...from

SERENE EDUCATION
FOREX Trading Academy

A Five Part Mini-Course That Will Change the Way You Think About FOREX Trading... And Make Your Trades More Profitable

www.SereneEducation.com
info@SereneEducation.com

‘What we see depends mainly on what we look for’

Sir John Lubbock

Welcome to the Serene Education world where professional traders, through testing, knowledge and confidence in proven strategies practice money making trades every day. In this world we never take anything for granted, and we never pass on the conventional “wisdom of the day” unless it makes sense and is proven in our own trading. What you are about the read, therefore, may be counter to what you have been taught...but we know it works. By the time you have read this information I think you will come to respect the insight Serene Education can bring to your trading life. Remember, we are not here to parrot what others are teaching. We are here to bring you success through proven techniques.

Our objective over the lessons in this information is to educate and inspire you to take the necessary steps required to pave the path to your financial independence through trading the Forex market successfully and confidently. We know you can’t do that with minute gains, staggering losses or incomplete knowledge.

So, how do we get you to that desired place of financial freedom? I’ll tell you how; *EDUCATION*! The better equipped you are with the knowledge, skills and tools you need and know how to use them to your advantage, the closer you are to that freedom. You, trader, have made the decision to advance by embarking on this mini-course, so let’s get started..

Lesson 1:
Trading the Trends and Riding the Waves....

“Is the trend is your friend?” Ask anyone that thinks they know anything about trading and I am sure that they are bound to say “yes”! I would have too before I was let in on the facts and secretes that I am about to share with you in this lesson. The whole concept of trading the trends is a common phrase taught at educational events around world and a saying known by many.

So what would you say if I told you that it is a proven fact is that markets actually trend only about 25% of the time? Some markets trend more than others; however, the average is just 25%. So, let's put this realisation in a more personal light: If your friends were nice to you 25% of the time, how much would you rely on them? Would you really count them as a friend? Maybe as a foe?

There are many "Trend Traders" out there that through proven, tried and tested methods have become very successful indeed. Some traders, trade purely off trend lines. Tom De Mark wrote a popular book on trading trend lines which gives readers earlier entries and hopefully greater profits.

However, I am going to ask that you take note of something very important and remember this from here on out: Although you may become a successful trend trader, you need to be aware that you are bound to have more loosing trades than winning trades. That is just a fact of life in trading. But please don't let this put you off. When you do things correctly your losses should be small and your winners really big so in the end the profits that are achievable are unlimited. There is one catch here of course...In order to make big profits in trend trading **you have to stay with the trend long term.**

Most "newbie" traders cannot stay with the trend for the long term period which gives them less successful results; it makes their losers small *and their winners small*. In the collective scheme of things they cannot achieve the success they are looking for. The reason many new traders find themselves in this situation is simple human and emotional psychology. They get anxious that things may not be going the way they anticipated during any given short moment in time. They therefore end up not trusting their own strategy or what the trend lines are telling them and they will pull the plug on a trade too soon. Their losses, or so they figure, will be held to small levels but their gains will also be smaller than they should or could be. This emotional/psychological anxiety doesn't allow individuals to stay in the trend for the long term. In short, they lose out on unrealized gains. This is why the proper psychological framework is so important in trading the markets, especially in trading based on trend lines. If you can't be a trader who is as cold as ice when believing in your strategy or have nerves of steel when looking at moment by moment data, trend trading may not be the right strategy for you.

In order to become a hardened veteran trader and have better performance than many newbies will obtain it helps to remember this simple scenario:

Educated and Psychologically Hardened Trend Traders =
Small Losses + Big Winners = Big Profits

Uneducated and Emotional Trend Traders =
Small Losses + Small Winners = Big Losses

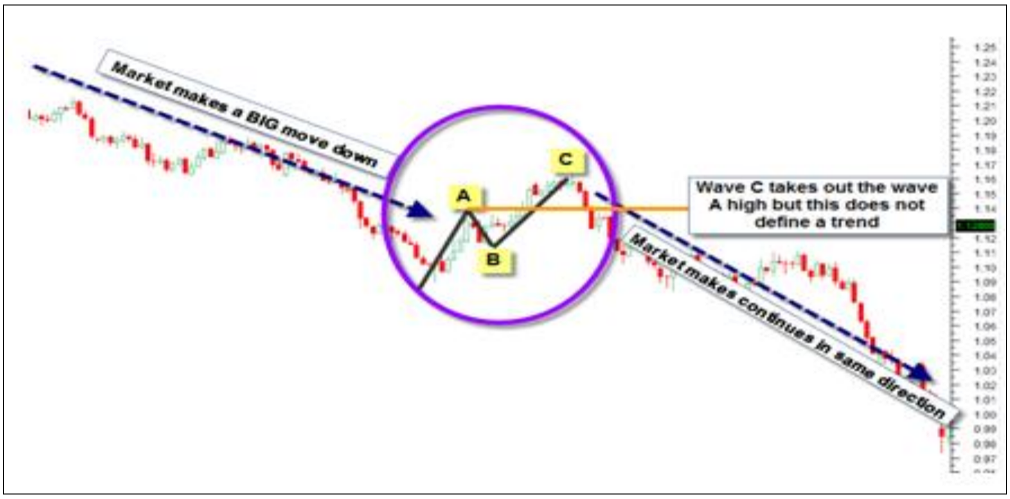
If you are a trader that will let emotions get involved in your trading, if "cold as ice" emotion does not fit your style and personality, trend trading may not be the right thing for you... But don't be despondent; there are many other methods used in trading to make you consistent in the markets. For now and while we look at trend trading just ask yourself; "Do I have the steel nerves to be able to let my winners run?"

