



# 9 Advanced and Profitable Trading Strategies

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# 9 Profitable Trading Strategies

**People who succeed at day trading do three things very well:**

- They identify intra-day trading strategies that are tried, tested.
- They are 100% disciplined in executing those strategies.
- They stick to a strict money management regime.

**Jump right to one you like, just click on it**

**[Momentum Reversal Trading Strategy](#)**

**[Role Reversal Trading Strategy](#)**

**[Heikin-Ashi Trading Strategy](#)**

**[RSI Trading Strategy, 5 Systems + Back Test Results](#)**

**[The Moving average crossover strategy](#)**

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# 9 Profitable Trading Strategies

**You're probably thinking:**

**“How do I find intra-day trading strategies that actually work?”**

And Are there some day trading rules that will help me to trade forex, commodities, stocks?

All you need to do is: set aside a few minutes of your day to tackle one of the following forex day trading strategies which I outline for you below.

The reality is this:

Few people are successfully day trading forex or other markets for a living,

That's the uncomfortable fact of life that marketers don't like to speak of! And those few people are most probably trading with other peoples money, like traders working for a bank or a hedge fund.

**That means the stakes are not as high for them, as they are for a person trading their own capital.**

That being said;

There are intra-day trading strategies beginners can use to maximise their chances to stay in the game for the long haul. These can be use in most markets like forex, commodities or stocks.

***Because, ‘the long haul’ is where someone can turn their initial starting capital, into a retirement nest egg!***

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So, in this article I will show you everything you need to know to get started including:

- Awesome forex day trading strategies that are used successfully every day.
- The main chart patterns associated with these forex trading strategies.
- Instructions for implementing the strategies.

Then I will tell you,

**How to manage your [trading risk](#) to stay in the game for the long haul.**

The simple truth is.

Learning to use and implement a basic intra-day trading strategies can cut your losses by 63% immediately and will increase your profitability chances in the long run.

**MUST READ: [Few Things About Risk Management Forex Trader Should Know](#)**

**So lets get down to business!**

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## 1. Momentum Reversal Trading Strategy

#1 The strategy seeks trading opportunities through the combination of fundamental and technical analysis.

#2 It requires a trader to analyse the fundamental aspects of the traded currency to establish mid to long term trend first. Then it uses the price momentum, support and a resistance zones to spot market reversals.

#3 The strategy allows to enter the market at low risk and provide a large profit potential through advanced money management.

#4 All trades are planned in advance to give a trader enough time to enter the market every time. Most trades are placed as pending limit orders often executed during London's session.

#5 The strategy works well on all major US Dollar crosses. It generates between 1-5 signals per month. All trades are entered and held for anything up to several weeks depending on the price action and the market fundamentals.

#6 The strategy has been traded in live markets for the last 15 months and its performance is clearly documented in the performance section

The strategy uses a few indicators only:

1. Stochastic Oscillator ( multi-time frame)
2. Support and resistance
3. Fibonacci retracements

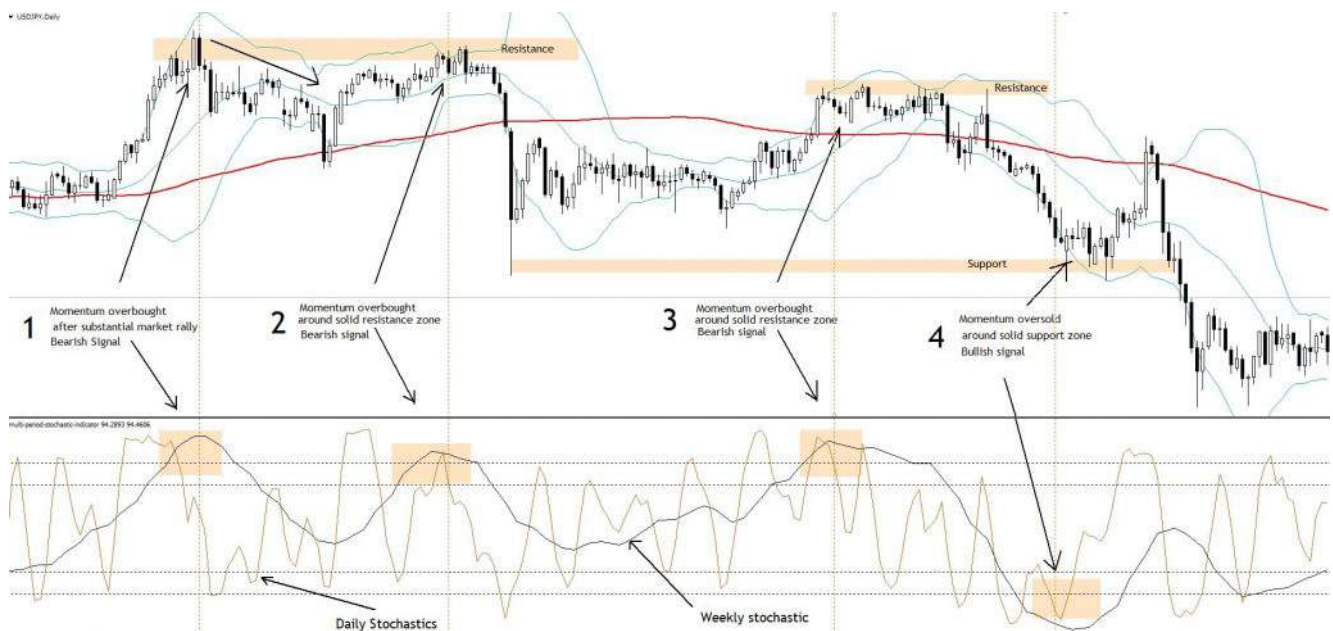
After establishing your bias and long term trend through Commitments of Traders report, it's time to switch to daily charts and look for a price reversal phase.

