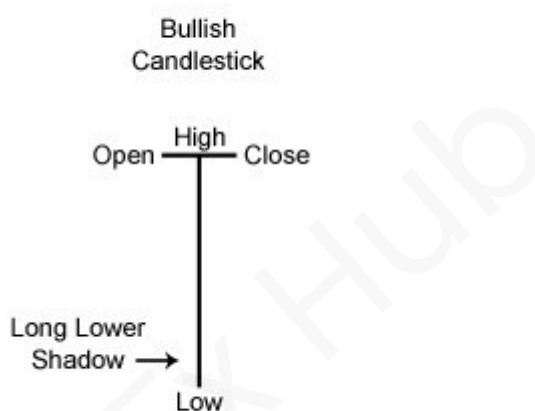
At the opening bell, bears took a hold of GE, but by mid-morning, bulls entered into GE's stock, pushing GE into positive territory for the day. Unfortunately for the bulls, by noon bears took over and pushed GE lower. By the end of the day, the bears had successfully brought the price of GE back to the day's opening price.

As was presented above, the Doji formation can be created two different ways, but the interpretation of the Doji remains the same: the Doji pattern is a sign of indecision, neither bulls nor bears can successfully take over. Two powerful versions of the Doji formation are linked below:

Dragonfly Doji

The Dragonfly Doji is a significant bullish reversal candlestick pattern that mainly occurs at the bottom of downtrends.

Dragonfly Doji



The Dragonfly Doji is created when the open, high, and close are the same or about the same price (Where the open, high, and close are exactly the same price is quite rare). The most important part of the Dragonfly Doji is the long lower shadow. The long lower shadow implies that the market tested to find where demand was located and found it. Bears were able to press prices downward, but an area of support was found at the low of the day and buying pressure was able to push prices back up to the opening price. Thus, the bearish advance downward was entirely rejected by the bulls.

The chart below of the mini-Dow Futures contract illustrates a Dragonfly Doji occurring at the bottom of a downtrend:



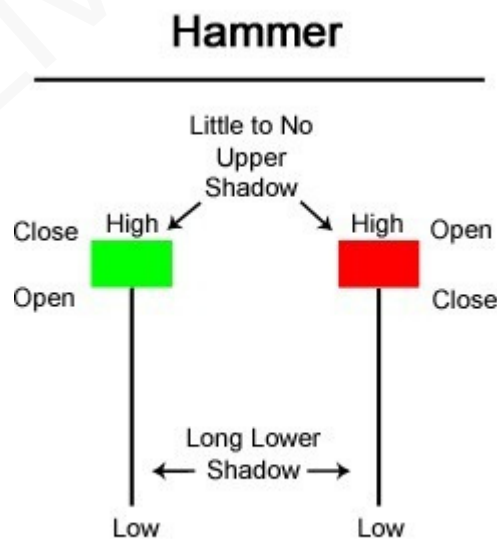
In the chart above of the mini-Dow, the market began the day testing to find where demand would enter the market. The mini-Dow eventually found support at the low of the day, so much support and subsequent buying pressure, that prices were able to close the day approximately where they started the day.

The Dragonfly Doji is an extremely helpful Candlestick pattern to help traders visually see where support and demand is located. After a downtrend, the Dragonfly Doji can signal to traders that the downtrend could be over and that short positions should probably be covered. Other indicators should be used in conjunction with the Dragonfly Doji pattern to determine buy signals, for example, a break of a downward trendline.

The bearish version of the Dragonfly Doji is the Gravestone Doji (see: [Gravestone Doji](#)).

Hammer

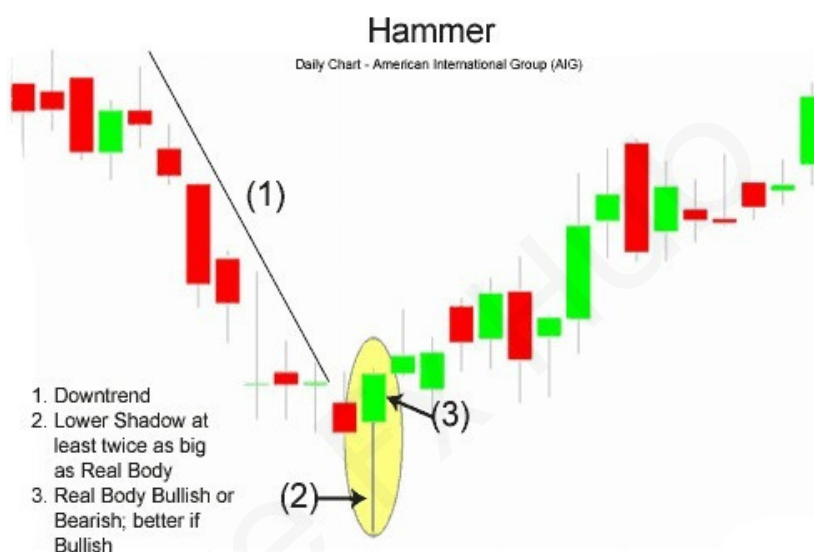
The Hammer candlestick formation is a significant bullish reversal candlestick pattern that mainly occurs at the bottom of downtrends.



The Hammer formation is created when the open, high, and close are roughly the same price. Also, there is a long lower shadow, twice the length as the real body. When the high and the close are the same, a bullish Hammer candlestick is formed and it is considered a stronger formation because the bulls were able to reject the bears completely plus the bulls were able to push price even more past the opening price. In contrast, when the open and high are the same, this Hammer formation is considered less bullish, but nevertheless bullish. The bulls were able to counteract the bears, but were not able to bring the price back to the price at the open. The long lower shadow of the Hammer implies that the market tested to find where support and demand was located. When the market found the area of support, the lows of the day, bulls began to push prices higher, near the opening price. Thus, the bearish advance downward was rejected by the bulls.

