

“Forex Surfing”

eBook By Robert Borowski

© 2004-2005 Evergreen Forex Inc. - All rights reserved

Read Legal Info & Disclaimers at end of Document

Use of this material is subject to the legal terms, conditions, and understanding of the statements at the end of this document. Unauthorized redistribution of this material is illegal, strictly forbidden, and will be punished to the fullest extent of the law. Read the legal text provided at the end of this document.

This eBook has been formatted for easier on-screen reading

This eBook is dedicated to my lovely wife (and also now a mother) Violetta. Thank you for believing in me throughout all my “business ventures” before FOREX. You’re faith has paid off. I love you shmorgasborgally!!! I also dedicate this eBook to “God” as I thank you daily for all my blessings, including being directed into FOREX. As I often pray may it be true – “may my many blessings bless many others”.

TABLE OF CONTENTS

[Preface](#)

[Part 1 – Welcome](#)

[Introduction](#)

[How I Came Up With This](#)

[Mental Sanity Warning](#)

[Basic Basics](#)

[Part 2 – Basics](#)

[Some Basics](#)

[Trends](#)

[Candles and Charts](#)

[Part 3 – The Surfing Concepts](#)

[Surfing Basics](#)

[Basic Strategy – Variation 1](#)

[Basic Strategy – Variation 2](#)

[Variation 3 – Combination of Basic 1 & 2](#)

[Basic Strategy – Variation 4 – Skimpy Version of 1](#)

[Broker's PIP Spread](#)

[Practice Time](#)

[Part 4 – Trading Rules](#)

[About Profits](#)

[About Risks](#)

[Hugely Important Point](#)

[#1 Trading Rule](#)

[#2 Trading Rule](#)

[#3 Trading Rule](#)

[#4 Trading Rule](#)

[#5 Trading Rule](#)

[Part 5 – Surfing Trends](#)

[Micro Trends](#)

[Looking At Different Views](#)

Part 6 – Surfing Opportunities

Looking For “Reasons”

First Things First

Opportunity 1 – Trend Line Bounces

Opportunity 2 – Trading Session Moves

Opportunity 3 – After FA “Duds”

Opportunity 4 – FA Explosions “After Surf”

Opportunity 5 – Trading Triangles

Strategy 1

Strategy 2

Opportunity 6 – More Triangles & Flags

Strategy 3 – For Flat Bottoms & Tops

Strategy 4 – For Descending & Ascending
Flags

Opportunity 7 – Consolidation Channel Breakouts

Opportunity 8 – Inside Consolidations

Variation – Blue To Blue – Daily Use

One More Tip

Opportunity 9 – Trading Fibonacci

Fibonacci Theory 101

Fibonacci Variation 1

Fibonacci Variation 2

Fibonacci Variation 3

Opportunity 10 – Compounded Gains

Compound Gains Variation 1

Compound Gains Variation 2

Compound Gains Exit Strategies

Exit 1 – Manual Exit

Exit 2 – Get Stopped

Part 7 – Reversal Signals

Trend Line Breaks

King’s Crown, Head & Shoulders, 1-2-3- Tops/Bottoms

Double Tops/Bottoms

Other Things To Look For

Part 8 – Fundamental Announcements

Looking At The FA Calendar

Key Announcements

Additional Info For The USD (USA)

[Part 9 – Final Thoughts](#)

[Looking At Currency Pairs](#)

[Resources Section](#)

[Get Ready & Start Trading](#)

[Happy Trading!!!](#)

PREFACE

Welcome to “FOREX Surfing” from the Amazing FOREX System. When I started this whole “Amazing FOREX System” project I had no idea what I was in for. Let me tell you a bit of how this all started.

Side note: Before “Rapid Forex” I started off as “Amazing FOREX System”. This eBook, “Forex Surfing” was my second eBook. This is just interesting information for you to understand what I wrote here.

I was sitting at home a lot. Believe me, when you get to the point that you don’t need a JOB (Just Over Broke – notice how when you have a job you’re living paycheck to paycheck?) you enjoy the free time for a while. Sitting at home, taking long baths and reading, going downtown for coffees during “work hours”, and doing whatever you want is definitely fun, and I certainly wouldn’t ever wish to return to having a 9 to 5 job (the pay sucks even though most people would consider it to be a good salary). After a while I started to get bored, and decided I needed to do something to keep me busy. Remember this – when you get to be in the same situation look for something FUN to do.

Well, I do lots of stuff in the evenings (altruistic stuff, and spiritual activities – I love helping people), but my days were boring since everybody was at work. I decided to write a report about one of my favorite FOREX trading techniques, which became the eBook “Explosive Profits”. I wanted to share this with some friends to “help them out”, and I then put this report on the web figuring that it’ll help some other people get out of the “rat race” too. Ironically, to date none of my close personal friends have yet implemented anything I taught them, but many strangers, or rather new friends

(all of you) have profited nicely.

Honestly, when I put “Explosive Profits” on the web for sale I figured that I’d get maybe 10 or 20 to buy it (in a month), and then have some FOREX traders to chat with (most of my friends though fascinated with what I do don’t trade themselves even though I keep offering to teach them). It’s fun to have like-minded people to talk with.

Well, within the first week I exceeded that goal. I am truly amazed with how popular my eBook became – far beyond my expectations. I guess the cliché saying is true, “do what you love and the money will follow”. It all comes back to the universal “law of reciprocity” that “givers get”, meaning that what you intend and give to others you end up giving to yourself. My prayer is that many people be blessed with financial success, and so it’s no surprise that I was blessed in return. I’ve had many people write me to thank me for that eBook as they have already gotten success with it. I guess you can say that I’ve “reaped what I sowed”. I have also had the great pleasure of getting to know some of these people and am very happy to now have some awesome friends worldwide.

Let this be a lesson for you. Wish for others to be successful because what you wish for others you actually wish for yourself. Go watch the movie “Pay it Forward” (rent it at your local video store). Make a commitment now to get yourself financially free so that you can then help others do the same thing. “May your many blessings bless many others!”