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To define the price reversal you need to analyse the price on daily charts first and answer 3 simple questions:

1. Has the market been clearly falling or rallying recently?
2. Is the weekly and daily stochastic showing overbought or oversold levels on daily charts?
3. Is the price trading around major support or resistance zones?

## Example 1: USDJPY – Daily chart



In the USDJPY chart above you can see four examples of the price being in a reversal phase.

### Setup #1 on the chart

Weekly and daily stochastics are above 70 zone and the market has been in a substantial rally prior to that. A trader should be marking this zone as bearish and switching to intraday charts to seek a bearish reversal price pattern.

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## **Setup #2 on the chart**

Similar to setup #1, price, after a few days of rally, it came back up to an overbought stochastics zone ( above 70) and is now trading around a major resistance zone. A trader will be marking this area as bearish and switching to intraday charts to seek a bearish reversal price pattern.

## **Setup #3 on the chart**

Once again, the momentum is now overbought and the price is forming a clear resistance. A trader will be marking this area as bearish and switching to intraday charts to seek a bearish reversal pattern.

## **Setup #4 on the chart**

The price declined and reached a support at 117 area. The momentum is now oversold. A trader will be marking this area as bullish and switching to intraday charts to seek a bullish reversal price pattern.

The above setups will be attempted only in the direction of the trend established by the trader during a fundamental analysis. The fundamentals were pointing to the downside in USDJPY. The first 3 setups would be considered and the 4th would be either ignored or entered as a counter trend position with a lower lot size.

**Fore more information [CLICK HERE](#)**

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## 2: The Moving average crossover strategy.

### **What is it?**

Moving average indicators are standard within all trading platforms, the indicators can be set to the criteria that you prefer.

For this simple day trading strategy we need three moving average lines,

- One set at 20 periods,
- the next set at 60 periods
- and the last set at 100 periods.

The 20 period line is our fast moving average, the 60 period is our slow moving average and the 100 period line is the trend indicator.

### **How do I trade with it?**

This day trading strategy generates a BUY signal when the fast moving average ( or MA) crosses up over the slower moving average.

And a SELL signal is generated when the fast moving average crosses below the slow MA.

So you open a position when the MA lines cross in a one direction and you close the position when they cross back the opposite way.

How do you know if the price is beginning to trend?

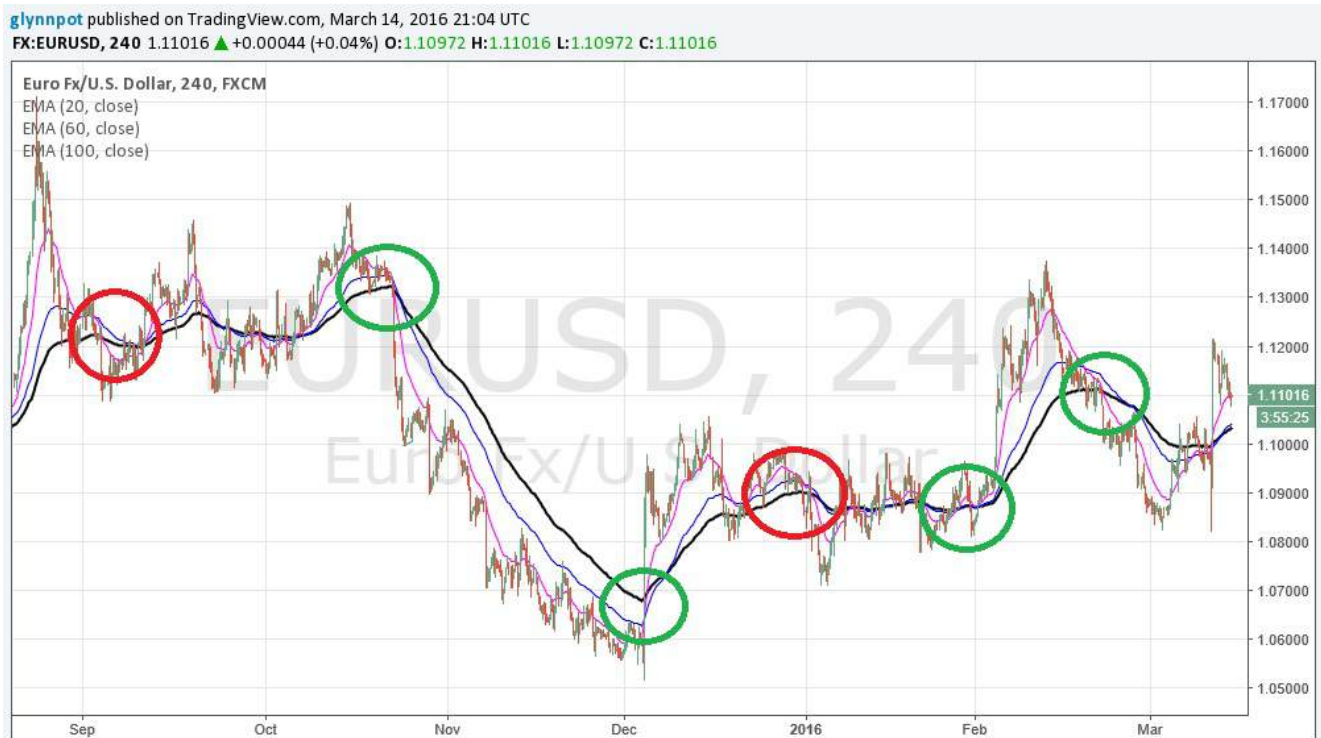
Well, If the price bars stay consistently above or below the 100 period line then you know a strong price trend is in force and the trade should be left to run.

