

○ Spring

○

○ 2015



Trading *focus*

HELPING FOREX TRADERS ACHIEVE THEIR GOALS

We exist to provide the finest charting system on the planet and to augment that with world class training, education and support.

Helping you achieve your financial goals

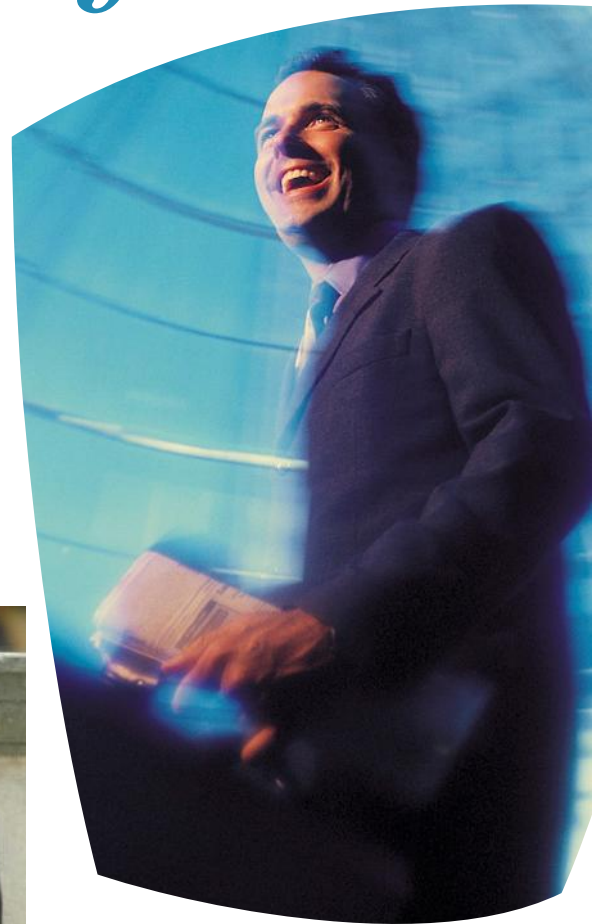
LONDON SESSION OPENS!

ProAct is proud to announce that we have opened a London Session for those of you across the pond as well as the night owls here in North and South America.

Elkana Roveglia runs the room and welcomes your participation. Elkana is a Fast Track trader who very quickly became successful in live trading. He teaches the same methodology as Scott but in both Italian and English!

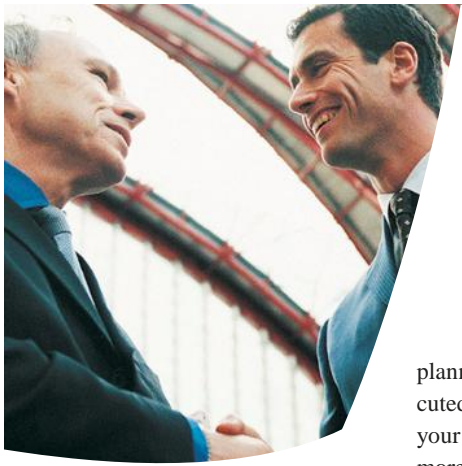
You can read all about Elkana under the ABOUT US page on the website.

Join him and get a laugh when he says the phrases that he learned from Scott but says them in Italian!



Trading Tips

The 3 musketeers are the 3 Heiken Aishi charts at the bottom of the RF chart template. We call them that because their motto was "ALL FOR ONE AND ONE FOR ALL". When these three charts (which are showing ranges not actual price) are all above the moving averages, you have more buyers than sellers (and vice versa). Watch the 60 minute for imminent moves away from that moving average—it will really help you make better decisions!



Getting the most from Technical Analysis

Technical analysis is the cornerstone of Forex Target Trading!.

**SMARTER INVESTING:
Be Realistic**



Unsustainable Moves

New traders have a tendency to wait for “more confirmation” before attempting a trade. While having confirmation is important—the trade needs to be

planned ahead of time and executed when the trade has met your parameters. Waiting for more and more confirmation just leads to entering at the top or the bottom of a move.