PART 1 - WELCOME

INTRODUCTION

Welcome again to “FOREX Surfing”. In this eBook I’ll show you some of my favorite strategies to CONSISTENTLY capture some nice pips, with a many variations to this technique. With this strategy your biggest risk is just 20 pips! Again, this is amazing considering that most trades require much larger stops. Also, a nice thing about FOREX Surfing over Explosive Profits is that you can use these techniques far more often to reliably capture those pips. We’ll discuss this more later.

Let me explain to you why I named this eBook “Surfing”. If you’ve ever gone surfing on the ocean (on a surf board, boogie board, or done some body surfing) then you’ll have an idea of how this strategy works. When you go surfing (in the ocean) you swim out to where you see good waves happening. Some days the ocean (or FOREX market) has good waves, and some days the ocean is pretty flat. Then you attempt to catch a wave. This involves being at the right place at the right time. When you successfully catch a wave then you’ll be having fun as it pushes you along for quite a distance.

Please keep this idea of surfing in the ocean in your mind while you read this eBook. Essentially I will teach you how to grab a surfboard to catch a wave in the FOREX market so that you can ride the wave all the way to the bank.

HOW I CAME UP WITH THIS

When I first started trading FOREX I fell in love with using “Fibonacci” analysis. (I’ll explain a bit about using Fibonacci or “Fibs” as I’ll call them in this eBook, but the foundation of this eBook is not about Fibs.) I found, as many others would agree, that Fibs are really quite powerful to catch serious profits. The problem I experienced, however, is that most of the Fib trades would require big stops that I wasn’t prepared to risk at that time (I had a tiny \$ account). Just like the cliché, “necessity is the mother of invention”.

Well, I’ve been blessed with a mind that finds creative solutions to problems. I’m the kind of person that sees multiple solutions. For example, most people if asked to add 1 and 1 might say 2. Though from straight mathematics I’d agree but I’d see other solutions, such as if you put 1 and 1 together you’d get 11 (eleven). Or another solution is 3 or 4. How? Well if you took one man and one woman you could get 3 if they had a baby, or 4 if they had twins. I’ve trained my mind to see “out side the box”. Sometimes my wife thinks I’m crazy, wondering how the heck I come up with some of the thoughts I express, and sometimes she thinks I’m brilliant (though I think I’m brilliant all the time – wink – no, I’m really not egotistical as that statement may have sounded).

Now the strategies in this eBook I’m sure are not completely unique in the world, but chances are that you’ve never considered using them. I’ve put together this eBook as a compilation of variations of

these strategies that I've developed over time. I'm sure that you'll find these to be quite profitable for you.

Back to how I came up with "Surfing". Like I said earlier, I was reluctant to risk a big stop as would normally have been required to do the trade properly, so I tried to figure out a way to jump into a trade with a far smaller stop. My initial theory was to wait until the market hit the 0.618 of a big Fib and then when it started going back up (or down if shorting the market) I'd look for a little Fib to catch. (If I just lost you here then don't worry, I'll explain better later in this eBook, and then when you re-read this you'll understand). I came up with a number of variations to this strategy but this is not exactly what this eBook is about. Keep reading.

On another tangent (which soon collides together), let me talk about some of my early strategies to catch those price explosions which ultimately became the eBook "Explosive Profits". Remember in that eBook that I stated that I noticed that often prices exploded, and for months I tried to figure out how to catch those big moves. Well, the strategy I shared in that eBook was the best way to catch moves from Fundamental Announcements (I'll call them "FAs" from now on), but I had other strategies that I came up with that I didn't share there, and later in this eBook I show you how to catch big moves from Fundamental Announcements that you may have missed because your initial trade resulted in a dud or even a 10 pip loss.

Initially, my attempts to catch these moves were really unrefined. I started to watch my charts when FAs were being released, then as a price explosion happened I'd immediately place a market order in the direction it just moved. Needless to say this had mixed, unimpressive results. But by doing this I learned two things (see you get the benefits of my trial and errors). One – I figured there must be a "better way" to catch FAs, which ultimately evolved into what you learned in that eBook. Two – I started figuring out something entirely different, which became the foundation for this eBook that you're reading now.

Bottom line is I spent a great deal of time figuring out the things you're about to learn in this eBook. I've done a ton of demo trading (so as not to risk money during refining) and quite a bit of real trading with these strategies and have found that they

CONSISTENTLY catch some real nice profits.

MENTAL SANITY WARNING

For some of you this may at first seem a tad bit complicated, but really it is quite simple.

Please read this eBook a few times, and I'm sure that understanding will start to sink in. DEFINETELY practice these techniques in a demo account for a while before trading real money. Over the next couple of weeks of applying what you've learned in this eBook I'm sure you'll really grasp it. There is a saying, "understanding is a process, not an event". Allow yourself a while to fully integrate all this information.

BASIC BASICS

This program assumes you understand certain basics about FOREX trading, but to just be sure here is a brief review.

Currencies are traded in pairs, meaning that you are really trading one currency for another. A simple way to understand this is to consider what you do when you go on foreign vacations. If you are an American (for example), and you plan to travel to another country, say Canada, then you might take say \$1,000 USD to the bank to change it for Canadian dollars. Let's say the exchange rate is 1.4000, then for your \$1,000 USD they would give you \$1,400 CAD (ignore bank spreads/commissions). Now let's say you didn't spend the money and upon coming home you decide to change it back to USD currency. Now let's say the exchange rate is 1.3700 (a change of 300 pips that could happen in a week), so your \$1,400 CAD would convert back to \$1,021.89 US (again, ignore bank spreads/commissions). Therefore you just made \$21.89, a 2.19% increase in funds (not bad).

In the FOREX market you could have simply traded the "Currency Pair" called USD/CAD, first selling USD for CAD, and then later buying back USD with the CAD you have. Basically, you are trading one currency for the other.