So let's look at the factors that determine a trend....

A trendline, in the most simplistic definition taught by many instructors around the world, is made up by connecting at least **TWO** or more peaks or troughs. We want you to think further and avoid trouble.

What we are looking for is an **EXTENDED TREND**. If a trend, according to most, is determined by a minimum of two retraces, our extended trend requires a minimum of **THREE** retracements.

Why be concerned about having THREE peaks or troughs? The reason is that many times price will make a big movement in an upward or downward direction, do an "A-B-C" retracement and then continue in the same direction. An "A-B-C" retracement is what many amateurs classify as a "Trend". It looks like "C" is the second peak called for when traders use only two peaks or troughs to define a trend. Below we take a look at an example:



However as we can see by the line above "C" was only a momentary pause in a continued downward trend. Can you see how this may confuse the beginner trader? Had the trader tried to use TWO peaks to define the trend here he or she would have been sadly disappointed. But if the wise trader waited for THREE peaks (an EXTENDED TREND) he or she would have recognised this "A-B-C" retracement for what it was, a momentary pause of a continued downward trend and not the start of an upward trend. There was never a third peak.

Rule 1: A trend is defined by THREE peaks or troughs that are joined by a common line.

The second rule that will help you determine if a trend is occurring is by the use of the 50 day SMA (Simple Moving Average). Moving averages are lagging indicators that follow the movement of price and will give a general direction of the trend that you can use as a guide. They basically are looking backwards to see what has been happening historically. When the 50 SMA is moving in an upwards or downwards direction, the chart is known to be trending. If it is going sideways, there is no trend. You can see all three directions in the chart below:

Couple this knowledge with our suspicions from finding three peaks or troughs in “Rule 1”. Will our trend continue? Have we spotted a true trend? We will therefore look for THREE retracements **after** the 50 SMA has made a directional movement to determine an extended trend.

Rule 2: The 50 SMA must be moving in an upward or downwards direction to confirm trend direction.

3) The third and final rule that will assist you in determining if the chart is trending or not is the use of the ADX indicator. The ADX is a directional movement indicator that is available on most, if not all, trading software programs. . Use the fourteen period settings. To assist you even further, see if your software will allow you to place a horizontal line on this indicator along the 16 mark level.

So, how do we read this and how does this indicator help us determine trends? If the ADX is trading above the 16 marked levels it is said to be trending. *This could be in either direction, up or down, but it is trending*. If it drops below the 16 level, we can determine that the share is not in a trend at that present stage.

Rule 3: In order to confirm a trend, ADX must be trading above the 16 level.

Determining trends is often seen as one of the simplest things to do by "newbie" traders. They often, however, do not follow the above rules. When emotion causes them to jump the gun in determining a trend, or when they don't trust their own data and pull out before the end of a trend they simply end up losing more than they win. Emotional psychology does not allow them to 1) spot the trend correctly and 2) ride the waves and stay in the movement for the long term.

Hopefully you have learned a bit in this first lesson that goes beyond what others are following or teaching. When you follow the three above rules you can see that a lot of mistakes can be avoided and emotional responses to mis-cues averted. The losses in your trading become smaller while the gains become a lot larger.
Stop and think about the three rules above and how they can take out the emotional factors in your trading. The three rules provide you with lessons that make it easier and more scientific when determining a trend. You now have the tools and the groundwork for determining a trend. Now you just have to ask yourself a question: Using the three rules above do you think you have the iron will to listen to the data? Can you let those winners run even when a momentary blip on the screen causes you to question your faith in the system just outlined?

In our specialised training courses we teach you strategies like this that have been tested and proven countless times with our own professional traders and in our own trades every day. You can learn how to enjoy peace of mind while letting those winners run to new highs or lows. You'll gain proven strategies that will allow you to enjoy bigger profits with smaller loses.

Lesson 2:
Double Bottoms; One of the most misread chart Reversal Patterns....

In lesson 2 we are going to cover a simple, yet effective chart pattern that is simply misread by many traders and therefore results in losses for the newbie trader and extra profits for the professionals who get in by taking the opposite trade. I was blown away when I was first introduced to this concept so hopefully you will find it a valuable lesson.

'I can't change the direction of the wind, but I can adjust my sails to always reach my destination'

Jimmy Dean

As simple thought with powerful implication! Oddly enough, the dynamic principle in that quote applies to aspects of trading. In this lesson we are going to uncover a simple and popular strategy yet one of the most misunderstood and misread chart patterns used by amateurs and newbie traders; **The Double Bottom Pattern.**

Please note: You may have heard of or are using the Double Top Pattern. The lessons here can be read using the same objectives just in reversal for the Double Top Pattern.

Let's get started....