The settings above can be altered to shorter periods but it will generate more false signals and may be more of a hindrance than a help.



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The settings I suggested will generate signals that will allow you to follow a trend if one begins without short price fluctuations violating the signal.



On the chart above I have circled in green four separate signals that this moving average crossover system has generated on the EURUSD daily chart over the last six months.

On each of those occasions the system made 600, 200, 200 and 100 points respectively.

I have also shown in red where this trading technique has generated false signals, these periods where price is ranging rather than trending are when a signal will most likely turn out to be false.

The first false signal in the above example broke even, the next example lost 35 points.

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The above chart shows the first positive signal in detail, the fast MA crossed quickly down over the slow MA and the trend MA, generating the signal. Notice how the price moved quickly away from the trend MA and stayed below it signifying a strong trend.



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The second false signal is shown above in detail, the signal was generated when the fast MA moved above the slow MA, only to reverse quickly and signal to close the position.

Although the system is not correct all the time, the above example was correct 6/12 or 50% of the time.

BUT.

We can **immediately see how much more controlled and decisive trading becomes** when a trading technique is used. There are no wild emotional rationalisation, every trade is based on a calculated reason.

## 3. Heikin-Ashi Trading Strategy

### What is it?

Heikin-Ashi chart looks like the candlestick chart but the method of calculation and plotting of the candles on the Heikin-Ashi chart is different from the candlestick chart. This is one of my favourite forex strategies out there.

In candlestick charts, each candlestick shows four different numbers: Open, Close, High and Low price. Heikin-Ashi candles are different and each candle is calculated and plotted using some information from the previous candle:

- Close price: Heikin-Ashi candle is the average of open, close, high and low price.
- Open price: Heikin-Ashi candle is the average of the open and close of the previous candle.
- High price: the high price in a Heikin-Ashi candle is chosen from one of the high, open and close price of which has the highest value.
- Low price: the high price in a Heikin-Ashi candle is chosen from one of the high, open and close price of which has the lowest value.

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Heikin-Ashi candles are related to each other because the close and open price of each candle should be calculated using the previous candle close and open price and also the high and low price of each candle is affected by the previous candle.

Heikin-Ashi chart is slower than a candlestick chart and its signals are delayed (like when we use moving averages on our chart and trade according to them).

This could be an advantage in many cases of volatile price action.

This forex day trading strategy is very popular among traders for that particular reason.

It's also very easy to recognise as trader needs to wait for the daily candle to close. Once new candle is populated, the previous one doesn't re-paint. You can access Heikin-Ashi indicator on every charting tool these days. Let's see how a Heikin-Ashi chart looks like:



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## How do I trade with it?

On the chart above; bullish candles are marked in green and bearish candles are marked in red.

The very simple strategy using Heikin-Ashi proven to be very powerful in back test and live trading.

The strategy combines Heikin-Ashi reversal pattern with one of the popular momentum indicators.

My favourite would be a simple Stochastic Oscillator with settings (14,7,3). The reversal pattern is valid if two of the candles (bearish or bullish) are fully completed on daily charts as per GBPJPY screenshot below.



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## **SHORT SETUP**

Once the price prints two red consecutive candles after a series of green candles, the uptrend is exhausted and the reversal is likely. SHORT positions should be considered.

## **LONG SETUP**

If the price prints two consecutive green candles, after a series of red candles, the downtrend is exhausted and the reversal is likely. LONG positions should be considered.

## **FILTERS**

The raw candle formation is not enough to make this day trading strategy valuable. Trader needs other filters to weed out false signals and improve the performance.

## **MOMENTUM FILTER (Stochastic Oscillator 14,7,3)**

We recommend to use a simple Stochastic Oscillator with settings 14,7,3.

**I strongly advise you read [Stochastic Oscillator](#) guide first.**

Once applied, it will show the overbought/oversold area and improve the probability of success.