Our trades are the unsustainable moves inside a SUSTAINA-

Always bear in mind that your own resolution to succeed is more important than any other.
Abraham Lincoln

BLE TREND! We need to catch the whole move and when the move is unsustainable already NOT ENTER since the pullback or correction is now in your IMMEDIATE Future.

You have to practice seeing them by paper trading 300 of

them!



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Break, Hook and Go— what is it?



A Break, Hook and Go (BHG) is when the big boys are breaking a barrier and they have accumulated positions in both directions prior to the breakout. They need to divest themselves of the posi

tions that are going in the wrong direction. If you look at 100 of them you will probably get 98 different versions of the BHG. But they all have one thing in common: A move in that direction—a move back to the barrier and then a go in

To be prepared is half the victory.

Miguel de Cervantes

the new direction. **WAIT FOR IT.** It happens overwhelmingly in the charts.

Discipline yourself to wait for it and practice seeing them by doing 300 of them in the past.

You will soon recognize all of their variations.



SMARTER INVESTING:



ROI = Return On Investment

Even though we call what we do TRADING—we are really investing our money, paying a middle man to execute and loan us the money to invest (the spread) in hopes of making a profit.

This is investing 101. but Traders when they start to trade throw all their hard earned knowledge that they learned in the business world out the window.

Treat your trade the same as when you invested in your business or you were an employee who worked for someone who expected you to make good business decisions for them with their Money!

The decision to trade is ALWAYS a Reward for Risk decision—not whether you have a trade setup.

Treat trading as a business and you have a shot—DON'T GAMBLE!



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Forex Risk Management

By “Pip” Lewis



“What is it, exactly, that you DO for a living as a forex trader?”

How many times have you found yourself on the receiving end of this question? You do what, trade pairs of currencies from foreign countries? Online? How?

Some forex traders think their job is making money, pure and simple. Others think it’s analysis, technical analysis, fundamental analysis, market sentiment analysis, and then placing trades.

Neither of these is correct. As a forex trader, your #1 job is “Risk Management.” Really? Really.

So, what is meant by “risk management”? Definitions abound, but here’s a simple one: “In business, the forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact.” In short, the point of risk management is to ensure you don’t go broke!



THAT is what your #1 job is as a forex trader. It’s not putting lines on a chart, it’s not watching price action and jumping into a trade, or jumping out of a trade, or hoping a losing trade will go your way eventually so you stay in it too long, perhaps even adding to a losing position! **No, your #1 job is risk management.**

How is this done in the forex? What, exactly, does this process involve? On the basic level, it means what the definition above says, “forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact.” In the forex, we are blessed to have multiple ways to manage risk. These are briefly discussed below. You should be familiar with all of them as part of the ProAct system.

What is the overall goal when using “risk management” in trading forex?

Without a doubt, this is the most misunderstood part of the forex. **The main purpose/goal of using risk management in the forex market is preservation of capital. If you trade without proper risk management, over time it is likely you will blow your account and have NO capital left with which to trade!** At all times, your focus must be first on risk management. Stops are set to protect your account, not the one trade on which you apply the stop!

We have several tools in for forex to help us manage risk. A few of them are discussed below.

1. Limit the risk by always using stops. ALWAYS! That’s a RULE, not a guideline! For ProAct traders, this means ALWAYS using a stop when

placing a trade, an actual stop placed on your broker’s station. The stop should be based on your personal analysis of the market, which includes technical, fundamental, and other factors.

2. Limit the size of your position. When you lower your position size, you decrease the amount of money you may lose on a trade should it go against you. Of course, this also lowers the size of your rewards, but remember, this is leveraged money you’re trading with! Keep the position size reasonable and you can still hit your target without blowing up your account.

3. Limit the amount of your account which you have at risk. This is the most confusing part for traders. ProAct Traders adhere to a 2% of equity standard over ALL trades. What this means is to look at your account balance, and risk no more than 2% of that amount on ALL open trades. When you get your trades to break even, you can “reuse” that same 2% since you now can’t have a loss as your stop is at break even. HOWEVER, and this is the part traders forget, unless you close the trade, the broker still has a portion of your capital in escrow. As long as the trade is live, the broker is holding part of your account in escrow. If you use MT4, this is displayed on the platform itself as “available margin.” Should you have too many positions open which move against you, you may experience a “margin call” in which the broker will close ALL of your open positions. Believe me, if that happens to you once, you will never forget it again!