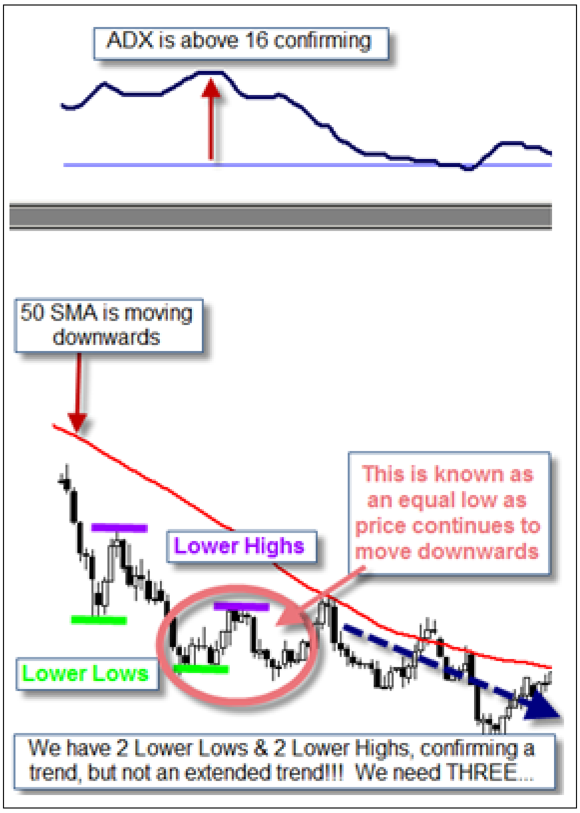
Reversal simply entails a change in the direction and pattern specifies a chart formation. In other words, *reversal patterns are chart formations that are inclined to reverse the direction of the trend and they can be predicted!*

A Double Bottom pattern is identified when price makes a new low and then price pulls back up from the low. Price then attempts to break the previous low but cannot and then pulls back up. This is known as a reversal pattern.

It is also by definition a pattern that appears at the **BOTTOM** of an extended down trend. This is where the understanding of first lesson is so vital. If you took a break from the lesson to look for a trend on your graph or if it still isn't fresh and clear in your mind, as a reminder here is how we want to identify an extended down trend:

- 50 SMA must be in a downward direction
- ADX indicator should be above 16
- Price must have made at least three pull backs in the down trend

This is where many amateur traders get caught out. They may see what they think is a Double Bottom pattern form on the chart. Be warned however; **if it does not form at the bottom of an extended trend it is more than likely to continue in the same downward direction**. This is known as an "Equal Low". Let's take a look;



If you think about it, a downtrend is formed by a series of failed double bottoms because every time you get a lower low you will

get a lower high and price that will then come back down to test the low. Read this sentence again before moving on.

So can you imagine how much pain the newbie traders are experiencing as the trend continues downward? I can feel the pain just looking at the diagram!! *It is therefore imperative to do your trend checks when you find a double bottom as these patterns mainly form at an end of an extended trend.*

I am sure, based on the diagram above that you do not want to fall into the "amateur" category and suffer the pain and losses as the market takes control over you and your finances, so I am going to share with you where an amateur would enter and where and why the professional trader takes the opposite trade to make those impressive profits. Are you ready for this?

Look at the chart. Many amateur traders would see the top of the "w" as signalling a Double Bottom. They would therefore buy at this point thinking they have found that Double Bottom because that is what they have been taught to look for. But using the rules from our first lesson you know that the trend downward is only going to continue. *However, the professional trader knows that a true Double Bottom is at the end of an EXTENDED TREND, not during it. The professional trader would therefore sell at this point.*

What we do have is a downward movement, but not three retracements. The 50 SMA is still in a downward movement which indicates that the trend is still down! While many will make the mistake of buying the professional will sell.

But what if we did see the formation of a Double Bottom at the end of an extended trend? When as a professional would you enter?

Let's take a look at an example below:

In the diagram above we have confirmation of a downtrend with the 50 SMA moving in a strong downward direction, as well as the minimum of three peaks confirming an extended trend.

When the formation of the Double Bottom occurs, as mentioned previously, the amateur traders would buy at the break of the apex with their stop near the low as indicated above. The market will move up and enter the traders into the trade. What happens next? The market makes a u-turn and continues back downwards, stopping the amateurs out at a loss.

This is no accident. The floor traders and specialists know that this set up will bring in the amateur buyers and know that this will hurt them. Pain for some means pleasure for others!! But what happens when all of the trade stop losses from the amateurs are being hit and they are all out for a loss? Yes, the market turns around and moves off in an upward direction. Professionals therefore enter their buy orders just below the area that all the newbie traders have their stop losses, in the preparation for the market to turn and……….up the markets goes!! The result? Frustration for those uneducated traders!

I think that there is a clear moral of the story outlined here and the lesson of the day is; **Look for the areas where amateurs will get hurt because that is the areas where the professionals are taking the opposite trades and taking the profits..**

I hope that you found this and enjoyable lesson and have a whole new outlook on the Double Bottom reversal pattern. Remember that the same rules apply for a Double Top that forms at the top of an extended trend, only in reverse.