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## A Trader would now:

Enter long trade after two consecutive RED candles are completed **and** the Stochastic is above 70 mark

Enter short trade after two consecutive GREEN candles are completed **and** the Stochastic is below 30 mark.

## STOP ORDER FILTER

To further improve the performance of this awesome day trading strategy, other filters might be used. I would recommend to place stop orders once the setup is in place.

In the long setup showed in the chart below, the trader would place a long stop order few pips above the high of the second Heikin-Ashi reversal candle. The same would apply to short setups, trader would place a sell stop order few pips below the low of the second reversal candle.

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## Accelerator Oscillator filter

As another tool you could use the standard Accelerator Oscillator. This is pretty good indicator for daily charts. It re-paints sometimes, but mostly it tends to stay the same once printed. Every bar is populated at midnight. How to use it? After Heikin-Ashi candles are printed, confirm the reversal with Accelerator Oscillator.

For Long trades: If two consecutive GREEN candles are printed, wait for the AC to print the green bar above the 0 line on the daily charts

For Short trades; If two consecutive RED candles are printed, wait for the AC to print the red bar above the 0 line on the daily charts



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## RULES

The reversal pattern is valid if two of the candles (bearish or bullish) are fully completed on daily charts as per GBPJPY screenshot below. Don't enter the market straight after a volatile price swing to one direction. It is important to consider fundamental news in the market. I would advise to avoid days like:

- Bank Holiday
- NFP
- FOMC
- Central Bankers speeches.

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## Money management:

- Move position to break even after 50 pips in profit.
- Move stop loss at the major local lows and highs or if the opposite signal is generated. Let your winners run.
- Stop loss 100 pips flat or use local technical levels to set stop losses.
- **Every trader is advised to implement their own money management rules.**
- **Strategy examples and screenshots**
- 

Strategy doesn't generate much setups, but when it does, they are usually important market tops or bottoms. See some sample trade setups before and after.

**To get the ready MT4 templates for the setups below please**  
**[CLICK HERE TO DOWNLOAD](#)**

You can then unzip it and place them in your MT4 and have the below charts ready

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**Date: 22 May 2013**

**Trade: Long**

**Price in: 1.2922**

**Price out: 1.3215**

**Result: +300**

**Before**



**After**



# 9 Profitable Trading Strategies

**Date: 21 June 2013**

**Trade: Short**

**Price in: 1.3215**

**Price out: 1.3087**

**Result: +130**

**Before**



**After**



# 9 Profitable Trading Strategies

**Date: 31 October 2013**

**Trade: Short**

**Price in: 1.3686**

**Price out: 1.3505**

**Result: +170**

**Before**

**After**



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## 4. The swing forex day trading strategy.

### What is it?

Swing day trading strategy is all about vigilance!

The trader needs to be on guard to notice a correction in a trend and then be ready to catch the 'swing' out of the correction and back into the trend.

**“And what’s a correction?” I hear you ask.**

Simple. Corrections involve overlap of price bars or candles, lots and lots of overlap!

A trending price makes progress quickly, corrections don't.

Lets look at some charts for an example.

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Take the above chart, EURUSD at 240 minute candles, within the green circle we have 26 candles where the price stayed within a 100 point range.

## How do I trade with it?

As I have marked with the blue lines the price even contracted to a daily move of only 20 points!

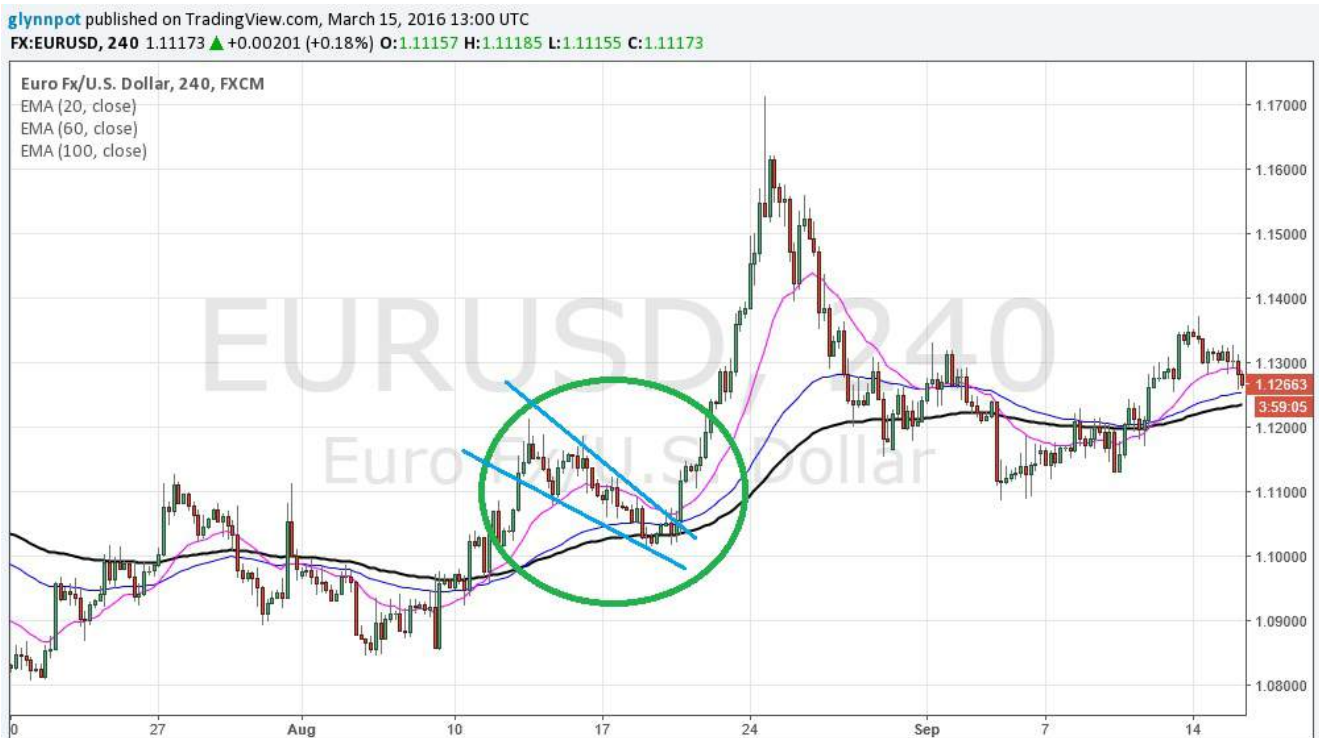
A swing trader would be on HIGH ALERT here! Contracting price, lots and lots of overlap.