Usually currencies are traded against the US dollar (USD), so you may be trading the US dollar against the Euro (EUR), British Pound

(GBP), Swiss Franc (CHF), Japanese Yen (JPY), Australian Dollar (AUD), New Zealand Dollar (NZD), and of course the Canadian Dollar (CAD). There are other currency pairs, but you normally won't be dealing with those. The ones listed here are what are known as the "Majors".

When you are trading you are attempting to capture "PIPs" (Price Interest Points), which is one/one-hundredth of a cent (for dollars). You will notice that the exchange has two extra decimals at the end. From our example above, there is a one-pip difference between 1.4000 and 1.4001.

One pip may not seem like much, but when you are trading large volumes of currency, say \$100,000, then one pip times 100,000 is equal to \$10 (less on certain currency pairs). When you are trading currencies the broker gives you typically a 100:1 ratio meaning that to "control" one lot of \$100,000 all you need is \$1,000 on margin.

Thus, as has been explained before, when you capture 20 pips from this awesome trading system then that means you have just earned \$200.

Now, if you don't have at least \$2,000 to open a regular FOREX trading account, or can't afford potential 10 pip losses, then you may want to consider a "mini" account. Most online brokers offer mini trading accounts that you can open for as little as \$300. With a mini account you are trading lot sizes one-tenth of a regular lot (10,000 vs. 100,000), with risk being one-tenth as well as your rewards one-tenth. Trading a mini account means that 1 pip equals roughly \$1. If this is the only way you can afford to start trading then open a mini account. Remember, as your account quickly grows you can trade multiple mini lots, and trading ten mini lots is the same as trading one regular lot. You could open a mini account with say \$300 and experience huge gains in your first month, quickly building your account to be able to trade larger lot sizes. Read the eBook "FOREX Freedom" to learn more about how to do this.

Please remember to exercise good equity management in all your trades, never risking more than 2% of your margin account on any single trade, however if you have a small mini account you may bend this rule to 5%. For example, if you have \$300 in your

account, 2% is \$6, equal to 6 pips loss. Realistically you need to be prepared to suffer 10 to 20 pip losses with this system, so obviously your risk per trade has to be a bit higher than professional traders would normally employ. Once you get your account to \$1,000 or more then definitely limit your risk to only 2% of your margin account on any single trade. Don't be greedy and you'll survive a few losses to continue your gains. Please don't trade money you can't afford to lose.

If you need more explanations about any of the above then simply surf the web a little, particularly looking at online FOREX brokers websites as there you should be able to learn more about the basics of how currency pairs work, or go through my other FOREX training materials. I have also included valuable bonuses you can download from the Resources Section website (see bottom of this page) that gives you a lot of additional FOREX training, and should answer your questions (I've had over \$10,000 worth of FOREX training and can say with knowledge that the resources I've provided for you there & in the other eBooks will teach you everything you need to know to get started).

A couple more things before we continue with explaining this amazing trading system. You should have the following three things already set up. (1) An actual trading account with real money in it (or get one set up within a month or so), (2) a demo trading account with fake money in it, and (3) access to charts. I would personally recommend opening up an account with one of my recommended brokers (listed in the Resources Section), however any of the other major brokers may do, or whatever favorite you have. *(Important – in the Resources Section I explain certain important criteria to evaluate your broker to see whether they'll be good to use in conjunction with this system. It is preferable though to use one of the recommended brokers)* They will also provide you free charts that will be more than good enough for the purposes of this strategy. You don't need expensive charts; the free ones really are all you need. It is best to use charts provided by your broker as the FOREX market is decentralized and the trading rates differ slightly from broker to broker, and for this strategy you need accurate prices based on your broker's dealing rates to succeed.

There is a special member's only section on my website that has

links to all the resources you will need to work with this program, including where to get accounts and charts.

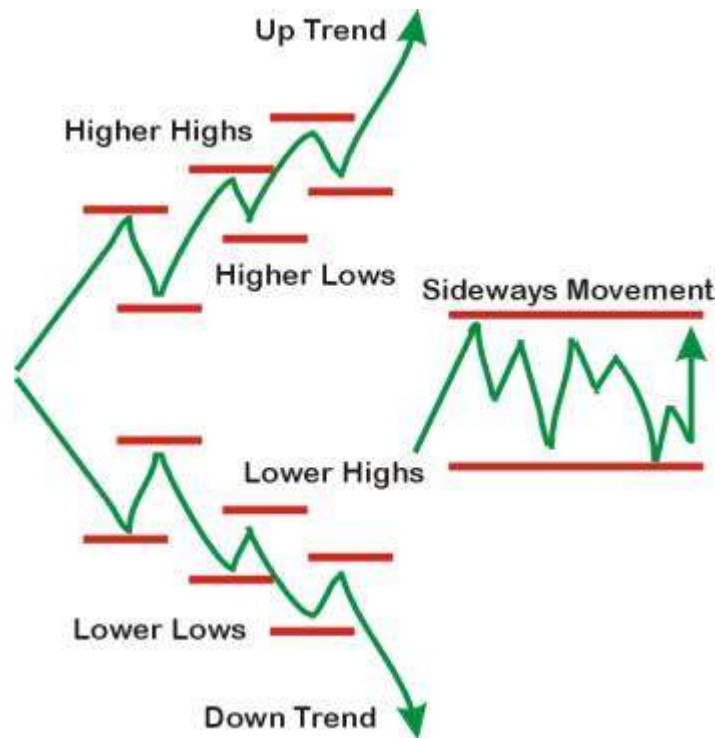
Before you commit any real money to trading this strategy you should practice it for at least a few weeks, preferably a month or even longer, and are experiencing successful trades to make sure you understand everything perfectly. Go to a broker website and register for a free demo account, preferably with the company you actually use or plan to use for your real trades. You can register for a regular demo account if you plan to trade regular lots as explained above, or register for a mini demo account if you plan to start with a mini account. In your demo account you can practice making trades in real-time without worrying about losing any real money.

