STRATEGIC & TACTICAL FOREX TRADING.

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Risk Warning

- This is an educational presentation.
- There are no trade recommendations.
- Trading and Investing is risky business.
- FOREX trading is extremely leveraged.
- Leverage can work against you.
- Do not trade real money until you have established a track record of success using a DEMO ACCOUNT!
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(4 hours. Max 10 Traders)
THURSDAY, NOVEMBER 19TH
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Live Market Training that will show you how to use:
- Moving Averages
- MACD & Stochastics
- Fibonacci
- Pivot Points
- Multiple Time Frames
- Intermarket Correlation
- Fundamental Analysis

Advanced Trading Workshop
(4 hours. Max 6 traders)
FRIDAY, NOVEMBER 20TH
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In this unique session, traders will bring their laptops and
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This is a great opportunity to have a seasoned
evangelist look over your shoulder while you trade,
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directions about how to improve your trading.
#1 FOREX Book on Amazon.com
Art of war

- Gather Intelligence
- Formulate Strategy
- Execute Plan
- Exit Plan

Sun Tzu was a military general in China.
Scholars surmise he lived from 544 BC to 496 BC
Art of war

• Planning is a great matter to a trader; it is the ground of death and of life; it is the way of survival and of destruction, and must be examined.

• Before doing battle, one calculates and will win, because many calculations were made.
Why create a plan?

- help you control emotions
- help you implement your analysis

- By making logical entry/exit decision, based on thoughtful analysis in advance, you reduce the risk of making a poor trade.
SMART Plan benefits

- Reduces **STRESS**
- Increase:
  - Control
  - Consistency
  - Confidence
- Provide “repeatable” trades.
BASIC Chart Setup

- **Speed** 21/55 EMAs
- **Momentum** 5/8 EMA & SMA
- **Trend** 200 EMA
- **Volatility** 2 Deviations
- **Oscillation**
  - >> MACD 21, 55, 8
  - >> Stochastics 8,3,5
speed

55 EMA

21 EMA
Volatility
Oscillation
step 1
market analysis

Market Speed
Price Momentum
speed

• measures speed of the market

• use medium-term moving averages

• such as 20/60, 21/55, or 34/89

• is the market range bound

• is the market trending
Forex Trading Expo | Las Vegas | September 12 & 13 2008
Speed
Momentum

• measures the direction of **PRICE**

• use short-term moving averages

• such as 3/5, 5/8, or 8/13

• will price break the market range?

• is price running out of steam?
Momentum

• Steep angle & wide separation of the MAs indicates strong momentum.

• Braiding, or excessive crossing, of moving averages indicates weak momentum.

• *STRONG* momentum tends to *BREAK* support & resistance, weak momentum does not.
FX BOOTCAMP
INTENSIVE FOREX TRAINING

NO MOMENTUM
EXCELLENT MOMENTUM
Part 2
fundamental analysis

Economic Announcements
Step 2 Goals

• Check stability of current market conditions.

Note: Extreme volatility caused by quarterly and some monthly (NFP) reports is unwanted. Refrain from trading until controlled volatility returns to the market.
announcements

• Sir Isaac Newton’s Laws of Motion

An object at rest, tends to stay at rest...

An object in motion, tends to stay in motion...

... until acted upon by a greater force.
announcements

• "force" is created by the market’s "bias".

• Bias is the majority opinion of traders.

• Bias is shaped by "all known information".

• Fundamental Announcements, Economic Releases, Geo/Political News can change bias in seconds.
Any one announcement is usually not that important in the long run. However, it's the trend that is important and how many of the different announcements agree.

For example, if we see inflation rising in most of the monthly reports over a series of several months, we may develop a bias for that currency as we assume the central bank is considering an interest rate hike to combat the inflation. Higher interest rates will attract more investors, create demand for the currency, and the valuation of the currency will likely rise.

**Producer Price Index—PPI**
The Producer Price Index is a collection of indices that measure price changes from the producer's perspective and how the producer's cost of materials may be passed over to the consumer. PPI covers three areas of the production process: industry-based, commodity-based, and stage-of-processing-based companies.

PPI is a good indication of potential increase in inflation. If producers are having to pay higher prices for their materials, then there is more likelihood that some of those increased costs will be passed on to the consumer, which in turn can affect CPI.

Recent PPI response per currency pair is shown in Figure 5.1. PPI average market response for EUR/USD is shown in Figure 5.2.

**Consumer Price Index—CPI**
A measure released by the Bureau of Labor Statistics (www.bls.gov/cpi) examines the weighted average of the prices in a basket of goods and services. The calculation of the CPI measure is accomplished by taking

![Figure 5.1: PPI Response per Currency Pair](source: NewsTrader Pro | Wincor Consulting Company | www.newstraderpro.com)

![Figure 5.2: PPA Average Market Response for EUR/USD](source: NewsTrader Pro | Wincor Consulting Company | www.newstraderpro.com)

the price changes for each item in the basket of goods and averaging them. The items in the basket are also weighted in accordance with their importance. CPI differentials are used in assessing price changes in the cost of living.