Hammer Candlestick Chart Example

The chart below of American International Group (AIG) stock illustrates a Hammer reversal pattern after a downtrend:



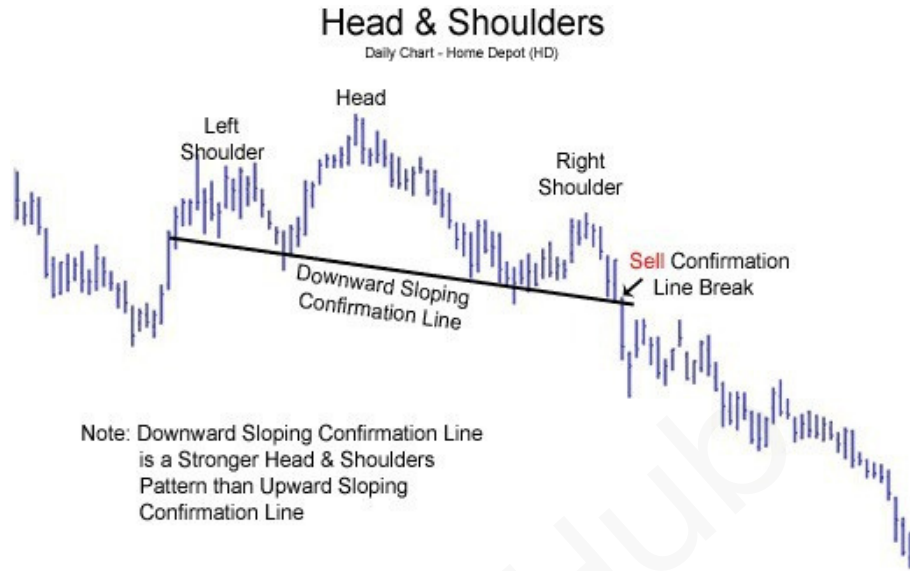
In the chart above of AIG, the market began the day testing to find where demand would enter the market. AIG's stock price eventually found support at the low of the day. In fact, there was so much support and subsequent buying pressure, that prices were able to close the day even higher than the open, a very bullish sign. The Hammer is an extremely helpful candlestick pattern to help traders visually see where support and demand is located. After a downtrend, the Hammer can signal to traders that the downtrend could be over and that short positions should probably be covered.

However, other indicators should be used in conjunction with the Hammer candlestick pattern to determine buy signals, for example, waiting a day to see if a rally off of the Hammer formation continues or other chart indications such as a break of a downward trendline. But other previous day's clues could enter into a traders analysis. An example of these clues, in the chart above of AIG, shows three prior day's Doji's (signs of indecision) that suggested that prices could be reversing trend; in that case and for an aggressive buyer, the Hammer formation could be the trigger to go long. The bearish version of the Hammer is the Hanging Man formation (see: Hanging Man). Another similar candlestick pattern to the Hammer is the Dragonfly Doji (see: Dragonfly Doji).

Head and Shoulders

Watch the [Head and Shoulders Video](#) and the [Inverse Head and Shoulders Video](#). The Head and Shoulders chart pattern is a heavily used and quite profitable charting pattern, giving easily understood buy and sell signals.

The chart of Home Depot (HD) below shows a Head and Shoulders pattern:



Head and Shoulders Components :

- 1. Left Shoulder:** Bulls push prices upwards making new highs; however these new highs are short lived and prices retreat.
- 2. Head:** Prices don't retreat for long because bulls make another run, this time succeeding and surpassing the previous high; a bullish sign. Prices retreat again, only to find support yet again.
- 3. Right Shoulder:** The bulls push higher again, but this time fail to make a higher high. This is very bearish, because bears did not allow the bulls to make a new higher or even an equal high. The bears push prices back to support (Confirmation line); this is a pivotal moment - Will bulls make another push higher or have the bears succeeded in stopping the move higher.

Head and Shoulders Sell Signal

If prices break the confirmation support line, it is clear that the bears are in charge; thus, when **price closes below the confirmation line, a strong sell signal is given**

Note that a downward sloping confirmation line is generally seen as a more powerful Head & Shoulders pattern, mainly because a downward sloping confirmation line means that prices are making lower lows.

Reverse Head and Shoulders

The opposite of the Head & Shoulders pattern is the Reverse Head & Shoulders pattern which is another strong pattern, this time a bottoming pattern.



Reverse Head and Shoulders Components

The reasoning behind a Head & Shoulders pattern is as follows:

- 1. Left Shoulder:** Bears push prices downwards making new lows; however, bulls begin to return and push prices slightly higher.
- 2. Head:** Price gains don't last long before bears return and push prices even lower than before; a bearish sign. Prices then find buyers at the new lower prices.
- 3. Right Shoulder:** The bears push downward again, but this time fail to make a lower low. This is generally seen as bullish sign, bears were unable to push prices further down. Decision time occurs when the price is pushed higher back to support (Confirmation line); either bears will push prices back down or bulls will push prices higher, regaining control of the stock, future, or currency pair.

Reverse Head and Shoulders Buy Signal

When price closes above the confirmation line, a strong buy signal is given

Usually an upward sloping confirmation line is seen as a more powerful Reverse Head & Shoulders pattern, mainly because an upward sloping confirmation line means that prices are making higher highs.

Volume analysis is important when using the Head & Shoulders chart pattern. How to incorporate volume into the study of the Head & Shoulders pattern is discussed next.

Volume and Head and Shoulders

When the confirmation line of a Head & Shoulders pattern breaks to the downside, a large amount of volume should occur as well.

The chart below of General Electric (GE) shows a sharp increase in volume when the confirmation line of the Head & Shoulders pattern was broken:



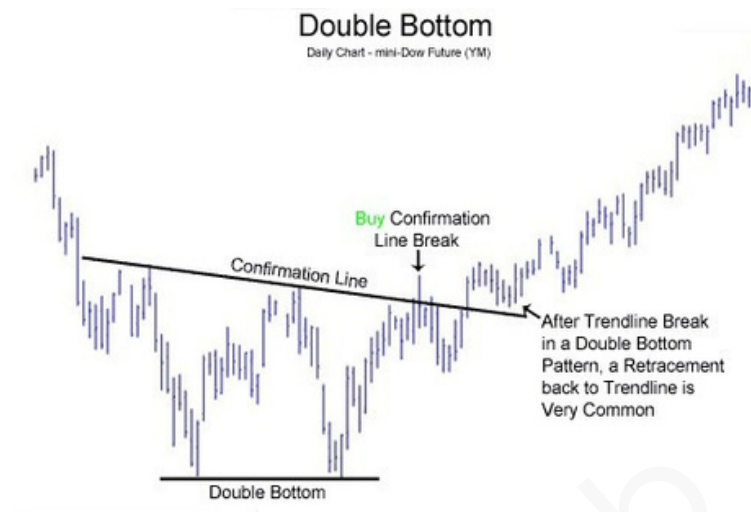
In addition to the sharp increase in volume, the gap down on the chart of GE also gave strong indication to sell when the confirmation line was pierced.