Make sure to play around with making trades in your demo account, don't worry about making losses, just practice entering trades to get familiar with the steps to entering a trade. You don't want to miss out on a great trading opportunity because you don't know how to enter a trade. Also play around getting familiar with your charts. I will explain shortly how you will use them.

PART 2 - BASICS

SOME BASICS

The markets can only move in one of three ways; up, down, or sideways. That's it. Period. End of story. This means that prices can TREND up, or down, or just move sideways (meaning that the prices are kind of stuck around a certain price range). Prices however don't move in a straight line; they move by zig-zagging up-down-up-down-up-down-up. When the zigzags are making higher highs and higher lows then the price is trending up. When the zigzags are making lower highs and lower lows then the price is trending down. When the zigzags are not making significant higher highs and lower lows then the price is moving sideways, also known as "consolidation" or "channeling sideways".



Trends happen when traders worldwide believe that a price is either too low or high and so prices will tend to trend in a particular direction. Sideways movement happens when traders world wide either believe that the current price is more or less right, or when they are undecided, such as what often happens prior to a FA news release.

Trends and sideways movement happen in all chart time frames. Take a look at the next 3 charts that show Daily, Hourly, and 5 Minute candle views. All three are of GBP/USD.





The “Daily” charts show you trends that happens over a large time frame, whereas the “Hourly” zoom in to a smaller time frame, and the “5 Minute” charts zoom in even more. What I want for you to notice is that as you “zoom in” you will find that there are smaller trends inside of bigger trends.

For example, if you see that on the “Daily” charts that prices for say the past couple of months have been trending up, on the “Hourly” charts you will notice that during this same time period that there were days that trended up, days that trended down, and days that basically just hovered around a certain price range (sideways movement).

Even if the “Daily” charts show sideways movement you’ll find that when you zoom in to “Hourly” that you’ll see that it is in fact doing up trends and down trends. Sideways movement in “Daily” charts usually bounce around in a range of hundreds of pips – more than enough room to catch profits in.

Now, if you look at the “Hourly” charts you will see candles that (alone or together) go up (or down) 50, 100, 150, 200 pips or even more. From this view it looks like prices have moved straight up or down in a straight line. This is not true. Look at the “5 Minute” charts and you will see that what in fact happened is that you had a “Micro Trend” that lasted for as little as an hour to several hours.

See, the FOREX market, as with everything in this Universe, have “Macrocosms”, and “Microcosms”. Meaning that what happens on a small scale is repeated on a large scale, and vice versa. Think of how the electrons of atoms whirl around the nucleus, much like Earth and other planets whirl around the sun, which itself whirls around in our Milky Way galaxy, which itself whirls around with other galaxies, which whirls around God knows what else.

If you were to look at a chart and not know what time frame you are looking at then you really wouldn’t know because the patterns that you’ll see in a big time frame repeat themselves in smaller and progressively smaller time frames. As I have just explained to you, a single trend from a big view is in fact comprised of multiple smaller up and down trends, which even those are comprised of multiple trends themselves.

Ok, you may now be thinking “so what”. Believe me, I am going somewhere with this.

I have shown you all this to bring your attention to what I call “Micro Trends”. As with any trend (big or small) prices move in zigzags, much like smaller waves in the ocean. I soon teach you how to “surf” these waves, but bear with me while I briefly explain drawing trend lines (this is basic trend line stuff, so if you are an experienced trader feel free to jump to the next section, or read it for a fun review).

TRENDS

FOREX is considered to be a very “trendy” market (not fashionable, but that the prices trend). One of the reasons why traders love FOREX is for this reason. FOREX trends very well, and in fact if all you knew how to do was to follow trends properly then this alone could make you a very nice income.

The most basic technical analysis tool is the “trend line”. All traders use this. It is amazing how the markets repeatedly bounce off the trend line, making a nearly perfectly lined up series of highs or lows. It almost looks like a rubber ball bouncing along a concrete floor. A trend is usually recognized when 3 or more bottoms/lows line up.

You know that a market is trending up if it is making a series of higher highs and higher lows. If you draw a straight line connecting the bottoms (approximate best fit) then you have just drawn a “support” line (as it supports the prices up). Here is a chart with a “support” trend line. (Note what happened when the trend line broke. Also note the “triangle” (explained later) just before it plunged 100 pips.)



You know that a market is trending down if it is making a series of lower lows and lower highs. If you draw a straight line connecting the tops (approximate best fit) then you have just drawn a “resistance” line (as it resists the price from going higher). Here is a chart with a “resistance” trend line. (Note what happened when the trend line broke. This chart also shows a nice support line for the down trend.)



You can also have trends inside of trends. Often you will encounter (i.e. in an up trend) that you'll have a longer term trend that is somewhat "flatter", and then a shorter term trend that is "steeper".

The shorter steeper trend will eventually end (trend line breaks) and then it will do another short term trend (in the opposite direction) to move towards the original trend line.



As long as the prices keep bouncing off of the trend line you can keep making money. The standard way traders do this is to buy when the price hits the support line (or sell when hits resistance line in a down trend) and to place your stop around where it previously hit the trend line (this can be a huge stop) then trailing the stop. Alternatively, you could also exit when prices have moved a significant distance away from the trend line.

Remember the saying, “a trend is your friend... until it bends”. All trends will eventually end. A good indication that your trend is probably ending is when the price significantly penetrates through your trend line and takes out the previous significant low (up trend) / high (down trend) that bounced (or came close to) the trend line.

