Strategy: 10

Low-risk, high-return forex trading.


The information contained in this document, although highly entertaining and quite instructive, might lead you to believe that tomorrow you’re going to be a millionaire. You are not going to be a millionaire tomorrow. Well…that’s technically not correct. Because you could be a millionaire already, in which case tomorrow you’re guaranteed to be one.
A bear chased two hikers.
One hiker, while being chased, stopped to put on running shoes.

As he was changing out of his hiking boots, his companion looked at him in horror and exclaimed, “What in the world are you doing? You’ll never outrun the bear if you stop now!”

Calmly, the other hiker said, “I don’t have to outrun the bear. I just have to outrun you.”

The forex market offers more opportunity for fast financial success – and financial ruin – than almost any other market. The get-rich crowd has always been attracted to it. This crowd includes speculators, trading novices, retirees, and professionals looking for a way to get out of debt, increase the excitement in their lives, or simply get rich really fast.

These are the people who you will be taking money away from. These are the people who will be eaten by the bear. You don’t have to outrun the bear (the entire market). In fact, that’s impossible. You can’t beat the entire market. Those of you who try will learn fast that the market has no mercy, can outrun anyone, and shows no mercy.

I want to teach you how to run faster than the other traders.
The Four Groups

There are four groups in the forex market. There are the novice traders – the greenies, the ones who try to outrun the bear and lose every time.

In addition to the novice traders, there are three other levels of participation in the forex market: the dealers, the institutional traders, and the advanced traders.

The dealers are the most powerful and they make the market, setting prices and putting together deals.

The institutional traders work in banks, wire firms, or government agencies. They trade huge amounts of money at a time, and the size of their trades gives them enormous power.

Next, there are the advanced traders. This group is comprised of people from all across the world, sitting in smaller investment firms, offices, or even their homes. You can be a part of this group. In some cases, the advanced traders are the smartest group – trade for trade – than any other group. Because they don’t move a lot of money on each trade, they don’t have as much power as the institutional players. Because their trades are brokered by the dealers, they’ll never have absolute trading power. But, because there are so many novice traders – the advanced traders have plenty of people that they can outrun. Your goal as a forex investor is to aggressively take money out of the pockets of the novice traders.

Don’t feel bad about that. Someone’s going to take your money along the way, and it’s going to teach you, very quickly, lessons that can only be learned through failure. So, every time you take money from a novice trader, just
remember: you're teaching him a valuable lesson. After a while, you might even enjoy watching your hiking companion being eaten by the bear.

The Basics

Read this – a great forex primer:

http://www.forex.com/history_forex.html

On the left navigation section, you'll see "Forex Pro > Short Term Trend Trading". This is an essential read for you – even if it seems technical in nature, you should read it anyway, just to get the information in your head one time. I suggest you read everything on this link, start to finish. Getting a background in the market takes about a week (at most), but it's very important for you to understand how the system works. The knowledge you gain early will pay off later. I didn't read this stuff BEFORE trading, and it actually kind of helps to read through the material while you're entering and watching your first trades – because there’s nothing quite like trading while you learn. Read the sections in "Forex Essentials". This is as clear an explanation as exists.

Pips

Okay, now back to our program. To start, you have to understand what a "pip" is. A pip is the last number to the right in a currency. For example:

If the EUR/USD traded at 1.1335 this morning. The "5" is the pip. If it moved to 1.1535, which it did today, that would be a 200-pip move.

The next concept that you need to understand is the concept of leverage. It’s a lot like margin in stock trading, only on steroids. It’s a simple concept. If you have $10,000 to trade with, your forex broker will let you borrow money from him so that you can trade in larger quantities. They will let you borrow
as much as 400 times (400:1) what you put up in a trade. Most brokers allow between 50:1 and 100:1 margin. So, if you put up $1,000, and your broker allows 100:1 margin, then you'll be trading $100,000 worth of currency (instead of $1,000).

That's important, because every pip equals a certain dollar amount. When you trade $10,000, each pip movement equals $1. The chart below shows how it goes from there.

<table>
<thead>
<tr>
<th>Amount Traded</th>
<th>$ Per Pip</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$1</td>
</tr>
<tr>
<td>$50,000</td>
<td>$5</td>
</tr>
<tr>
<td>$100,000</td>
<td>$10</td>
</tr>
<tr>
<td>$500,000</td>
<td>$50</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>$100</td>
</tr>
<tr>
<td>$5,000,000</td>
<td>$500</td>
</tr>
</tbody>
</table>

If you trade 1,000,000 worth of currency, each movement would be equal to $100. So if you bought at 1.1445 and sold at 1.1545, you would make 100 x $100, or $10,000. Now, I don't know about you, but I could live off of that much.

That's not saying, however, that you can make $10,000 per day. Of course it's possible, but there are a lot of factors that make it very difficult. Like, how do I know that it's going up or down?

When should I get in a trade?

Even more importantly, can you deal with the emotions of forex trading? Alan Farley, a trading expert, rightly observes that mastering the emotions of trading is more difficult than mastering the technical skills. You'll soon find out what he means by that.
Greed

Most traders in the forex market try to make a zillion dollars on every trade. They're greedy. This leads them to stay in a good trade, hoping to get more money out of it. This can lead to disaster -- the trade can move against them and they get creamed. This happens all the time, and it still happens to me from time to time. It's the single greatest threat in trading. But you can already understand why that's probably true. But how do you overcome greed when trading?

Revenge

This is the other big one. A lot of traders get creamed in the market and then want to strike back. So they double their last order and go for broke.

This is natural, and I still deal with this emotion every day. The problem is, how does one combat this?