The same concept applies to a Reverse Head & Shoulders pattern, the break of the confirmation line should be accompanied by an increase in volume.

The chart below of Gold futures illustrates a rise in volume when the confirmation line was pierced:



The Head & Shoulders pattern is a highly effective classic charting pattern. Other similar chart **patterns are the Double** Top formation (see: Double Top) and the Double Bottom formation (see: Double Bottom). Double Bottom Watch a video with a detailed description of the Double Bottom Chart Pattern. The Double Bottom technical analysis charting pattern is a common and highly effective price reversal pattern. The chart below of Altria (MO) stock illustrates the Double Bottom reversal pattern:



To create a double bottom pattern, price begins in a downtrend, stops, and then reverses trend. However, the reversal to the upside is short-term. Price breaks again to the downside only to stop again and reverse direction upwards. With the second bottom of the double bottom pattern, it is usually more bullish if the second low is higher than the first low.

Double Bottom Buy Signal

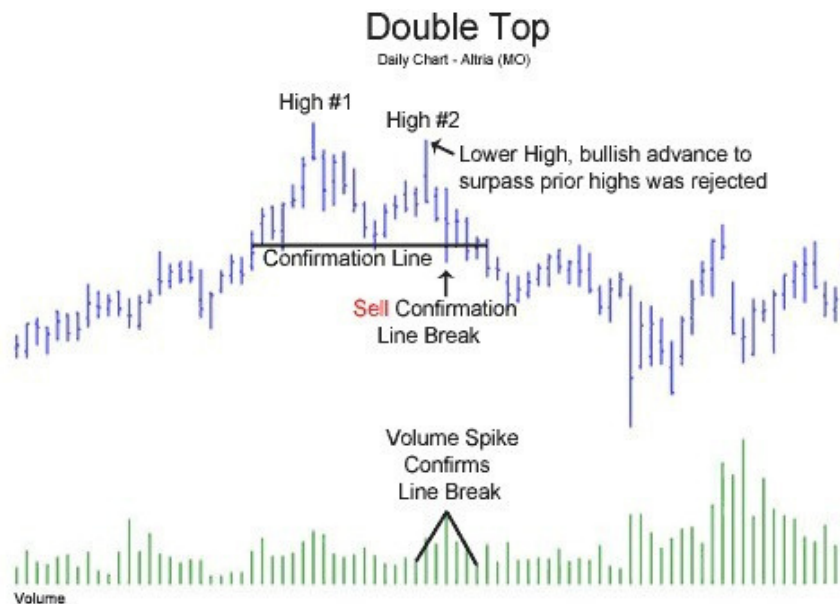
The signal to buy is given when the confirmation line is penetrated to the upside. The confirmation line is drawn across the top of the double bottom pattern (see chart above). Often, after price penetrates the confirmation line, price will retrace for a short time, sometimes back to the confirmation line. This retracement offers a second chance to get into the market long. Volume also plays an important part of interpreting the Double Bottom pattern; this is illustrated in the chart below of Pfizer (PFE):



Generally, volume should explode when the confirmation line is penetrated as it did in the chart of Pfizer (PFE). The Double Bottom reversal pattern is a heavily used and effective charting reversal pattern. Another similar and popular bottom reversal pattern is the Reverse Head & Shoulders Pattern (see: [Head & Shoulders](#)). The opposite of the Double Bottom is the bearish Double Top pattern (see: [Double Top](#)).

Double Top

View a more detailed [Double Top Chart Pattern Video](#). The Double Top technical analysis charting pattern is a common and highly effective price reversal pattern. The chart below of Altria (MO) stock illustrates the Double Top reversal pattern:



Double Top Formation Components

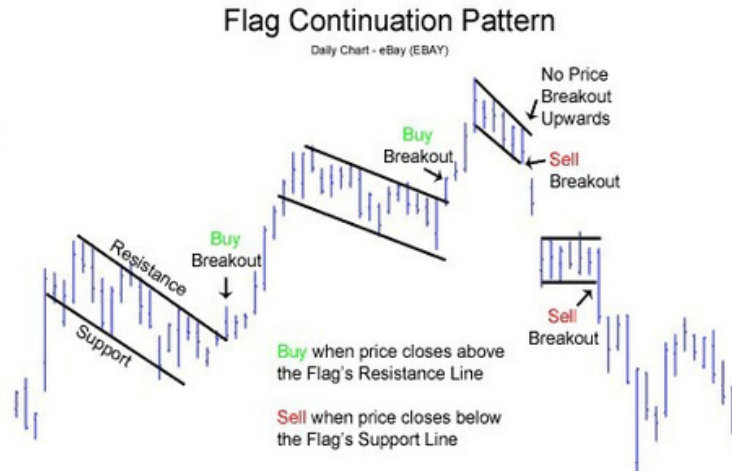
- 1. First High:** Bulls push prices upwards making new highs; however, these new highs are short lived and prices retreat.
- 2. Second High:** Prices don't retreat for long because bulls make another run, making a similar high. Nevertheless, this is bearish, because bulls were unable to push prices higher; bears held their ground at the previous high level. The bears push prices back to support (Confirmation line); this is a pivotal moment - either bulls will make another push higher or bears will take control and push prices even lower, more than likely taking over for good.

Double Top Sell Signal

Sell when price closes below the confirmation line. Note that traders expect a significant increase in volume to accompany the confirmation line break; if there is very little volume when price pierces the confirmation line, then the move downward is suspect. Small volume usually means weak support of price movement (see: [Volume](#)). Another similar chart pattern is the Head & Shoulders Pattern (see: [Head & Shoulders](#)). The opposite of the Double Top is the bullish Double Bottom (see: [Double Bottom](#)).