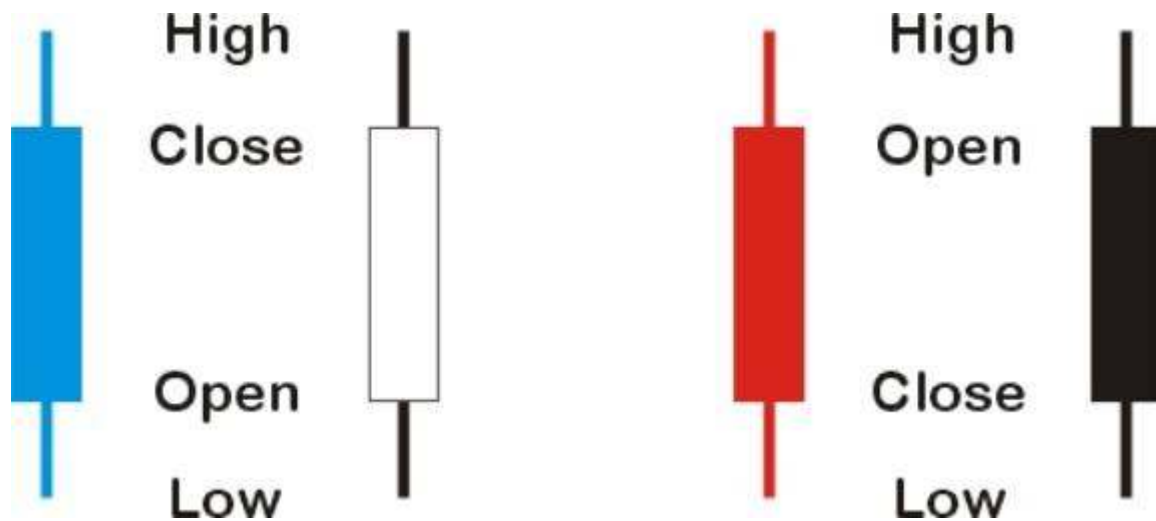
Trend lines are commonly used by traders, and there are some good resources in the Resources Section that you could read to learn more about trend lines.

CANDLES AND CHARTS

What is a “candle”? For FOREX traders it’s not one of those wax things you light on fire and place on birthday cakes. It is a way for you to visually interpret price data for a certain time frame.

Candles can represent virtually any time frame you want. For the purpose of this eBook we will simply focus on Daily, Hourly, 5 minute and 1 minute candles. This means, for example on an Hourly candle, that it will show you the significant data of what the price action was during that single hour. A single candle can show you what was the opening price at the start of that time period, what was the highest price reached, the lowest price reached, and the closing price at the end of that time period.

On charts you will see two kinds of candles. On colored charts you will typically see red candles and blue candles. On black & white charts you will see solid candles and hollow candles. The red or solid candles (same thing) show you that prices dropped at the close from the opening price. Conversely, the blue or hollow candles (same thing) show you that prices rose at the close from the opening price. In short, the blue/hollow candles show you that prices are going up, and the red/solid candles show you that prices are going down.



For the “FOREX Surfing” strategy you will need access to real time charts. Your FOREX broker should offer you some free charts, and this is all you need. I provide links to brokers and free charts on my website (in the Resources Section). You should use the charts provided by your broker, as those will reflect the actual trading prices of your broker, as sometimes-different brokers/charts have a slight price discrepancy, which could throw off the system for you. The free charts are all you really need, so save your money, you don’t need to purchase the “Pro” charts.

What you will need to do is access the chart for the currency pair you are interested in trading. Make sure that the chart is showing “Candles” rather than other types of charts. Change your view to show you 5-minute candles, or whichever time frame you prefer. This means that each candle shows the price action of five-minute increments. You may want to zoom in to get a clear view of the most recent candles, which are on the right of the screen. When you mouse over a candle notice that somewhere it should display to you the opening price, high price, low price and close price, along with the date and time of that candle. Spend some time playing with your charts getting really familiar with it so that when you’ll be placing your trade you won’t be fumbling around trying to figure things out.

PART 3 – THE SURFING CONCEPTS

SURFING BASICS

In this section I’m going to teach you the “basic” technique of this strategy. The rest of this eBook will explain variations of this to

better catch your pips.

For sake of convenience I'm going to explain how this works assuming that the prices are trending up. For a downtrend just turn everything I say here upside down as it works identically (with one exception I'll talk about later regarding your broker's pip spreads between bid and ask prices).

Let's look at a 5-minute chart of some currency.



What you should notice here is that it is an up trend because it is making progressively higher highs and higher lows. Notice how it looks like waves in an ocean, moving up, down, and back up again.

Now here is a bit of “theory” for you to understand. During a trend prices move in waves making higher highs, and higher lows (as I've already explained). Generally, if after it dips back down it crosses above the last high then there is a high probability that it will continue in that direction. If during a dip back down the price crosses below the last significant low then there is a high probability that it will continue in that direction, meaning you are possibly facing market reversal, particularly if it crosses your trend line.

At this point we're going to break into two variations of this basic strategy.

BASIC STRATEGY - VARIATION 1

Remember that we are now looking at Micro Trends viewed in 5 Minute candle charts, or for an even clear view 1 Minute candle charts. We'll discuss how to specifically recognize good Micro Trends later in this eBook.

This variation of the basic strategy is use primarily when your swing, or wave, is 20 pips or less (but no less than 5 pips – thus if your swing is between 5 and 20 pips). How do you determine this? You simply look at the price of the last significant low, and the price of the last significant high, and if the difference is 20 pips or less then you know that this swing is a candidate for variation 1.

For those of you who don't know how to check for your highs and lows on your chart then this is what you do. Simply move your mouse cursor over the candle in question. Somewhere on the screen (usually near the bottom left corner) it will display the High, the Low, and the Closing price of that particular candle.

While the price is zigzagging up, down, up, and back down there will be periods of time that the price has dropped back down below the last high, but of course still above the last significant low.

Your charts will basically look like this:



When it has dipped down 3 or more pips (preferably more) then you can place an “Entry Order” at the price of the last high (plus your broker’s pip spread - see below – will ignore this for now). An “Entry Order” differs from a “Market Order” in that with a “Market Order” you are jumping into the market at the current market price. With an “Entry Order” you are telling your broker to enter you into

the market if/when the price hits your predetermined set price.