This presented a very high probability that the price was going to continue in the trend that had started the previous week.

The trade would involve selling when the first candle moved below the contracting range of the previous few candles, A stop could be placed at the most recent minor swing high. ( Orange Arrows )

Another example of a swing trade is shown in the chart below.

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Again we are working on the EURUSD 240 minute chart.

In green we can see a correction to the downside, notice the slowing downside momentum?

**Notice all the overlapping price candles?**

The entry point in this trade would be a little harder to execute, although the principle is the same.

We want to wait for the price to show a sign of reversal, at the end of the correction, two separate candles moved above the upper blue line.

**This showed that the price was now gearing up for reversal.**



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A trader would buy the open of the following candle and place a stop at the lowest point of the correction.

The risk here was about 30 points, the gain was about 600 if you managed to ride it all the way up!

Swing trading is a little more nuanced than the crossover technique, but still has plenty to offer in terms of money management and trade entry signals.

## 5. Candlestick patterns.

**MUST READ:** [Candlestick patterns – 21 easy patterns \( and what they mean \)](#)

**Bullish engulfing pattern.**



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## What is it?

Engulfing patterns happen when the real body of a price candle covers or engulfs the real body of one or more of the preceding candles.

The more candles that the engulfing candle covers the more powerful the following move will likely be.

There are two types. Bullish and bearish.

The bullish engulfing pattern signals a bullish rise ahead and the opposite is true for the bearish engulfing candle.

In the above chart I have circled the bullish engulfing candles which led to price rises immediately after.

## How do I trade it?

Well, the bullish engulfing pattern is a precursor to a large upward move.

So, when you see an the engulfing candle taking shape you should wait for the following candle and then open your position.

Your stop should be placed at the low of the engulfing candle.

## Bearish engulfing pattern.



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## What is it?

The bearish engulfing pattern signals a bearish price decline ahead.

In the above chart I have circled the bearish engulfing candles which led to price declines immediately after.

Again, the more candles that the engulfing candle covers the more powerful the following move will likely be.