Flag

Watch a video on the [Flag Chart Pattern](#) as well as the related [Pennant Chart Pattern](#). The Flag pattern usually occurs after a significant up or down market move. After a strong move, prices usually need to rest. This resting period usually occurs in the shape of a rectangle, thus the word "flag". The Flag is considered a continuation pattern because after resting, prices will usually continue in the direction they did before. The chart of eBay (EBAY) shows many Flag patterns:



Flag Buy Signal

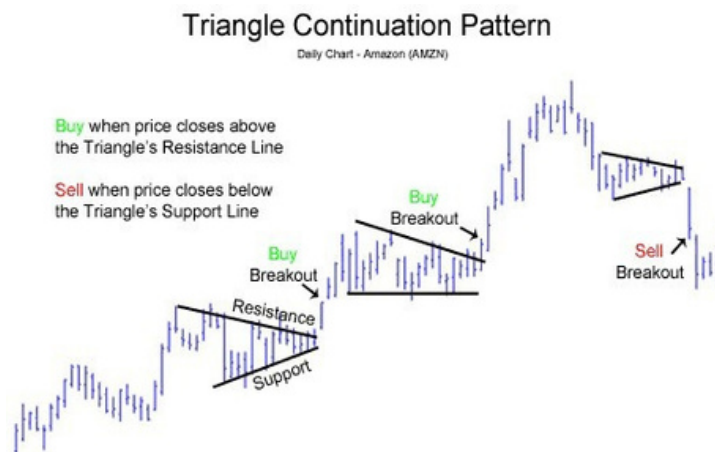
When price has moved higher and prices have consolidated, creating a channel of support and resistance, a buy signal is given when prices penetrate and close above the upward resistance line

Flag Sell Signal

For more information on the concept of support and resistance, (see: [Support & Resistance](#)). Another similar pattern discussed is [Triangles](#) (see: [Triangles](#)).

Triangles

For a more detailed description of the triangle chart pattern in a video format, see [Symmetrical, Ascending, & Descending Triangle Chart Pattern Video](#). The Triangle is a continuation pattern using the concepts of support and resistance and price breakouts. The chart below of Amazon.com (AMZN) shows the Triangle continuation pattern:



Generally, when prices make significant moves, they go through a period of resting. Usually with a Triangle pattern, the price consolidation period consists of higher lows and lower lows, forming the shape of a "triangle". When the resistance and support lines (see: Support & Resistance) begin converging, price will usually burst out of the consolidation area and that prices have been moving previously resume trending in the direction

Triangle Breakout Sell Signal

A sell signal occurs when the support line is penetrated to the do. Usually the sell signal is own side considered stronger if prices have been in a downtrend prior to the downside breakout. Two other closely related variants of the Triangle pattern are the Ascending and Descending Triangle pattern; these two patterns are shown next.

Ascending & Descending Triangles

Two closely related variants of the Triangle pattern are the Ascending and Descending Triangle pattern; these two patterns are shown below in the chart of the 100 ounce Gold futures:



Ascending Triangle

An Ascending Triangle is viewed as being more bullish than the regular Triangle patterns. With an Ascending Triangle, higher lows are being made (bullish sign) and sometimes higher highs are being made (also a bullish sign).

Ascending Triangle Buy Signal

As with the regular Triangle formation, the Ascending Triangle gives a buy signal when the resistance line is penetrated to the upside. Also, the signal is generally stronger if prices have been in an uptrend prior to the Ascending Triangle and upside breakout.

Descending Triangle

The Descending Triangle is viewed as being more bearish than the regular Triangle patterns. When a Descending Triangle is formed, lower lows are being made (bearish sign) and quite often, lower highs are being made (generally seen as bearish).

Descending Triangle Sell Signal

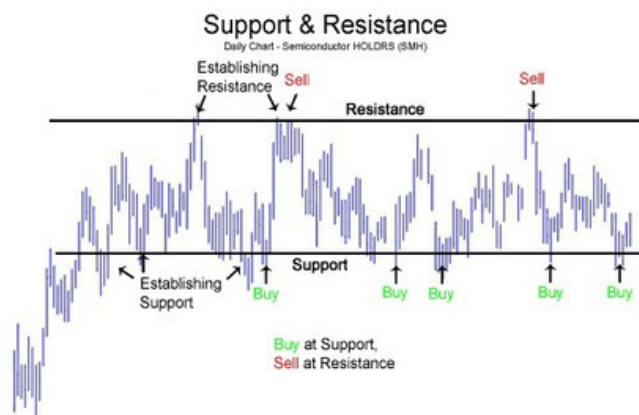
With the Descending Triangle formation, a sell signal occurs when the support line is penetrated to the downside. Traders usually view the sell signal as being stronger if prices have been in a confirmed downtrend prior to the Descending Triangle formation and downside breakout. The Triangle formation is an effective chart analysis tool for placing buy and sell orders. A similar chart formation is the Flag pattern (see: Flag).

Support and Resistance

For videos on Support and Resistance chart patterns, please see the Rectangle Chart Pattern Video and the Trendlines Chart Pattern Video. Support and Resistance is one of the most important and fundamental part of technical analysis:

- **Support:** Prices should rise after touching support.
- **Resistance:** Prices should fall after hitting resistance.

An example of price respecting support and resistance lines is given next in the chart of the Semiconductor HOLDRS (SMH):



When support and resistance has been firmly established: Buy Signal - Price touches support

- **Buy Signal** Buy when price touches the support line
- **Sell Signal** Sell when price touches the resistance line.

Breaking Support & Resistance

Another fundamental concept of support and resistance is listed next and is shown in the chart below of Alcoa (AA) stock:

If price breaks below support, then support level becomes the new resistance level. that If price breaks above support, resistance level becomes the new support level. Then That



Support and Resistance are basic yet vitally important technical analysis tools. On every time frame, intra-day, daily, weekly, and monthly, Support and Resistance levels are respected by traders. Knowledge of these levels helps keep a trader on the correct side of the market, thus helping the trader profit.

Technical Indicators

Bollinger Bands®

Bollinger Bands

1. Bollinger Bands Defined
2. Playing the Bands
3. Bollinger Band
4. Breakouts Option
5. Volatility Strategies

Bollinger Bands is a versatile tool combining moving averages and standard deviations and is one of the most popular technical analysis tools available for traders. There are three components to the Bollinger Band indicator:

1. **Moving Average:** By default, a 20-period simple moving average is used.
2. **Upper Band:** The upper band is usually 2 standard deviations (calculated from 20-periods of closing data) above the moving average.
3. **Lower Band:** The lower band is usually 2 standard deviations below the moving average.

Bollinger Bands (in blue) are shown below in the chart of the E-mini S&P 500 Futures contract:



Playing the Bollinger Bands®

Bollinger Bands

Playing the bands is based on the premise that the vast majority of all closing prices should be between the Bollinger Bands. That stated, then a stock's price going outside the Bollinger Bands, which occurs very rarely, should not last and should "revert back to the mean", which generally means the 20-period simple moving average. A version of this strategy is discussed in the book Trade Like a Hedge Fund by James Altucher.