You then place your stop at the price of the last low. With the basic strategy you place your limit for preferably the height of the wave (1:1 risk-to-reward ratio), or you can do 20 pips beyond your entry price. Then you just leave your trade alone.

This is what can happen now.

<<1>> If the price continues to drop down and drops below the price of the last low then immediately cancel your as of yet unfulfilled entry order. Chances are that either you're seeing a reversal, or you're just seeing a bigger pull back (remember micro/macrocossms as we discussed about earlier? This is probably a dip from a larger swing from a larger view.). Either way you've cancelled your entry order and you didn't trade. No profit and no loss. For the FOREX Surfing strategy we'll call this a "dud".

<<2>> After the price has gone down it will turn around again to go up. As soon as the live market price hits your entry price then your trade will become active, and you are in the market.

<<2 – A - Good>> Now that you are in the market the price may jump around. It may drop down further, but come back up, or it may just continue to go up from your entry price (which often happens when it's doing an "extension" (a Fib term) in a Micro Trend). It keeps going up, and up, and up until it hits your limit price and then you automatically exit the market with a gain.

<<2 – B – Bad>> You're in the market now, but the price drops, and drops some more to hit the price of the last significant low where you put your stop. Too bad, so sad, you just lost some pips (how much depends on how big that wave was). Remember to practice good equity management and never to trade more than you can afford to lose. Please read what I wrote about this in eBook #1. So you just lost some money... don't worry you'll make it up in later trades.

Why does this strategy work? Well, this is kind of based on Fibonacci trading rules. Basically, the general principle is that in a trend when prices cross over the top of a swing then there is a HIGH

PROBABILITY that it will continue in that direction without dropping below the last significant low.

Eventually you will have to experience an instance where the price does penetrate the low because prices do reverse. What you are capitalizing on is that about 80% of the time you'll be "right". The key words from the above paragraph are "High Probability". Remember the trader's saying "a trend is your friend – until it bends". You can make a lot of money while the "trend is your friend", but sooner or later it has to end. When you properly follow this method then the odds will be in your favor.

BASIC STRATEGY - VARIATION 2

This variation of the basic strategy is use primarily when your swing, or wave, is between 20 pips and 40 pips. In this variation we start to use some Fibonacci techniques, but with a bit of a twist.

It is not my objective in this eBook to teach you everything about how to use Fibs, but let me explain it very briefly here, and later in this eBook I will explain in more detail. I'm not going to go in great detail here.

Some Italian guy (Leonardo Fibonacci – he was a mathematician) who lived hundreds of years ago discovered an interesting series of numbers. He found that if you add a number to its previous number in the sequence over and over again that you come up with a mathematical numerical sequence. The number sequence goes on like this – 1, 1, 2, 3, 5, 8, 13, 21... and so on. The next number of this sequence would be 34 because if you add 21 to it's previous number of 13 then you get 34. He has demonstrated that nature uses this numerical sequence series in many various ways, and it explains the growth patterns of seashells, pinecones, sunflowers, trees, the reproduction of rabbits, and many other things in nature (including humans). If you are interested to learn more about him I'm sure you can find links by doing a web search on "fibonacci".

To make a really long story short, it's been demonstrated that the markets (FOREX, stocks, commodities... all of them) behave in patterns corresponding with Fibonacci's numerical sequence. Fibs

are truly powerful to use to determine with a very high probability where prices will turn around, and can be used to enter the market very close to the lowest price that it'll go, and exit the market very close to the top price. This is truly an amazing technique, and I'd say that it is very worthwhile learning as a FOREX trader. It is especially powerful when you learn advanced Fib techniques (Convergences and Gartley's – dealt with in my other eBooks). I will cover some more Fib techniques later in this eBook.

Back to the strategy variation #2. Again, this strategy is particularly useful for waves that are between 20 to 35 pips.

With this variation we're going to apply a bit more Fib principles. When the wave you are looking at makes a new high (and it's between 20 to 40 pips from the last significant low) then this is what you do.

First you add the price of the high to the price of the low, then you divide the number by 2. If you have an odd number of pips then round your divided number up to a full pip (i.e. $1.2033(\text{high}) + 1.2000(\text{low}) = 2.4033$ then divide by 2 = 1.20165 = rounded up to 1.2017). What you have just done is you've figured out where 50% of the swing is. 50% is one of the key Fib levels of support.

To those of you who already know how to use Fibs – I know that typically you've learned to enter at the 61.8% level. This is true for most trades that you would do using standard Fib theory, but please keep in mind that we're talking about a highly specialized trading method on "Micro Trends". Most often on a Micro Trend the prices will bounce at the 38% or 50%, and if it goes down to a 62% or even a 79% then it's showing that your Micro Trend is running out of steam and may soon start to reverse. If your swing is larger than 40 pips then feel free to use standard Fib trading methods.

Now what you do is you place an Entry Order to go long if the price drops down to your 50% level.

For your stop you use the last significant low (the bottom of your wave). This means that your risk is only 50% of the size of the wave. So if your wave is 20 pips then your risk is only 10 pips. If

your wave is 30 pips then your risk is only 15. If your wave is 40 pips, the biggest wave you'd use with this strategy, then your maximum risk is only 20 pips! (Read about Broker's spreads below).

Remember how I promised that you could trade with tiny risks! Well now you understand how you could pull off trades with a maximum risk of 20 pips! Many of you who read my website wrote me asking how this is possible (usually "experienced" traders who are used to 30 to 150 pip stops). Well now you know!!!

How about your limit? What you do is you figure out how many pips your wave is then you add it to your entry price. That's it. So if your wave is 20 pips then you've got a 20 pip profit to 10 pip stop. If your wave is 30 pips then you're going for a 30 pip profit with a 15 pip stop. If your wave is 40 pips then you're going for a 40 pip profit with a 20 pip stop. You've got a 2:1 profit-to-loss ratio here now.