## How do I trade it?

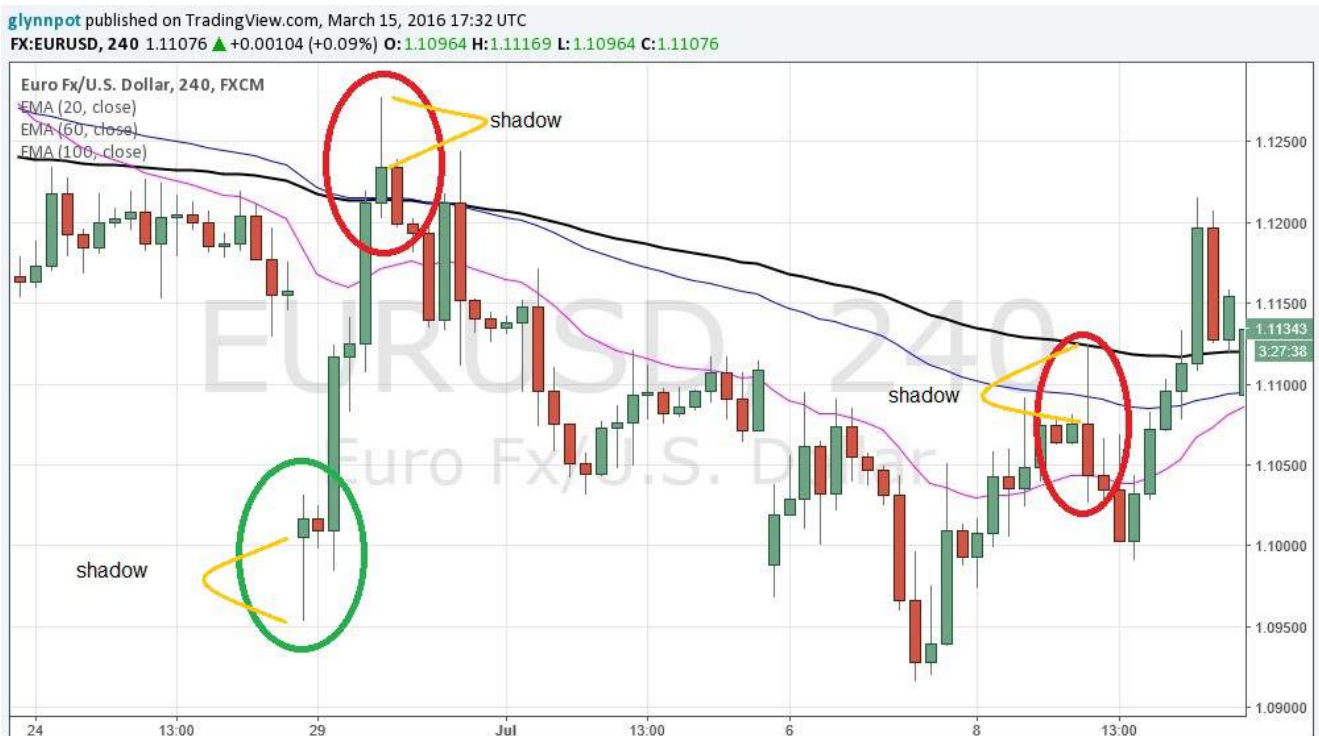
It is the same principle as the bullish pattern, just the flip side of the coin!

The bearish engulfing pattern is also a precursor to a large decline.

So, when you see an the engulfing candle taking shape you should wait for the following candle and then open your position.

Your stop should be placed at the high of the engulfing candle.

## Long shadow pattern.



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## What is it?

The 'long shadow' refers to the length of the line from the closing price on a candle to the high or low price of that particular candle.

The 'shadow' should be at least twice the length of the real body of the candle.

These shadows tend to occur at turning points.

And they tend to lead to large price moves!

## How do I trade it?

As with the rest of the candle stick patterns, we wait for the long shadow candle to close and we place our trade at the open of the next candle.

Your stop should again be placed at the extreme high or low of the shadow candle and trailed to follow the trend.

## Hammer patterns.



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## What is it?

A candle forms a 'hammer' when the real body of the candle sits at one end of the candle leaving a head and handle!

Again these candles tend to form at price reversals giving a strong signal for traders.

## How do I trade it?

Its the same trick!

We wait for the long hammer candle to close and we place our trade at the open of the next candle.

Your stop should again be placed at the extreme high or low of the hammer candle.

and again trailed to follow the trend.

## 6.Role Reversal Day Trading Strategy

### What is it?

To start I needs to assume that you know what is the support and Resistance in Forex trading. If not see few simple definitions and examples below.

Support and Resistance are psychological level

s which price has difficulties to break. Many reversals of trend will occur on these levels.

- **When a certain level is difficult for price to cross upwards – it is called Resistance.**
- **When a certain level is difficult for price to cross downwards – it is called Support.**

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The harder for price to cross a certain level, the stronger it is and the profitability of our trades will increase. The most basic form of Support and Resistance is horizontal. Many traders watch those levels on every day basis and many orders are often accumulated around support or resistance areas. It important to mention, support and resistance is NOT an exact price but rather a ZONE. Many novice traders treat the support and resistance as an exact price, which they are not. Trader must think of support and resistance as a ZONE or AREA.



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These levels are probably the most important concepts in technical analysis. They are a core of most professional day trading strategies out there.

## How do I trade with it?

Let me introduce you to the “Role Reversal”. Let’s see how can you use it in your every day’s trading.

Role Reversal is a simple and powerful idea of support becoming a resistance (in the downtrend) and the resistance becoming a support (in the uptrend).

Let see how this plays out in the uptrend.

Once the price is making higher highs and higher lows we call it uptrend. Technical trader must assume the price is going to go up forever and only long trades should be considered. Once the uptrend is defined, the lowest strategy to trade is – buy on pullbacks.

As per definition of an uptrend, the price punching through the resistance and pullback before it makes another higher high.

“Role reversal” concept comes handy for bulls in this scenario.

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**Once the resistance is broken to the upside, it becomes a new support level.**



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Resistance changes its role to support, hence the name “Role Reversal”.

After making a new higher high, the price in uptrend must correct. It is likely to correct to the new support level. This can present an excellent buying opportunity for bulls.

We don't know where exactly price will resume an uptrend. Risk management must be applied.

Trader must remember to treat support and resistance levels as ZONES rather than exact price.

The same principle applies to downtrends.

If the market is in downtrend, the price will punch through supports making new lower lows. The broken support becomes new resistance and offers opportunity for short positions.