Buy Signal

In the example shown in the chart below of the E-mini S&P 500 Future, a trader buys or buys to cover when the price has fallen below the lower Bollinger Band.

Sell Signal

The sell or buy to cover exit is initiated when the stock, future, or currency price pierces outside the upper Bollinger Band. These buy and sell signals are graphically represented in the chart of the E-mini S&P 500 Futures contract shown below:



More Conservative Playing the Bands

Rather than buying or selling exactly when the price hits the Bollinger Band, the more aggressive approach, a trader could wait and see if the price moves above or below the Bollinger Band and when the price closes back inside the Bollinger Band, then the trigger to buy or sell short occurs. This helps to reduce losses when prices breakout of the Bollinger Bands for a while. However, many profitable opportunities would be lost. To illustrate, the chart of the E-mini S&P 500 Future above shows many missed opportunities. However, in the chart on the next page, the more conservative approach would have prevented many painful losses. Also, some traders exit their long or short entries when price touches the 20-day moving average. A different, and quite polar opposite way to use Bollinger Bands is described on the next page, Playing Bollinger Band Breakouts. Bollinger Band® Breakouts Bollinger Bands

Basically the opposite of "Playing the Bands" and betting on reversion to the mean is playing Bollinger Band breakouts. Breakouts occur after a period of consolidation, when price closes outside of the Bollinger Bands. Other indicators such as support and resistance lines (see: Support & Resistance) can prove beneficial when deciding whether or not to buy or sell in the direction of the breakout. The chart of Wal-Mart (WMT) below shows two such Bollinger Band breakouts:



Bollinger Band Breakout through Resistance Buy Signal

Price breaks above the upper Bollinger Band after a period of price consolidation. Other confirming indicators are suggested, such as resistance being broken in the chart above of Wal-Mart stock.

Bollinger Band Breakout through Support Sell Signal

Price breaks below the lower Bollinger Band. It is suggested that other confirming indicators be used, such as a support line being broken, such as in the example above of Wal-Mart stock breaking below support. This strategy is discussed by the man who created Bollinger Bands, John Bollinger. Bollinger Bands can also be used to determine the direction and the strength of the trend. The chart below of the E-mini S&P 500 Futures contract shows a strong upward trend:



Bollinger Band Showing a Strong Trend

The chart above of the E-mini S&P 500 shows that during a strong uptrend, prices tend to stay in the upper half of the Bollinger Band, where the 20-period moving average (Bollinger Band centerline) acts as support for the price trend. The reverse would be true during a downtrend, where prices would be in the lower half of the Bollinger Band and the 20-period moving average would act as downward resistance. Bollinger Bands adapt to volatility and thus are useful to options traders, specifically volatility traders. The next page describes how to use Bollinger Bands to make better options trades.

Option Volatility Strategies

There are two basic ways to trade volatility:

1. Buy options with low volatility in hopes that volatility will increase and then sell back those options at a higher price.
2. Sell options with high volatility in hopes that volatility will decrease and then buy back those same options at a cheaper price. Since Bollinger Bands® adapt to volatility, Bollinger Bands give options traders a good idea of when options are relatively expensive (high volatility) or when options are relatively cheap (low volatility). The chart below of Wal-Mart stock illustrates how Bollinger Bands can be used to trade volatility:



Buy Options when Volatility is Low

When options are relatively cheap, such as in the center of the chart above of Wal-Mart when the Bollinger Bands significantly contracted, buying options, such as a straddle or strangle, might be a good options strategy. The reasoning is that after sharp moves, prices tend to stay in a trading range to rest. After prices have rested, such as periods when the Bollinger Bands are extremely close together, then prices usually will begin to move once again. Therefore, buying options when Bollinger Bands are tight together, might be a smart options strategy.

Sell Options when Volatility is High

At times when options are relatively expensive, such as in the far right and far left of the chart above of Wal-Mart when the Bollinger Bands were significantly expanded, selling options in the form of a straddle, strangle, or iron condor, might be a good options strategy to use.

The logic is that after prices have risen or fallen significantly, such as periods when the Bollinger Bands are extremely far apart, then prices usually will begin to consolidate and become less volatile. Hence, selling options when Bollinger Bands are far apart, potentially could be a smart options volatility strategy.

Moving Averages

This page is about the Simple Moving Average, the most common and popular of the moving averages. If you are interested in other versions of the moving average please select the links below:

- [Adaptive Moving Average](#)
- [Exponential Moving Average \(EMA\)](#)
- [Triangular Moving Average](#)
- [Typical Price Moving Average \(Pivot Point\)](#)
- [Weighted Moving Average \(WMA\)](#)

Simple Moving Average

The Simple Moving Average is arguably the most popular technical analysis tool used by traders. The Simple Moving Average (SMA) is used mainly to identify trend direction, but is commonly used to generate buy and sell signals. The SMA is an average, or in statistical speak - the mean. An example of a Simple Moving Average is presented below:

The prices for the last 5 days were 25, 28, 26, 24, 25. The average would be $(25+28+26+26+27)/5 = 26.4$. Therefore, the SMA line below the last days price of 27 would be 26.4. In this case, since prices are generally moving higher, the SMA line of 26.4 would be acting as support (see: Support & Resistance).

The chart below of the Dow Jones Industrial Average exchange traded fund (DIA) shows a 20-day Simple Moving Average acting as support for prices.