From the example numbers we used above (high= 1.2033, low- 1.2000) you'll see that this wave is 33 pips. We add 33 pips to the 50% number (1.2017) and we get 1.2050. So for this example you would set your limit for 1.2050.

Well here is the cool part (remember how in the preface of this eBook I said I tend to notice interesting things most people miss? I bet you've never thought of this.) This part is for all of you reading this who understand Fibs. What's the standard extension for a 50% bounce? If you said 1.618 then good for you. The 1.618 extension for our example would be 1.2053, 3 pips above our limit order which is of course what you'd want to do – exit a few pips before extension level. Go ahead, try the math with a 20 to 35 pip swing... works every time! So you see, the simplistic math I use for this particular strategy works with the more difficult math of Fibs. Who says that things have to be complicated to work?

Now this part is important. As soon as the market price reaches back up to the high then what you do is you replace your stop to your entry price. Now look at what you just did. You've just set your loss to zero, so now the worst thing that can happen is that you

lose nothing but can gain 20 to 35 pips! Why? Remember the General Principle is that it's unlikely for it once it crosses the top for it to go back to the bottom. Of course your stop may be a few pips higher than the true bottom, but at this point if it goes back down (after it's crossed the top) then it's better to risk zero than anything.

VARIATION 3 – COMBINATION OF BASIC 1 & 2

This is really just a merge of variations 1 and 2, and is used for waves that are 30 to 40 pips.

When prices start dipping down below the high that was just established (at least 8 pips, preferably more) then place two entry orders, one for each of the above two variations. For the entry order that you place based on trading variation 1 then set your stop to be at the 50% level of the wave.

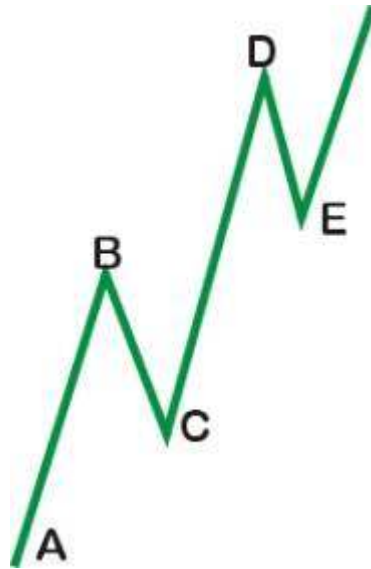
Here is what you do as soon as one of two things happens.

<<1>> If prices rise again (before having hit your 50% entry price) then simply replace your stop to be a few pips below the low that was just created, cancel your other pending order, and continue as you would normally with the “Variation 1” technique.

<<2>> If prices continue to drop and triggers your 50% entry then cancel the other pending order, and continue with the “Variation 2” technique.

BASIC STRATEGY - VARIATION 4 – Skimpy version of 1

Before we go into specific applications of the basic strategies, let me cover one more “basic” strategy, which really just a clever variation of “Basic Strategy Variation 1”.



In Basic Strategy 1, you would place your entry order at the price of point B, and your stop at point A. The reason you use point A for your stop is because that was the last low of the wave. Well, if you think about it, once the price has crossed point B, even by just a couple of pips, then you have just established a new high, we'll call it point D. In your trend, when prices dip back down (point E) you should then establish a higher low. So therefore, as soon as your entry order is entered as a trade you could then change your stop to point C, as C has now been established as the last low. You couldn't program your entry order to have C as your stop because until the price crossed B you couldn't be certain what C would be; it could have gone lower.

There is one important condition to using this variation. Point C must have been at least a third of the way back down from point B. This is important otherwise you stand a much higher chance of getting stopped out. You don't have to do any math, to determine this. As long as it visually looks to have retraced a third of the way back down or more then you can implement this variation. The reasoning for this pertains to Fibonacci theory. It's important that it at least has bounced the 38% Fib level, and if it's gone at least a third of the way down it's good enough. If you don't understand Fibonacci theory then know that it's explained later in this eBook. If your wave didn't pull back at least a third then keep your stop at point A, as in Basic Strategy Variation 1.

By doing this variation you dramatically lower the risk of the trade, but you still aim for the same profit (say 20 pips). Now your risk to

reward ratio is definitely better in your favor. The only downside to doing this is that you now have a greater chance of getting stopped out. With experience, gained through lots of practice, you'll get a feel for when to use this particular variation, and when to stick with the standard way of "Basic Strategy 1".

That's all there is to the "FOREX Surfing" basic techniques. Simple but powerful. In this eBook we will look at specific applications of the above techniques, and variations to use them to capture your pips. Before we move on, let me just explain something about Broker's PIP Spreads, and give you some practice exercises to do.

BROKER'S PIP SPREAD

What I've explained in the above variations is not exactly complete. I intentionally left out this important concept so as not to confuse you. I wanted you to learn the basic idea of the 3 variations with as little complications as possible, but here now will add this crucial bit of information.

This is important information for you to know and to use in all your entry orders. Most brokers work basically the same way, but double check with the broker you use.

First of all, keep in mind that you should use charts that are provided to you by your broker that are based on their live prices. This is important because you'll find that often there may be discrepancies between brokers by a few pips. You don't want to base your trading decisions on a different broker's prices. Check in the resource section as I provide you with links to quality charts and brokers.

All brokers have "spreads". A "spread" is the difference between the "ask" and the "bid" price. When you sell (go short) you "bid". When you buy (go long) you "ask". Bid=Sell and Ask=Buy. The major currency pairs usually have a 3 to 5 pip spread. (Don't trade currency pairs that are more than 5 pips) Most brokers proclaim that there are no commissions in FOREX trading, but really that's what the pip spread is. Check with your brokers to find out how many pips each currency pair is for you.

Let me explain to you why this is important.