Sometimes the price will pull back a bit further than just the former support or resistance. It might retrace toward other important technical levels.

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I like to combine pure price action with other major, widely used leading indicators. My favourite would be: Pivot Points and Fibonacci retracements. After many years of using these tools, I can say with confidence, they are pretty accurate.

The popularity of these tools makes them so responsive.

**You could also establish few levels of entries for example:**

If you are looking to buy the market after the price made fresh high, you would be waiting for the price to retrace towards role reversal, Fibonacci Level or moving average. As you are pretty confident, the price is moving higher, you don't know how far the price will pullback.

If it's an aggressive day, the price can only come back to 20MA and shoot for new high again. Another day, the price can dip as far as 38% Fib retracement.

You can divide you position into 3 equal parts and set limit orders based on the logic above:

1/3 at 20MA, 1/3 at role reversal, 1/3 at 50% Fib retracement. This way you lower the risk and increase the odds of getting filled.

If you like this strategy and want to learn more about it, I advise you join Wayne McDonell [Forex Today Strategy Session videos](#). Wayne is most definitely the master of role reversal trading. I advise you watch all his videos. There is something to learn for you in each one of them.

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## 7. The Bollinger band squeeze strategy.



Bollinger bands are a measurement of the volatility of price above and below the simple moving average.

John Bollinger noted that periods of low volatility are followed by periods of high volatility, so when we notice the Bollinger bands 'squeeze' in towards each other, we can infer that a significant price movement may be on the cards soon.

So, the Bollinger band squeeze trading strategy aims to take advantage of price movements after periods of low volatility.

I urge you to read: [Bollinger bands](#) (the **COMPLETE** how-to guide! )

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## How does it work?

The above chart is the EURUSD 240 minute chart.

The Bollinger band indicator should be set to 20 periods and 2 standard deviations and the Bollinger band width indicator should be switched on.

When trading using this strategy, we are looking for contraction in the bands along with periods when the Bollinger band width is approaching 0.0100 or about 100 points.

## How do I trade it?

When all the conditions are in place, it signifies a significant price move is ahead as indicated within the green circles above.

A **BUY** signal is generated when a full candle completes above the simple moving average line.

And.

A **SELL** signal is generated when a full candle completes below the simple moving average line.

Stops should be placed at the high or low of the preceding candle, or, to allow for a maximum loss of 3% of your trading capital, whichever is the smaller.

## 8.The Narrow Range Strategy.

### What is it?

The narrow range strategy is a very short term trading strategy. The strategy is similar to the Bollinger band strategy in that it aims to profit from a change in volatility from low to high.

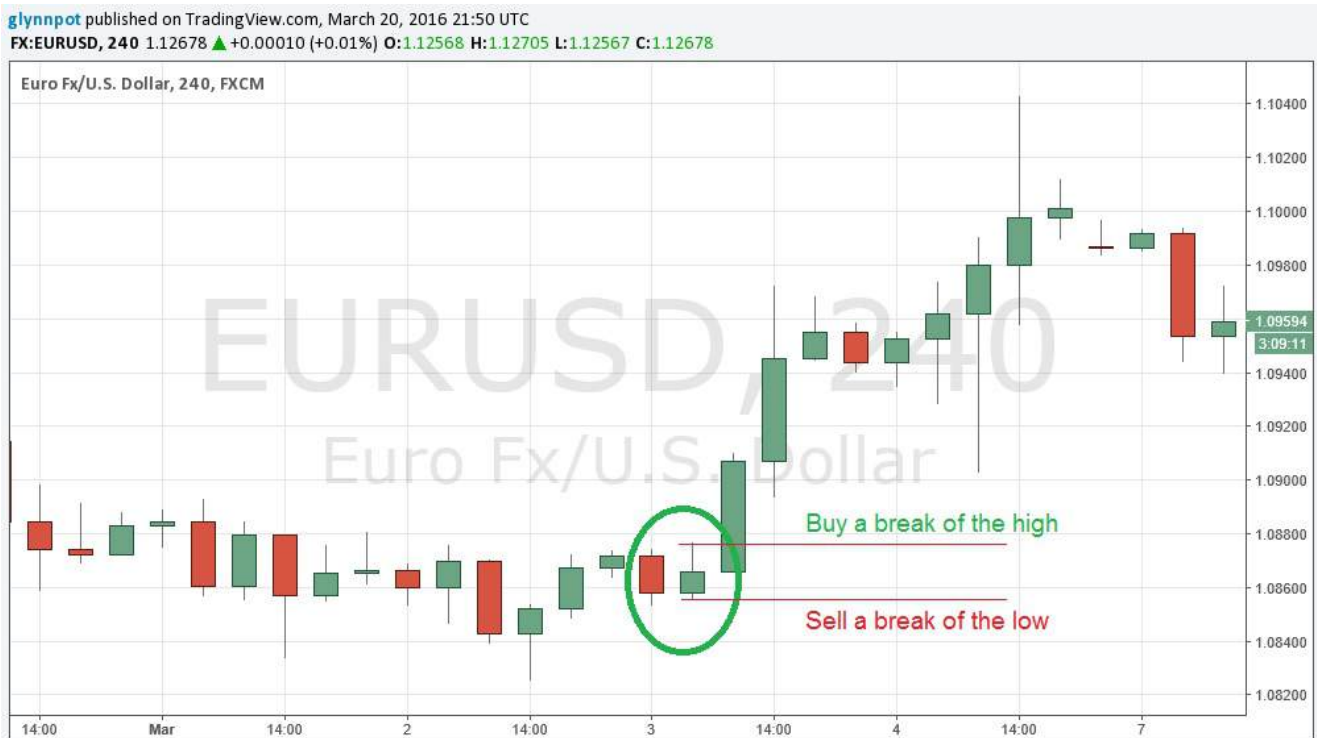
It is based on identifying the candle of the narrowest range of the past 4 or 7 days.