Moving Average Acting as Support – Buy Signal

When price is in an uptrend and subsequently, the moving average is in an uptrend, and the moving average has been tested by price and price has bounced off the moving average a few times (i.e. the moving average is serving as a support line), then buy on the next pullbacks back to the Simple Moving Average. A Simple Moving Average can serve as a line of resistance as the chart of the DIA shows:



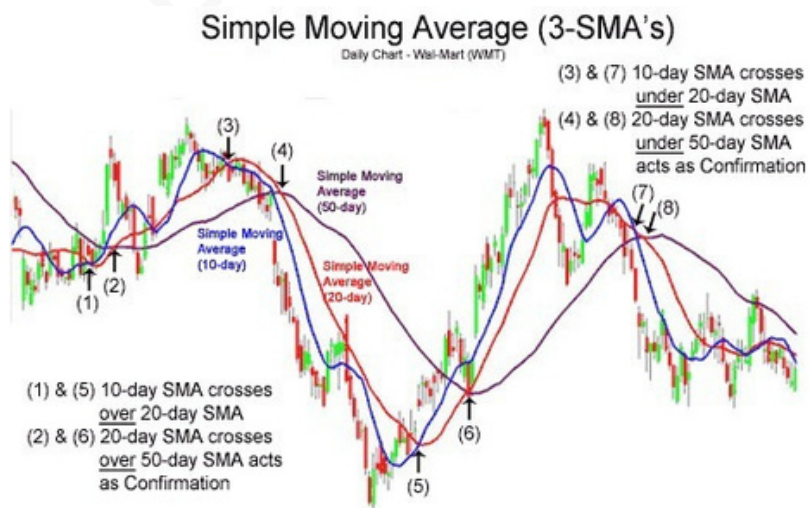
Moving Average Acting as Resistance Sell Signal At times when price is in a downtrend and the moving average is in a downtrend as well, and price tests the SMA above and is rejected a few consecutive times (i.e. the moving average is serving as a resistance line), then buy on the next rally up to the Simple Moving Average. The examples above have been only using one Simple Moving Average; however, traders often use two or even three Simple Moving Averages. The advantages to using more than one Simple Moving Average is discussed on the next page.

Moving Average Crossovers

Moving average crossovers are a common way traders use Moving Averages. A crossover occurs when a faster Moving Average (i.e. a shorter period Moving Average) crosses either above a slower Moving Average (i.e. a longer period Moving Average) which is considered a bullish crossover or below which is considered a bearish crossover. The chart below of the S&P Depository Receipts Exchange Traded Fund (SPY) shows the 50-day Simple Moving Average and the 200-day Simple Moving Average; this Moving Average pair is often looked at by big financial institutions as a long range indicator of market direction:



Note how the long-term 200-day Simple Moving Average is in an uptrend; this is a signal that the market is quite strong. Generally, a buy signal is established when the shorter-term 50-day SMA crosses above the 200-day SMA and contrastly, a sell signal is indicated when the 50-day SMA crosses below the 200-day SMA. In the chart above of the S&P 500, both buy signals would have been extremely profitable, but the one sell signal would have caused a small loss. Keep in mind, that the 50-day, 200-day Simple Moving Average crossover is a very long-term strategy. For those traders that want more confirmation when they use Moving Average crossovers, the 3 Simple Moving Average crossover technique could be used. An example of this is shown in the chart below of Wal-Mart (WMT) stock:



The 3 Simple Moving Average method is usually interpreted as follows:

1. The first crossover of the quickest SMA (in the example above, the 10-day SMA) across the next quickest SMA (20-day SMA) acts as a warning that prices are reversing trend; however, usually a buy or sell order is not placed yet.
2. The second crossover of the quickest SMA (10-day) and the slowest SMA (50-day) finally triggers the buy or sell signal.

There are numerous variants and methodologies for using the 3 Simple Moving Average crossover method, some are provided below:

A more conservative approach is to wait until the middle SMA (20-day) crosses over the slower SMA (50-day); but this is basically a two SMA crossover technique, not a three SMA technique. A money management technique of buying a half size when the quick SMA crosses over the next quickest SMA and then the other half when the quick SMA crosses over the slower SMA.

Instead of halves, buy or sell one-third of a position when the quick SMA crosses over the next quickest SMA, another third when the quick SMA crosses over the slow SMA, and the last third when the second quickest SMA crosses over the slow SMA.

A Moving Average crossover technique that uses 8+ Moving Averages (exponential) is the Moving Average Exponential Ribbon Indicator (see: [Exponential Ribbon](#)).

Moving Average crossovers are important tools in a traders toolbox. In fact crossovers are included in the most popular technical indicators including the Moving Average Convergence Divergence (MACD) indicator (see: [MACD](#)). Other moving averages deserve careful consideration in a trading plan:

FIBONACCI

Fibonacci Basics & Fibonacci Retracements

Fibonacci Arcs Fibonacci Fans Fibonacci Time Extensions

Fibonacci tools utilize special ratios that naturally occur in nature to help predict points of support or resistance. Fibonacci numbers are 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, etc. The sequence occurs by adding the previous two numbers (i.e. $1+1=2$, $2+3=5$) The main ratio used is .618, this is found by dividing one Fibonacci number into the next in sequence Fibonacci number ($55/89=0.618$). The logic most often used by Fibonacci based traders is that since Fibonacci numbers occur in nature and the stock, futures, and currency markets are creations of nature - humans. Therefore, the Fibonacci sequence should apply to the financial markets. There are many Fibonacci tools used by traders, they include:

Fibonacci Retracements

Fibonacci Arcs Fibonacci Fans Fibonacci Time Extensions



A 15-minute chart of the mini-Dow futures contract and the corresponding floor trader pivots are shown below:



Support Levels

$S1 = [\text{Pivot Point} * 2] - \text{Yesterday's High}$
 $S2 = \text{Pivot Point} - \text{Yesterday's High} + \text{Yesterday's Low}$
 $S3 = S2 - \text{Yesterday's High} + \text{Yesterday's Low}$

Resistance Levels

$R1 = [\text{Pivot Point} * 2] - \text{Yesterday's Low}$
 $R2 = \text{Pivot Point} + \text{Yesterday's High} - \text{Yesterday's Low}$
 $R3 = R2 + \text{Yesterday's High} - \text{Yesterday's Low}$

To calculate weekly or monthly numbers, simply replace "yesterday's" with "last week's" or "last month's" high or low.

Pivot Point Example

In the chart above, and going from left to right, Resistance Level 1 (R1) held and the Dow Jones Industrial Average mini-Dow futures contract reversed course and headed downward. After that, the next potential support was at the Pivot Point. However, the mini-Dow broke through the Pivot Point. Notice that when the mini-Dow attempted to reverse course, it was rejected by the Pivot Point now acting as resistance. An important technical analysis concept is that when resistance is penetrated the prior resistance then becomes support. Similarly, when support is penetrated the prior support then becomes resistance (see: Support & Resistance).

From there, the next support was Support Level 1 (S1). S1 held strong and the mini-Dow reversed direction yet again. The next resistance line was at the Pivot Point, which failed. The trading day ended by the mini-Dow testing the Pivot Point, now acting as support, which subsequently held. From there, the index rallied on into the close.