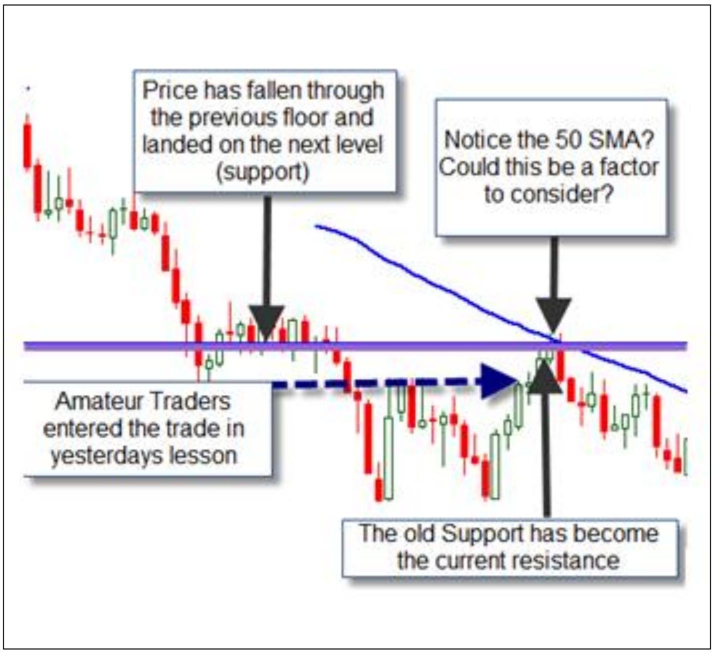
I can see you, sitting at your computers right now, letting this all sink in and feeling frustration that you never learnt this earlier. There were many times that we found ourselves stopped out of trades before it continued in the same direction and know how infuriating and frustrating it can be. When we discovered what you have learnt in this lesson, it changed our trading outlook as well as our results for the better...and that is our intention for you today.

Question:

<u>Now, here is something to think about and keep the brain active….</u> Is there another reason why the pro's would not have entered where the amateurs did in the chart above?

Answer:

So what is the reason why the pro's would not have entered where the amateurs did? Let's take a look and see if you guessed it right!



Our amateur trader bought at the apex of the Double Bottom pattern. What they were not conscious of was the strong area of previous Support that price broke through. That area or price level then became the professional traders Resistance level (noted by the purple line) This would be an area where we would look for price to hesitate or possibly change direction.

Not only did we have a strong resistance level just above their entry, we also had the 50 SMA hovering around that same Resistance, which is an indicator that may act as a level of Support or Resistance in trading. For this reason we would have not entered the trade until price had broken and closed above these resistances.

Lesson 3:
Support & Resistance; Traders Road Blocks....

'The abundant life does not come to those who have had a lot of obstacles removed from their path by others. It develops from within and is rooted in strong mental and moral fibre.'

William Mather Lewis

A commendably bold statement – The experts at Serene Education know and understand far-reaching value of truth that statement holds. Remember that we are NOT asking you to TRUST US – We are asking you to TEST US. Then you decide what is right for you. We want you to discover what we already know about those we partner with and ourselves. We strive to be above board and pursue excellence at its height in all our dealings – personal and professionally. It is who we are and who we desire to help YOU to be.

So traders, welcome to part 3. In this lesson we are going to learn about the importance of defining **Support & Resistance** when trading the markets; the road blocks that the professionals use to determine price action.

This is a short, yet highly important lesson is about to get started....

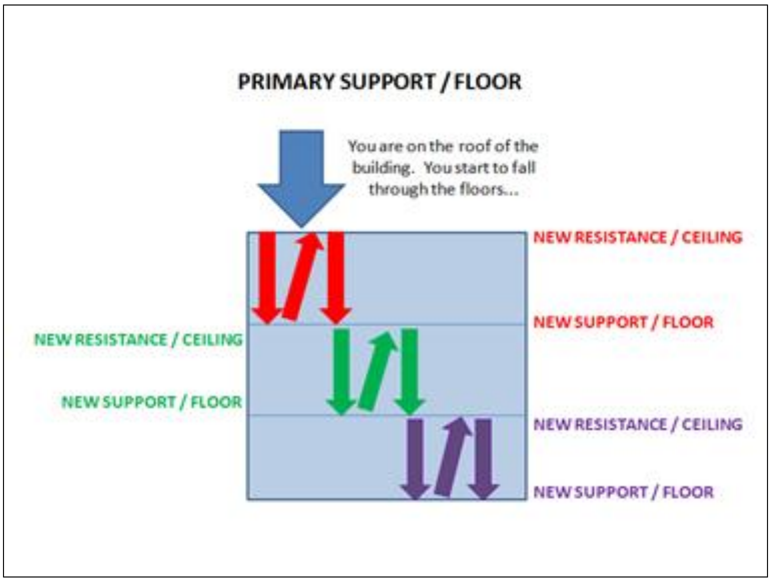
Support & Resistance are the foundation upon which most technical analysis tools are based and are the price levels that buyers and sellers tend to respect. They represent key crossroads if you will, where the forces of supply and demand converge. In the financial markets, prices are driven by intense ups and downs – supply and demand. Supply is synonymous with bearish bears and selling. Demand is synonymous with bullish bulls and buying. As demand increases, prices move forward and as supply increases, prices decline. When supply and demand are equal, prices move sideways as bulls and bears battle it out for control. This is therefore a time that we would prefer to stay out of the market!

As you start to examine charts, you will notice that price moves across your chart in waves; either up, down or sideways. Whichever way they are moving, you will start to notice that price will often bounce between two levels; an upper level known as Resistance and a lower level known as Support.

With resistance being the upper level, we can think of it as a ceiling and support being the lower level, which we will call the floor.
If you throw a ball against the ceiling it will drop to the floor. If you have one of those "bouncy balls" and you bounce it on the floor, it will hit the ceiling and come back down again to floor.

Now with this concept in mind, look at the diagram below. Are you able to see what I am describing?

Now take a moment and think about a building with many floors. If you fell through the floor, you would land on the floor below you. On this next floor down, your current ceiling (resistance) would be the floor that you have just fallen through. Look at the diagram below.