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A suitable candle would consist of a 'Chubby' look with an opening and closing prices close to the days high and low as shown in the chart below. Quite often you will find two or more narrow candles together this only serves to contract the volatility and will often lead to an even larger breakout of the range to come.

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## HOW do I trade it?

Once a narrow candle is identified we can be reasonably sure that a volatility spike will be close at hand.

- A BUY signal is generated when the price moves above the high of the narrow candle.
- A SELL signal is generated when the price moves below the low of the narrow range candle.

Your stop is placed at the low or high of the Narrow candle and trailed to suit.

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## 9. The 2 period RSI strategy.



**This strategy is pretty simple really.**

- A BUY signal is generated when the 2 period RSI moves above 90.
- And a SELL signal is generated when the 2 period RSI moves below 10.

In general this is a very aggressive short term strategy as you can see by the amount of signals that are generated in the chart shown.

**As such this aggressiveness will be caught out by a ranging market and may lead to several losing trades in a row.**

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The aggressive nature of the strategy should be matched with an equally rigorous stop loss regime.

The merits of the system shine when the market begins to trend in a particular direction. In this case Extra BUY or SELL triggers can be used to add to positions.

Those positions should be closed when an opposing signal is generated.

## HOW DO I TRADE IT?

As in the chart above, when the RSI moved above 90 the first BUY signal was generated and the first position was opened, the RSI then triggered another BUY signal and another similar position was opened.

Both trades were then closed when the RSI moved back below 10.

## In the End!

Day trading, and trading in general is not a past-time! Trading is not something that you dip your toes into now and again.

Day trading is hard work, time consuming and frustrating at the best of times! It is no wonder that over 93% of people that try it, lose money and give up!

**“the excuse doesn’t matter; the cold hard number is that only about 4.5% of traders who start day trading will end up being able to make something of it.”**

BUT, by recognizing the difficulty and learning some basic trading strategies you can avoid the pitfalls that most new traders fall into!



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The honest truth of the matter is this, most new traders get involved because they see huge profits straight ahead by simply clicking BUY .

Believing they will wake up the next morning a newly minted millionaire! What actually happens goes more like this.

Your friend has just opened a trading account, he claims to have made a hundred dollars in ten minutes, he just sold the EURUSD because the U.S economy is so great right now, it said so on TV!

So you go home, lodge a \$1000 into a trading account, SELL the EURUSD at \$5/ point.

You wake up the next day and the market has moved against you by 200 points, and your account is wiped out!

Lets look at the facts. There are three main reasons behind the high failure rate of new traders, and you can avoid them easily!

## **Using untested, or using no trading strategy at all.**

As in the story I told above, trading based on hearsay or some popular narrative will lead you to almost certain doom!

The value of using a tried and tested trading technique is immense, and will save you from loosing your hard earned savings.

## **Lacking in trading discipline.**

By using a day trading strategy, you remove the emotional element from the trading decision.

A trading strategy requires a number of elements to be in place before trading.

So, when those elements are in place, you place the trade.

It is a binary decision rather than an emotional decision. All other actions are off the table, by following a trading technique you avoid the cardinal sin of trading, that is, over trading.

## **Bad or non existent money management rules.**

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So often new traders place a trade without even placing a stop loss position! An error which can lead to catastrophic losses.

Money management can be as simple as using the 3 / 1000 rule.

That is: never ever ever ever risk more than 3% of your capital on any trade.

And never risk more than 1000<sup>th</sup> (or as close to) of your capital per point.

Now, I've given you the tools, so get to it, and start trading profitably!

In the next few weeks I will email you a lot of valuable trading hacks and lessons.

You will receive

1. How to eliminate random and impulse trades.
2. How much \$\$\$ you will make trading.
3. Fundamental analysis is easy! Here is what you do.
4. Technical analysis alone won't make your rich. Move beyond it.

I strongly advise you start with reading these very important posts first:

[5 "Secrets" to Apply to make a Killing in Forex in 2016](#)

[Few Things About Smart Risk Management Every Forex Trader Should Know](#)

[4 Essential Steps to profit in Forex](#)

[An Ultimate Guide to a Stochastic Oscillator](#)

[How to identify trends, Tops and Bottoms with Elliot Wave Theory](#)

I think you should have a sneak peek at our [MEMBERS AREA](#)