A 15-minute chart of the mini-Dow futures contract and the corresponding floor trader pivots are shown below:

Pivot Point Trade Examples

Pivot Points

1. Pivot Points, Support, & Resistance

2. Pivot Point Trade Examples

In addition to giving buy and sell signals, pivot points give traders a good time to get out of their trade. To illustrate, during a rally some traders will set their sell orders right below the next resistance line. Thus, pivot point resistance and support lines can generate ready made profit targets. A 5-minute chart of the Nasdaq 100 ETF (QQQQ) is shown next:



In the 5-minute chart of the Nasdaq 100 ETF above, the QQQQ's opened the day downward, but held steady at Support 2 (S2). From there, the Nasdaq 100 ETF rallied past S1 and the Pivot Point. Eventually, the QQQQ's found resistance at Resistance 1 (R1). Next, the Pivot Point offered support initially, but then the QQQQ's meandered slightly above and below the pivot point, until finally, the QQQQ's accelerated past R1 and then past R2. The rally continued until one candlestick reached R3, where the bulls were promptly rejected.

Relative Strength Index (RSI)

Relative Strength Index

1. Relative Strength Index Defined RSI Alternative Buy and Sell Signals and Divergences

2. One of the most popular technical analysis indicators, the Relative Strength Index (RSI) is an oscillator that measures current price strength in relation to previous prices. The RSI is a versatile tool, it can be used to:

Generate buy and sell signals Show overbought and oversold conditions

Confirm price movement Warn of potential price reversals through divergences

The chart below of eBay (EBAY) shows how the RSI can generate easy to follow buy and sell signals:



RSI Buy Signal

Buy when the RSI crosses above the oversold line (30).

RSI Sell Signal

Sell when the RSI crosses below the overbought line (70). Varying the time period of the Relative Strength Index can increase or decrease the number of buy and sell signals. In the chart below of Gold, two RSI time periods are shown, 14-day (default) and 5 days. Notice how decreasing the time period made the RSI more volatile, increasing the number of buy and sell signals substantially.



There is another way the Relative Strength Index gives buy and sell signals. This, and how to interpret RSI divergences, all contained on the next page.

RSI Divergences

Relative Strength Index

1. [RelativeStrengthIndex Defined](#)
2. [RSI Alternative Buy and Sell Signals and Divergences](#)

An alternative way that the Relative Strength Index (RSI) gives buy and sell signals is given below:

Buy when price and the Relative Strength Index are both rising and the RSI crosses above the 50 Line. Sell when the price and the RSI are both falling and the RSI crosses below the 50 Line.

An example of this methodology for buying and selling based on 50 Line crosses is given below in the chart of Wal-Mart (WMT):



For [another interesting](#) and under-utilized method for using the RSI indicator for buy and sell signals, see: [Stochastic RSI](#), which combines both the popular Stochastics indicator and the Relative Strength Index.

Relative Strength Index Confirmations & Divergences

A powerful method for using the Relative Strength Index is to confirm price moves and forewarn of potential price reversals through RSI Divergences.

The chart below of the E-mini Nasdaq 100 Futures contract shows the RSI confirming price action and warning of future price reversals:



Low #1 to Low #2

The E-mini Nasdaq 100 Futures contract's price made a substantial move from Low #1 to Low #2. The RSI confirmed this move, helping a trader have confidence jumping on board the price move higher. The break of trendline of the e-mini future was also confirmed by the trendline break of the Relative Strength Index, confirming that the price move was likely over.

Low #3 to Low #4

A bullish divergence was registered between Low #3 and Low #4. The e-mini Nasdaq 100 future made lower lows, but the RSI failed to confirm this price move, only making equal lows. An astute trader would see this RSI divergence and begin taking profits from their shortsells.

High #1 to High #2

A bearish divergence occurred when the e-mini futures contract made a higher high and the RSI made a lower high. This bearish divergence warned that prices could be reversing trend shortly. A trader should consider reducing their long position, or even completely selling out of their long position. The Relative Strength Index is a popular tool for generating buy and sell signals, confirming trends, and warning of impending price reversals.

The Stochastic RSI combines two very popular technical analysis indicators, Stochastics and the Relative Strength Index (RSI). Whereas Stochastics and RSI are based off of price, Stochastic RSI derives its values from the Relative Strength Index (RSI); it is basically the Stochastic indicator applied to the RSI indicator. As will be shown below in the chart of the S&P 500 E-mini Futures contract, the Stochastic RSI gives more profitable buy and sell signals and overbought and oversold readings, than the Relative Strength Index:



In the chart above of the E-mini S&P 500 Futures contract, the RSI indicator spent most of its time between overbought (70) and oversold (30), giving no buy or sell signals. However, the Stochastic RSI used the RSI indicator to uncover many profitable buy and sell signals. How to interpret the buy and sell signals of the Stochastic RSI is given next in the chart of the S&P 500 E-mini:

Stochastic RSI

Daily Chart - E-mini S&P 500 Future (ES)



Stochastic RSI Sell Signal Sell when the Stochastic RSI crosses below the Overbought Line (80). The Stochastic RSI is an effective and potentially profitable use of the popular Stochastic indicator and RSI indicator. To read more about the Stochastic indicator and the RSI indicator, click the links below:

Stochastic

Stochastic Fast

Stochastic Fast plots the location of the current price in relation to the range of a certain number of prior bars (dependent upon user-input, usually 14-periods). In general, stochastics are used to measure overbought and oversold conditions. Above 80 is generally considered overbought and below 20 is considered oversold. The inputs to Stochastic Fast are as follows:

Fast %K : $[(\text{Close} - \text{Low}) / (\text{High} - \text{Low})] \times 100$

Fast %D : Simple moving average of Fast K (usually 3-period moving average)

Stochastic Slow

Stochastic Slow is similar in calculation and interpretation to Stochastic Fast. The difference is listed below:

Slow %K: Equal to Fast %D (i.e. 3-period moving average of Fast %K)

Slow %D: A moving average (again, usually 3-period) of Slow %K

The **Stochastic Slow is generally viewed as superior** due to the smoothing effects of the moving averages which equates to less false buy and sell signals. A comparison of the two stochastics, fast and slow, is shown below in the chart of the Nasdaq 100 ETF (QQQQ):

Stochastic Fast & Slow

Daily Chart - Nasdaq 100 ETF (QQQQ)



As will be shown on the next page, Stochastics offer clear buy and sell signals and help in determining overbought or oversold price conditions.