Do not underestimate this emotion. It will drive you to ruin if you let it. The market is not your friend. The market is so much more powerful than you are. You cannot get “back at” the market. Trading when angry or vengeful will be a total disaster. If you get rocked on the market, then back up, take a deep breath, and talk to a mentor. Re-read the charts. Take a break. Even if you think you see the best opportunity in the world after you get blasted – just take a break. There will be trades tomorrow.
A Different Strategy.

It’s as simple as this: I don’t try to make a ton of money on each trade, and I never try to get revenge. I’m not a scalper (someone who sits and makes 20-second trades for a few pips at a time).

Instead, I set up good trades, that have a lot of potential, and then I shoot for 10 pips. Just 10 pips. That’s it. I don’t let myself lose a lot of money. I only try to get 10 pips, and if that’s all I get, then I’m out for the day. It’s easy enough to get 10 pips that once that threshold is met, it’s okay to get out. When you know that you can turn turn $10,000 into $130,000 in one year on 10 pips a day, it’s no longer important to strike back at the market or get greedy on one day of trading.

And you can learn to turn $10,000 into $130,000 in one year on just 10 pips a day.

Why is this innovative, different, or revolutionary? Because you are going to not only take money from novices with this strategy, you’re going to take money from other advanced traders. Advanced traders want big money. They didn’t spend years learning to trade so that they could make $200 a day. They want big, big returns. They go for 40 pips at a minimum. They are conservative with their trading capital because the market can take BIG swings against them when they’re waiting for 40 pips. Advanced traders think I’m nuts for getting out of a trade at 10 pips. What if it goes to 40 pips? Won’t I be upset that I missed out?
Not at all. I'll show you later how I can still make those 40 pips. But I'm never displeased with 10. First, though, I'll explain stops and limits.

**Stops and Limits**

A STOP is placed so that you don't lose too much money. For example, if I bought EUR/USD at 1.1445, I would start losing money if it started moving down. So, I might set a STOP at 1.1425 -- meaning, if the currency drops to that level, the system AUTOMATICALLY exits the trade. I'm out 20 pips, but that's a lot better than being out 40 pips if it starts tanking really fast (and this happens all the time, as you have seen).

A LIMIT works the same way, only for gains. If I set my limit to 1.1535 on that same trade, then later in the day (or the hour), when the currency moves up to 1.1535, the system AUTOMATICALLY exits the trade, and I make money. This happens whether I'm still at the computer, or down the street, or dead. THIS IS THE ONLY WAY TO TRADE IF YOU’RE NOT GOING TO BE PRESENT TO WATCH THE TRADE.

My system for trading relies heavily on three things:

1. Technical analysis - a ½ hour, 3 hour, daily, weekly, and monthly chart.
2. STOPS and LIMITS.
3. 10-pip goal every day. This requires DISCIPLINE.

If you started with $10,000 on January 1st, and earned 10 pips per day, and only traded 17 days of the month, then you would end the year 2,000 pips UP, and with about $130,000. For a spreadsheet that details this system, write me at rob@robbooker.com.

If you continued the next year with 10-pips per day, the next year you would be making between $10,000 and $17,000 per month trading (depending on your risk tolerance). Can you do this? Absolutely. Can you do this today? Maybe, maybe not. You have to dedicate yourself 100% to learning how to trade intelligently.
The 7:10 Principles.

1. Buy and sell on breakouts. I teach this in the 1 on 1 training, and I do it myself.

2. Stop trying to make $8 million on every trade.

3. Set a 10-pip limit only. Exit the trade at 10. Exit the trade at 10. Stops are set based on market conditions, but are always set.

4. Goal: + 10 pips every day.

5. If I earn more than 10 pips on a trade because the trade moves so fast in my direction, I can set my stop to protect the 10 and then go for more. I like to teach traders to just start going for 10. There are advanced strategies that go for more than 10, but we just start here.

6. There is no ‘makeup’ strategy. If I take a loss, then I’m just trying to end up with a 10 pip gain for the day. If I can’t get it, then I don’t try for 20 the next day, or whatever. I can keep trying for the 10 pips gain as long as I haven’t lost more than 5% of my capital.

7. Time: I can trade for 5 hours per day, meaning I can have the trading platforms open and sit at my computer for a max of 5 hours per day. If I can't earn my 10 pips during that time, then I can set my stops and limits and walk away, but I can’t actively watch the market any longer.
The Daily Routine.

Here’s a daily routine that I’ve used in the Strategy:10 system. Some of the most successful months of my trading career happened when I followed this plan.

Up at 3:00 am EST. Check the charts.

Ask the following questions:

1. Where did the USD close (5pm EST) yesterday against the majors?

2. What effect will today’s economic reports have, if any, on the forex market?
   a. FED interest rate movements
   b. ECB decisions
   c. Unemployment – Weekly Moving Average above or below 400k?
   d. Greenspan speaking?

3. Are we at an all time high or low on the EUR or GBP or CHF? Or:
   a. Are they way oversold or overbought? Is it better to not trade today?

4. If I make a trade now, what might go wrong? What’s the most I’ll lose? Gain? Is the market just dead quiet right now? Moving fast?

5. Is the EUR or GBP moving right now? How far are the pairs from support and resistance?
The end? Or the beginning?

Thanks for reading this ebook. It’s a preview of my system – but it’s not the entire show.

If you’re interested in getting more information about the system, or what charts I look at, or how long it might take you to be successful, just email me at rob@robbooker.com. Up front, you should know that I charge for some services – but I’ll also try to give you all the free help and trading assistance I can offer.

Good luck!

Rob Booker

http://www.robbooker.com