With this concept in mind, we as traders can use these areas as entry positions, targets for trades that we have entered and possible stop placements as well. These are powerful tools to use to access what the market is doing and steps that we as professional traders will need to take.

As you get further advanced, we will teach you through our educational programs how to use certain indicators as support & resistance as a further tool. Remember, what we are trying to achieve here is to put all of our eggs in one basket, put probability on our side and use the technical analysis that we are teaching you at the moment to do so..

As Part 3 comes to a conclusion, I hope that you are starting to see the importance of becoming educated before placing your money in the market. Many little things make up major decisions. Remember; put the rules into action and stick with the lessons learnt. Put probability in your favour and you won't run the risk of massive losses and small profits.

In part 4 we are going to cover the 4 most common candlestick chart patterns that we use, how to read them and more importantly, how to trade them to make those profits that we all desire. These price actions shown by candlestick formations are can give us early signals that price may change direction and in the sights of becoming a successful trader, you will need to be aware of these. Can you see how all the lessons are finally starting to form a complete puzzle? On the final section of this informative trading course we will putting together a strategy using all that we have learnt; the penny will drop and you will begin to see the light at the end of the tunnel.

As these are only the first baby steps that you are taking in the process of achieving those dreams and financial independence, I hope that you are starting to find confidence in us and beginning to TRUST US. What makes us different than other investment seminar companies is our genuine concern about your success!

'Life is one big road with lots of signs. So when you are riding through the ruts, don't complicate your mind. Flee from hate and mischief and jealousy. Don't bury your thoughts; put your vision into reality. Wake up and live!!'

Bob Marley

I am a huge fan of motivational quotes! They speak volumes in so many areas of life. Life is full of signs and if you heed them you will reach your desired destination. Trading is no different. There are signs to be followed and a sincere need to put our *vision into reality*! The team at Serene Education is dedicated to helping expand your vision in the trading world.

Lesson 4:
Candlesticks and Support; Let's Paint the Picture....

I want to share a little bit about one particular type of "sign" that can make an enormous difference in your ability to prosper in your trading - **Candlestick Chart Patterns.** In this particular lesson we are going to cover Bullish Reversal Chart Patterns.

Candlestick patterns give you important insight into price action at a quick glance. And as we all know, price action is the paw prints of the money. Where it's been—where it's going. While the basic candlestick patterns indicate what the market is assessing, they can on many occasions generate false signals because they are very commonplace. We are positioned to introduce you to more advanced candlestick patterns, with a higher degree of reliability to produce profitable trading strategies.

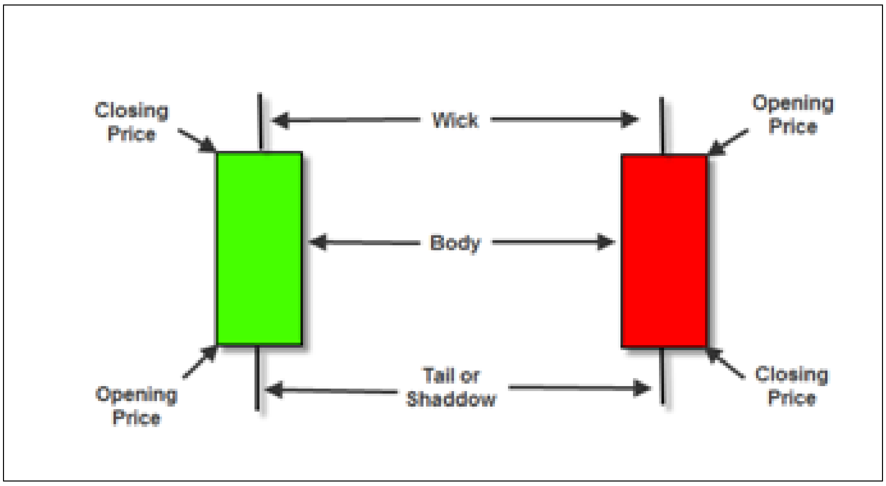
So where do candlesticks come from?

In the 1600's, the Japanese developed a method of technical analysis to analyise the pricing of rice contracts. This technique was called candlestick charting. Candlesticks are simply a new way of looking at charts; it does not involve any calculations.

For those who are not familiar with candlestick patterns, let us start with the basics....

What do candlesticks look like?

Candlestick charts are visually more appealing than the standard bar chart. As in a standard bar chart, there are four elements necessary to construct a candlestick chart; the OPEN, CLOSE, HIGH & LOW price for a given period of time.



In the above example, we have a green candle and a red candle. The green candle identifies that price at the end of the period was higher than at the beginning of the period; it can also be a "bullish" candle. The red candle tells us that price at the end of the period was lower than the price at the beginning of the period. It can also be called a "bearish" candle. The instant advantage that can be seen from using candles is that you can visually note very quickly whether price is either moving up or down. This is just one thing the candles can tell you visually, very quickly.

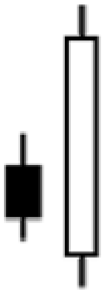
Single candlesticks and candlestick patterns can be used to confirm or mark support levels. Such a support level could be new after an extended decline or confirm a previous support level within a trading range. In a trading range, candlesticks can help choose entry points for buying near support and selling near resistance.

There are many candlestick patterns but only a few are actually valuable and used regularly. And remember: patterns are ONLY USEFUL when you *understand what is happening in each pattern*. They **must** be combined with other forms of technical analysis to really be useful and help you achieve your ultimate goal.