Stochastics Buy & Sell Signals

Stochastics Buy Signal

When the Stochastic is below the 20 oversold line and the %K line crosses over the %D line, buy.

Stochastics Sell Signal

When the Stochastic is above the 80 overbought line and the %K line crosses below the %D line, sell.

Stochastic Fast buy and sell signals are illustrated below in the chart of the E-mini S&P 500 Future:

Stochastic Fast

Daily Chart - E-mini S&P 500 Future (ES)



Stochastic Slow is presented below in the chart of the E-mini Russell 2000 Futures contract. Notice how much smoother the %K and %D lines are and how many fewer false signals were given by the Stochastic Slow than were given by the Stochastic Fast indicator.



In addition to giving clear buy and sell signals, the Stochastic technical analysis indicator is also helpful in detecting price divergences and confirming trend.

Stochastic Price Divergences

Stochastics can be used to confirm price trend. In the example below of the Nasdaq 100 ETF (QQQQ), the Stochastic indicator spent most of its time in the overbought area. When Stochastics get stuck in the overbought area, like at the very right of the chart, this is a sign of a strong bullish run. Signals to sell short would be ignored; however, before the signal not to short was given, many losses unfortunately would have accrued from failed shorting attempts on the left half of the chart.



A powerful and more common occurrence is Stochastic divergences. The chart below of Gold futures illustrates Stochastic divergences and confirmations:



Low #1 to Low #2 The Stochastic Slow confirmed the upward movement of gold futures prices by making a higher low. **High #1 to High #2**

Gold futures rallied to make a higher high; however, the Stochastic Slow indicator failed to make a higher high, instead it made a lower high. This divergence coupled with a trendline break in the price of gold would be a strong warning to futures traders that the recent rally had probably ended and any long futures positions should be exited or at least scaled back.

Low #3 to Low #4

Gold prices continued its downward tumble, making a lower low at Low #4. On the other hand, the Stochastic Slow indicator was signaling a higher low. This bullish divergence would have warned traders to exit their shortsells, the price of gold had a strong potential of bottoming.

IFUNDAMENTAL DEFINITION OF 'FUNDAMENTALS'

The qualitative and quantitative information that contributes to the economic well-being and the subsequent financial valuation of a company, security or currency. Analysts and investors analyze these fundamentals to develop an estimate as to whether the underlying asset is considered a worthwhile investment. For businesses, information such as revenue, earnings, assets, liabilities and growth are considered some of the fundamentals.

pip moment while news times

US. CALENDAR	Rating	Other Name	Avg. Move
Nonfarm Payrolls	A+	The Employment Report	124 PIP
Bernanke Testifies	A+	Bernanke Testifies to Senate	90 PIP
FOMC Interest Rate	A+	FOMC Interest Rate Decisions	74 PIP
Trade Balance	A	International Trade	64 PIP
GDP Deflator	A	Gross Domestic Product	64 PIP [^]
Core CPI	A	CPI: Consumer Price Index	44 PIP
Core PPI	A	PPI: Producer Price Index	44 PIP
Retail Sales	B+	Retail Sales	44 PIP
Consumer Confidence	B+	Conference Board Consumer Confid	44 PIP
Durable Orders	B+	Durable Goods Orders	44 PIP
ISM Manufacturing	B	ISM Manufacturing	30 PIP !
Employment Cost Index	B	Employment Cost Index	
PCE	C+	Personal Income & Consumption	25 PIP
Initial Claims	C+	Initial Claims	25 PIP !
Chicago PMI	C+	Chicago PMI	25 PIP
Consumer Confidence	C	Consumer Confidence	20 PIP *
Industrial Production	C	Industrial Production	20 PIP
New Home Sales	C	New Home Sales	20 PIP
Existing Home Sales	C	Existing Home Sales	20 PIP
Leading Indicators	C	Leading Indicators	20 PIP
Business Inventories	C	Business Inventories	
Truck Sales	C	Auto & Truck Sales	
Chain Deflator-Adv.	D+	Weekly Chan Store Sales	
Factory Orders	D+	Factory Orders	20 PIP
Productivity-Rev.	D+	Productivity & Costs	
Consumer Credit	D	Consumer Credit	20 PIP
Consumer Sentiment	D	Consumer Sentiment	20 PIP
Export Prices ex-ag.	D	Export/Import Prices	
Philadelphia Fed	D	Philadelphia Fed Index	20 PIP
Import Prices ex-oil	D	Export/Import Prices	
Treasury Budget	D	Treasury Budget	

WANT TO BECOME A TRADER,,,,,,,,??

If you truly are serious that you will have to accept.

1. You will have to accept that over the long term at best only 60% of your trades will be winners. It will be much less with some strategies.
2. Accept that the key to being a successful trader is having big wins and small losses, not big bets paying off.
3. Big bets can lead quickly to you being out of the game after a string of losses. Accept that the best traders are also the best risk managers, even the best traders do not have crystal balls so they ALWAYS manage their capital at risk on EVERY trade. If you want to be a better trader then you need to accept that trading smaller and risking less is a key to your success. Risking 1% to 2% of your capital on any single trade is the first step to winning at trading. Use stops and position sizing to limit your losses and get out when your losses grow to these levels.
4. You must accept that you will have 10 trading losses in a row a few times each year. The question is what your account will look like when they happen.
5. You have to accept that you will be wrong, a lot. The sooner you accept you are wrong and change your mind the better off you will be.
6. If you really want to be a trader then you are going to have to accept the fact that trading is not easy money. It is a profession like any other and requires much work and effort and even years to become proficient. Expect to work for free and pay tuition to the markets through losses until you learn to trade consistently and profitably.

Trading is about math, ego control, risk management, psychology, focus, perseverance, passion, and dedication. If you are missing one, you may not make it. Trade wisely my friends.

Disclaimer

We do not guarantee that any system including ours will make everyone rich as there are many factors in trading beyond control . it is the responsibility of each and every trader to educate to themselves and gain sufficient practice before live trading . you must all satisfy yourself that you understand the different systems and methods before using them .

The methods we have included in this book work for us but purchasers of this e-book use the information in it

entirely at their own risk . the owners of Forex Systems Research Company do not accept any liability in respect

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