CPI is the most commonly used indicator for measuring inflation or deflation. Rapid increases or rapid decreases of the CPI measure that are
announcements

• Bias is shaped by “all known information”.

• Fundamental Announcements, Economic Releases, Geo/Political News can change bias in seconds.

• Therefore, abandon valid trade setups or lock in profit just before news...
Part 3
technical analysis

Range
Trend
Pivots
Step 3 Goals

Define potential entry points.

**Note:** Fibonacci retracement and extensions may be more useful in *trending markets*.

Oscillators work better in *range bound markets*.

For best results, use the right tools for the job.
range

• Identify Support & Resistance.

• Match price expectations with speed and direction of moving averages.

• The faster the speed/momentum, the more likely Support & Resistance will be broken.
range

• Slow speed/momentum indicates price may stay within the prevailing range.

• Use the appropriate technical indicators for the type of market you’ve identified.

For example: use Oscillators in Range Bound Markets, but less so in Trending Markets.
range

• A trend is a series of higher highs or lower lows.

• Therefore, a range lacks a series of new highs or lows.
Range - Step by step

1. Identify Support and Resistance.

2. Observe EMA angle, separation or crossovers to determine if price will breakout.

3. If you miss the break, wait for return to S/R for a role reversal entry.
Oh no! All this braiding...

Speed slowing down captain!

I drew Support and Resistance there, but look later on...it doesn't fit!

Which stochastic to go off???

AAAARRRRGGGGHHHH!!!!!!!
Role Reversals

SUPPORT

RESISTANCE
Range Breakout!

All together now...
trend

- Indicates long-term direction of price or market bias.

- Use a long-term Moving Average

- Such as 144, 200 or 233

- Ideal trades have Speed, Momentum & Trend trading in same direction.
trend

• The Long-Term moving average line is the "equilibrium point".

• Price is either moving towards the trend line or its moving away.

• The Long-Term tend line represents "Fair Market Value" and always returns to that value.
Trend Change
pivots

• Use this **leading indicator** to identify potential Entry and Exhaustion points.

**Note:** M1, Central Pivot and M4 lines are Key Areas to watch.
Trading guide for pit/floor traders
Pivot Points – Why They Work

A “self-fulfilling prophecy”

Many market players use them:

- Professional Traders
- Hedge Funds
- Bankers
- Automated Trading Systems
Pivot formula

- Calculation:
  
  PP = (HIGH + LOW + CLOSE) / 3
  
  S1 = (2 x PP) – HIGH
  
  S2 = PP – RANGE
  
  S3 = S2 – RANGE
  
  R1 = (2 x PP) – LOW
  
  R2 = PP + RANGE
  
  R3 = R2 + RANGE
Pivot profit zones

PP (Central Pivot Point)
Part 4: Risk analysis

Profit/Loss Limits
limits

• Every trade has two limits... one for profit and one for loss.

• Use an “IF-THEN” analysis before you place a trade.

For example: if you trade a break of the Range, where will your stop be placed? What is your target? How many lots can you afford trade based on the location of your stop?
RED - Bull stops

BLUE - Bear Stops
Stops & lots

- Make use of the risk manager to calculate your lot size once you’ve got the stop in mind.

- Don’t use decimals in the prices.

- The lots are shown as mini-lots.
Part 5
Trade analysis

Alerts to Trade
Do Nothing
Step 5 Goals

• Plan your trade & trade your plan.

• Set a mental alert that will signal for you to execute your trade plan.

• Trade only when the odds are more in your favor and risk is tolerable.
alerts

- Plan your entry & trade your plan.

Note: Your entry will be based on your personal trade plan, risk tolerance, and trading style. Only you can “pull the trigger”. Hopefully trade planning will give you the patience, discipline and confidence to trade your plan.
nothing

• If you do NOT get your entry alarm do NOT trade.

• Let price fall into your trap.

• Do not chase a trade.

•>>>>> Real World Examples NEXT
summary

- To be able to successfully trade FOREX day in and day out, year after year, you cannot rely on your gut, your instinct or your luck.

- Just like in Las Vegas, you may win a few lucky hands while gambling, but the casino knows if they can keep you in the casino, eventually your luck will run out and you WILL lose.

- A successful FOREX trader always takes the time to develop a SMART PLAN.
Smart plan

S peed – Medium Term Moving Averages
M omentum – Short Term Moving Averages
A nnouncements – Potential change in bias
R ange – Breakout or Bounce opportunities
T rends – Long Term Moving Average
P ivot Points – Entry & Exhaustion Points
L imit Orders – For Profit & Loss
A larms – Your signal to Trade The Plan
N othing – No alarm. No Trade.
Thank you

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