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4. Use a proper risk:reward ratio. The minimum risk:reward ratio must be 1:1, though it is taught by many that a 2:1 or 3:1 risk:reward ratio is best. If you don't have at least a 1:1, or better, risk:reward ratio, pass on that trade. There are plenty of opportunities elsewhere on other pairs.

5. Always have a specific trading plan for each trade. You need a blueprint/roadmap for each trade. This means knowing your entry, your stop loss, your target, where you will add positions, where you will move stops, and so on. NEVER EVER add to a losing trade on the hope that it will “come back”. NEVER EVER move your stop when a trade goes against you on the hope that it will “come back.” Focus on your exits! The adrenaline starts running when you enter a series of profitable trades, and more than one trader has blown up an account by making unplanned additions to trades going bad, moving stops too tightly to protect a few pips instead of leaving them wider so the trade can breathe.

6. DO NOT trade out of emotion! This will sink your margin account faster than you can imagine! Don't “jump into a trade” because of momentum, and don't chase trades which don't meet your criteria! The emotional highs and lows you can experience while trading can cause you to make mistakes and eventually to quit trading entirely before you reach your full potential as a full-time trader.

7. Use proper trade management on open trades. What does this mean? Once you open a trade, it's too late to start answering the questions which come up: Where do I

get out? Where do I add? How much will I add? When do I move my stop? When do I move to break even? When might I take profit? Have your answers to these questions BEFORE you enter a trade, to avoid making trades based on emotion!



8. There are a multitude of questions you need to ask yourself before entering a trade, such as the following: is there hard profit target on this trade?; do you have a set stop or a trailing stop?; when does the trailing stop kick in?; when do you take partial profit and how much?; under what circumstances will you add to an open trade?; how much will you add and where?; at what point will you get out of a trade which is going against you?; what do you do if there are news events coming up soon?; what do you do with this trade if you are going to sleep or will be away from your charts for an extended period of time?; how long will you hold onto a trade which is clearly going nowhere?; how many trades will you have open at any one time?; will you hold trades which generate negative interest or negative swap?; what do you do if the market reverses while you are in a trade?; what is the maximum dollar value you are willing to lose on any one trade?

9. Keep a journal and use it! Many ProAct traders have connected their trading accounts to a great free tool, myfxbook, available at www.myfxbook.com. This tool connects to your MT4 platform and tracks all your trading results. It will produce statistics, charts, graphs, and let you know in short order how you are doing on each pair, the time frames, etc. It's a great tool and you can use the data it gives you to analyze your successes and weaknesses. Learn from your losses and go back to your





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trading plan to see what went wrong.

10. Again, make a trading plan and stick to it!

11. Diversify! If you’re long EURUSD, don’t go long EURGBP. Why? Because if EUR goes against you, you’ll lose on both positions. Instead, if the trade setup is there, use the EURGBP to hedge against losses the EURUSD may have by opening a trade in the opposite direction.

12. Remember, 80% of the money is made WITH the trend. Trade WITH the trend! It will help minimize losses!

Let me leave you with a few quotes from Jesse Livermore, one of the most successful traders of all time:

“A loss never bothers me after I take it. I forget over night. But being wrong --not taking the loss--that is what does damage to the pocketbook and to the soul.

“The professional concerns himself with doing the right thing rather than with making money, knowing that the profits take care of themselves if the other things are attended to.”



“I always trade in accordance to my means and always leave myself an ample margin of safety. Always.”

“I knew that unless I had sufficient trading capital I would not be able to use good judgment. Without adequate margins it would be impossible to take the cold-blooded, dispassionate attitude toward the game that comes from the ability to afford a few minor losses such as I often incurred in testing the market before putting down the big bet.”

“The only time I really ever lost money was when I broke my own rules.”

“There is a time to go long. There is a time to go short. And there is a time to go fishing.”