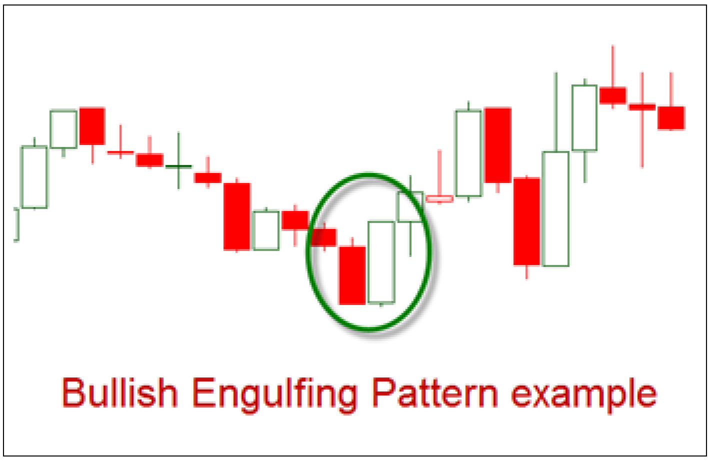
Candlestick Bullish Reversal Patterns

There are dozens of bullish reversal candlestick patterns but let's take a look at the selected few that I have chosen to cover in today's lesson…

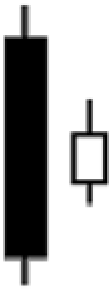
1) Bullish Engulfing



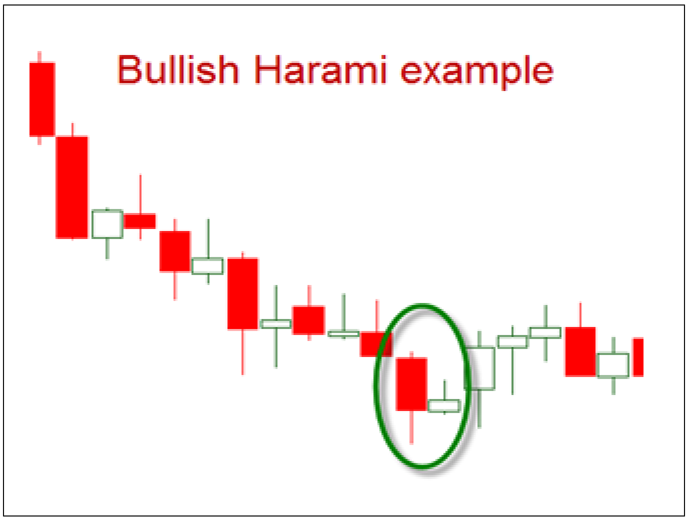
A reversal pattern that can be bearish or bullish, depending upon whether it appears at the end of an uptrend (bearish engulfing pattern) or as shown above; downtrend (bullish engulfing pattern). The first day is characterized by a small body, followed by a day whose body completely engulfs the previous day's body.



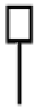
2) Bullish Harami



A two day pattern that has a very large black body, followed by a small white body completely contained within the range of the previous body, and is the opposite colour.

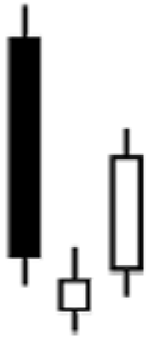


3) <u>Hammer</u>

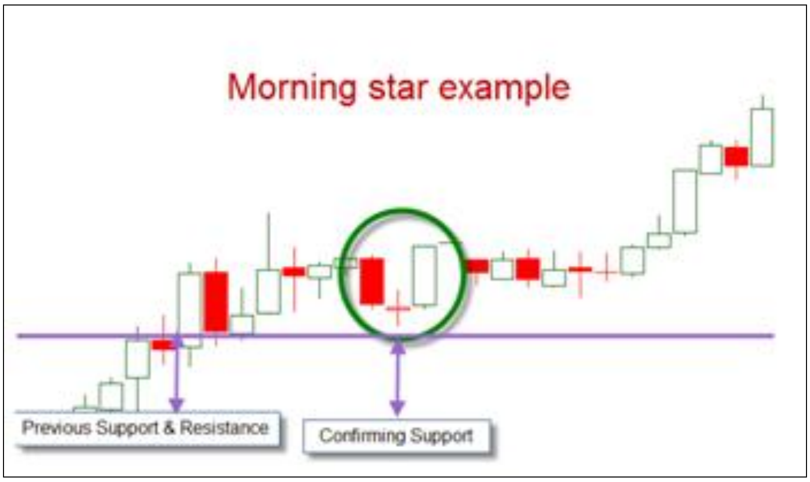


Hammer candlesticks form at the bottom of a down trend when a pattern forms with a small white body near the high with a lower wick and little, preferably no upper wick. The resulting candlestick looks like a square lollipop with a long stick.

4) Morning Star

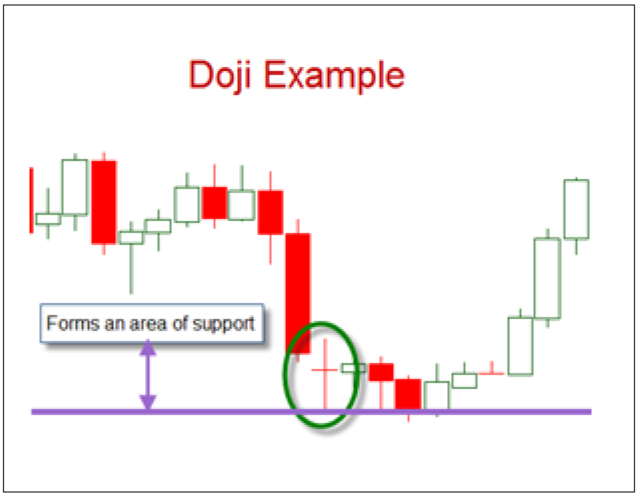


This is a 3 day bullish reversal pattern. A large black body followed by a small body that gaps below the black body. The following candlestick is a white body that closes 50% or more into the black body.



5) Doji

The doji denotes indecision and are generally considered neutral. These non-reversal patterns indicate a decrease in selling pressure, but not necessarily a revival of buying pressure. After a decline, the appearance of a doji denotes a sudden let-up in selling pressure. A stand-off has developed between buyers and sellers, and a support level may form.



When using bullish candlestick chart patterns, you should use the following guidelines should be established:

- Most patterns require bullish confirmation.
- Bullish reversal patterns should form within a **downtrend.**
- Other aspects of technical analysis should be used as well.
- If the bullish candle stick pattern forms on a previous support level, the confirmation of a bullish trend is more likely.

1) Bullish Confirmation

Patterns can form with one or more candlesticks; most require bullish confirmation. The actual reversal indicates that buyers overcame prior selling pressure, but it remains unclear whether new buyers will bid prices higher. Without confirmation, these patterns would be considered neutral and merely indicate a potential support. Bullish confirmation means further upside follows through and can come as a gap up, long white candlestick or high volume advance. Because candlestick patterns are short-term and usually effective for only 1 or 2 weeks, bullish confirmation should come within 1 to 3 days after the pattern.

2) Existing Downtrend

To be considered a bullish reversal, there should be an existing downtrend to reverse. A bullish engulfing at new highs can hardly be considered a bullish reversal pattern. Such formations would indicate continued buying pressure and could be considered a continuation pattern.

3) Other Aspects of Technical Analysis

Many professional traders trade purely off candlestick patterns, however, we do not recommend that you do this, especially to start with. Use the signals that the candles give you in conjunction with other technical analysis before making your trading decisions.

4) Bullish Candlestick patterns and previous support

If a bullish candlestick occurs on a downtrend along an area of previous support, the trend is more than likely to change direction as you now have double confirmation of a level of support.

I trust that you have found an added valuable tool to add to your trading - Candlesticks can be powerful tools for confirmation if understood fully and used correctly. In the Specialised training courses that we offer, we give you a "cheat sheet" that cover all the successful and most commonly traded candlestick patterns and how to apply them in current market conditions.

Our last lesson to follow will conclude with an simple and effective strategy that I have found extremely useful and am sure that you are going to love. Remember that successful and professional trading is not about knowing hundreds of strategies. It is about learn and understanding a select few, ones that work for you and mastering those to produce consistency. We will run through a simple traders check list for the strategy taught to ensure that we have the majority of the requirements in our favour and look at targets and profit taking that relate to the strategy.

Lesson 5:
The final piece of the puzzle; Putting It All Together And Creating A Strategy..

'Men and Women often become what they believe themselves to be. If I believe that I cannot do something, it makes me incapable of doing it. But when I believe I can, then I acquire the ability to do it even if I didn't have it in the
beginning'

Mahatma Gandhi

It's time now for the fifth and final lesson of the Serene Education five-part trading course. As I mentioned in the first lesson, it was my objective over to educate and inspire you to take the steps required to pave the path to your financial independence through trading the markets successfully and confidently. Have we achieved that so far? Do you TRUST US to take you further?

In this lesson we are going to run through a simple yet profitable strategy using all of the steps in this training. Are you ready???

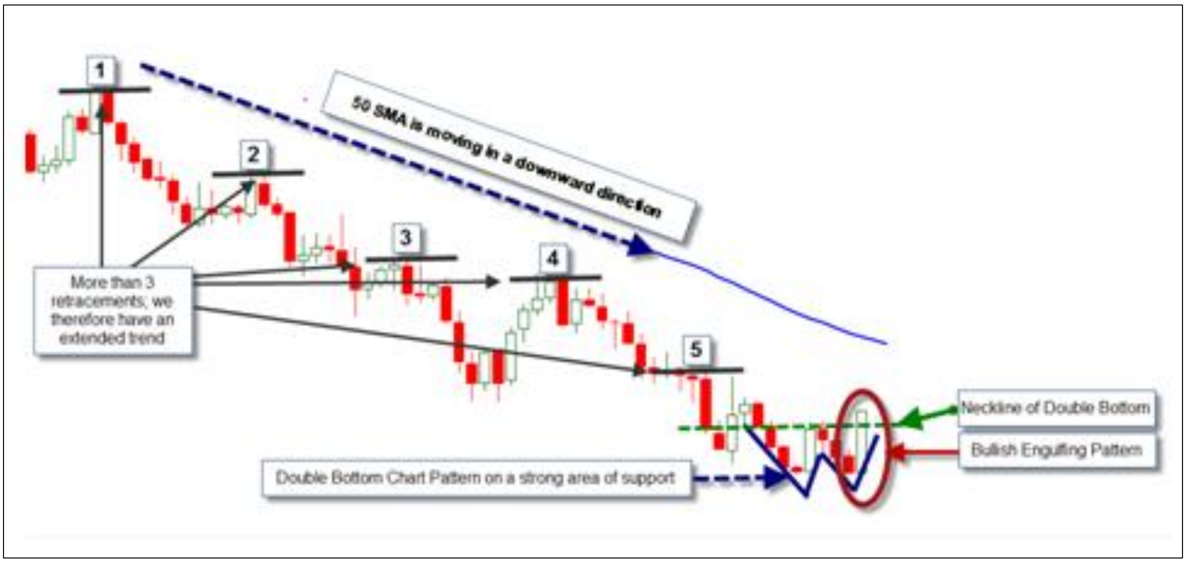
First of all we need to put together a trader's check list based on what we have learnt so far so that we have definite guidelines to follow. This will also enable us to stay on the path and not bend the rules. Bending rules on strategies that work is a very dangerous option. Bear in mind that this will just be a simplified version of what you will receive with any of our further education advanced classes.

Traders Checklist:

	Yes	No
1) Is price in a trend?		
2) Is price in an extended Trend?		
3) Can you see a double bottom form on the chart?		
4) Is the Double Bottom forming at an area of Support		
5) Do you have any confirmation of indicators showing the trend direction?		
6) Has a Candlestick pattern formed showing a level of support?		
7) Has price broken a Resistance?		
8) Have you got a clear defined target?		

Let’s start by looking at our below chart:

Plotted on this chart is the 50 SMA. Other than the clear fact that it is heading in a downward direction, confirming that the trend is down; is there anything else that you can see forming (or formed) on the chart? Use your check list to assist you here:



Let's run through this together:

1) We agreed that we have the 50SMA moving in a downward direction confirming the downward trend.
2) We have THREE plus retracements, therefore confirming that we have an EXTENDED downward trend
3) A double bottom chart pattern has formed and we have a level of support.
4) The last two days has given us the formation of an bullish engulfing candlestick pattern
5) The last candle has broken through and closed above the neckline of the double bottom (remember, if price had not closed above, this would most likely be a false breakout)

Based on the above information, it would seem likely that we would see a change in direction here. What are our next steps?

Next we would look at our possible targets to see if the trade would be worth trading or not. These are defined by the next levels of long term Support & Resistance. Once these are clearly defined, we can turn to money management to determine whether or not the trade fits our rules. Money and risk management is an important part of the educational training courses that we hold as this ensures that your risks are minimal, yet your profits large. Although we do not cover this in detail today, our basic rule is that; ***We would not want to have a risk reward greater than 2 – 1***. What this means is that we would need our target to be at least DOUBLE our risk.

In this example, we would place our stop 5 – 10 points below the neckline of the double bottom (which is also a strong area of resistance) therefore minimising my losses.

I have marked for your attention what we would determine as our three target levels. You may just have one, maybe two.... this is up to each particular trader, but in this particular strategy, I like to be able to take profits at three intervals, therefore taking the emotions and stress out of trading.

Should we take the trade?

Look at the diagram below to see the results!

<u>The figures:</u>

Entry: 0.8780
Stop: 0.8700
First Target: 0.9850 – Hit on day 1
Second Target: 0.9200 – Hit on day 2
Third Target: 0.940 – Hit on day 3

Our first target was hit on day ONE (please be advised that this does not happen every time!) Once the target was hit, we would have the option to close 1/3 of the position, close the whole trade or just move the stop to lock in profits. Let's close 1/3 of our position in this example and let the remaining 2/3 continue to run in the trade.

Once target two is met, we would be left with the same options as above. We will sell another 1/3 of the position, and ensure that our stop is at least at a break even position (your original entry price) OR safely under the first target marker. By doing this we cannot lose anything in the trade, even after taking 2/3 of our profit! Now we have no emotion left in the trade and human psychology will allow us manage the trade to its fullest.

When target 3 is met, you can either close your position and take your profits, OR you can place a trailing stop and see if the trade continues to run. This all boils down to the individual trader, their personality and their strategy and time frame that they want to remain in particular trades.

We encourage our students to create a trading plan and stick to it. Remember that "A Failure to Plan is a Plan to Fail". In our training we give you a trading plan to help you grow your capital by 500% in just 4 weeks, starting with $100 and turning it into $600 just aiming for 20 pips a day.

As our plan in this example was to close out at the third target, we exit our position and remove ourselves from the trade completely, happy with the results.

There are going to be plenty of times in your trading career that you regret getting out of a trade at your target when it continues to move. That is why it is imperative that you have the correct traders mindset and psychology. You have to decipher what style of trader you are and you HAVE TO stick to those rules. What if the trade went against you?

I hope that running through this simple strategy has made you see that you don't have to learn complex and advanced methods in order to make consistent profits from the market. It just takes time, patience and I hope now you can see **EDUCATION** is the real key to success.

You have now concluded the final leg of the journey with us. You have now reached the place in the road where it forks and the decision is now whether you are going to follow in the footsteps that the masters have left behind for you, or walk that narrow winding path alone. Whichever path you choose to take, we wish you a Serene path; one of prosperity, happiness and financial freedom.

I am going to leave you now with one final quote; my favourite of them all written by Martin Luther King. I hope that it will bring you guidance and direction in your life and in your trading future:

"Take the first step in faith. You don't have to see the whole staircase, just take the first step."

For further information about Serene Education and our Unique Forex Training & Courses, please visit www.SereneEducation.com or email info@SereneEducation.com.