The charts that you look at display the “bid” price. Let’s say that at this exact moment in time the current market price shown on your charts for some currency pair is 1.2010. This means that if right now you wanted to sell short that this is the price you would be executed at. Let’s say you wanted to buy long instead. You would then be entered at 1.2015 (assuming you have a 5 pip spread as most of you reading this will experience most of the time).

Special note for “mini” traders. Most charts show the prices of 100k lots. Check the spreads for both the 10k (mini) and 100k (regular) currency pairs. If both mini and regular have the same spread for the currency pair then you don’t have to take any extra steps. If there is a difference, as you would experience trading, for example, the EUR/USD on most brokers, then you have to add an extra step. Usually EUR/USD has 3 pips for the 100k, and 5 pips for 10k. Therefore you would need to mentally subtract one extra pip from what you see on the charts. So if the chart shows you 1.2133, you need to pretend it says 1.2132.

Ok, so what does this all mean in terms of how to trade the above variations? (We’ll continue assuming you have a 5 pip spread)

Normally, if trading big trades with stops of 30 to 80 pips then most traders don’t even pay much attention to this. But since this “FOREX Surfing” technique focuses on small waves you do need to consider this.

Let’s pretend we’re about to attempt a trade using “Variation 1” from above. Let’s say that the low was 1.3250, and the high was 1.3265. The size of your entire wave is only 15 pips as seen on your charts. Let’s pretend that the current market price in this moment in time is 1.3258. If you put your entry order to go long at 1.3265 many brokers will execute your trade when the prices (as you’d see on your charts) reached 1.3260. **You wouldn’t want to enter yet because you haven’t satisfied the “rules” of this strategy – to only buy once the price reached the price of the previous high.**

What you need to do is add the spread (i.e. 5 pips) to the price you want to *buy*** at (as seen on your charts). You do**

nothing special for sells.

So, from our example prices above you would then enter your entry to go long at 1.3270 (buy), and your stop at 1.3250(sell). Now your risk on this trade is 20 pips. Since your limit is a “sell” you don’t add any pips to this price.

So far we have only been discussing price moves that go up. Again, I’ve explained everything for upward moves for sake of convenience, and everything I said is true for downward moves, just reversed. To make sure you understand a downward move and how you would add your spread I’ll redo the example, using the same price numbers, just for the reverse.

Your high is 1.3265 and low is 1.3250. You will place an entry order to sell at 1.3250 without adding any pips. Your stop however is 1.3270, since it’s a “buy”. Whereas in the previous example your limit was a “sell” so you didn’t add pips, in this case your limit is now a “buy” so you do add your spread. Let’s say you are aiming for a 20 pip profit then your limit would be at 1.3230.

Please re-read this section a few times to fully comprehend all of this.

PRACTICE TIME

It is important now that you practice what you have just learned. “Practice makes perfect”. Please do the exercises. By doing them you integrate this knowledge and are better prepared for live trading. If you have done all the exercises correctly (your numbers match my numbers) then you know that you understand everything. If you have errors then you know that you need to re-read this section, and attempt the exercises again.

I will give you several high and low prices. First work out all these numbers pretending that they are in an up trend (you are going long), and then redo all these numbers pretending that they are in a down trend (you are going short). Determine which variation (1, 2 or 3) you would best use. If variation 3 would be an option then calculate the trades for both variation 1 and 2. If variation 1 would be an option then also state where the stop would be for variation 4. Calculate the entry, stop and limit for each trade.

The practice questions may be found in the Resources Section, and the answers are found there too.

PART 4 – TRADING RULES

ABOUT PROFITS

Before we move on to the next part of this eBook, where we'll look at specific applications of the above variations, let's first discuss profits.

Different traders have different philosophies about how many pips to go after. (1) Some traders go after large pip targets – from 50 to 500 (or more). They are often position traders (leaving trades over night – often for days). Usually they trade one or two lots, and use stops of around 50 to 100 pips. (2) You then have other traders that focus on day trading (within one day, usually within hours) to get 20 to 30 pips trading one to a few lots. (3) You also have another breed of trader that will trade multiple lots to catch just 5 to 10 pips, usually within minutes (i.e. trading 10 lots for 10 pips is an equal profit to someone trading 1 lot for 100 pips, both would equal \$1,000 profit<depending on which currency pair traded>).

There is nothing wrong with trading with any of these objectives in mind. In fact it is good to be versatile in your trading. They each have their pros and cons, but they are all good.

You will find that you'll tend to have a personal preference. Me, I usually like going for around 20 pips (though I often let it ride for more with trailing stops).

Generally, the larger the pip target you are shooting for the greater will be the chance that the market will turn around on you before it reaches your target. Conversely, the smaller the pip target you are shooting for the greater will be the chance of the market reaching your target.

All things considered equal, there is a greater chance that you'll successfully pull 20 pips out of the market than 50 pips, or even 30 pips. The further out you go the more likely it becomes that the

market will change it's mind. A relatively safe way to trade is to just go after small trades of 20 pips or so, but again there is nothing wrong with going after huge trades (if you can safely afford the risk).

Please be sure to reread what I wrote about equity management earlier in this eBook. Above all else, never trade money you can't afford to lose.

Many of you, especially those of you new to trading, may think that this is not "sexy". Of course you want to catch huge moves (don't we all). Don't worry; I'll cover some "huge moves" techniques in this eBook, however most are "little deals". The aim of this eBook is to teach you to CONSISTENTLY catch pips, and to make good profits.

The key word of the above paragraph is "consistently". If you want a steady income trading FOREX then you want to be very consistent (not sporadic).

Most people who are new to trading have unrealistic expectations thinking they're going to get thousands of pips per month. Yes, this is possible (go ahead and try), but realistically you'll be happy with far less.

Let's say you have a job (one of those things you hope to quit) and can only trade part-time. If you could achieve CONSISTENTLY 200 pips per month then you'd be doing well. This could be easily accomplished part-time if you catch 10 trades (over all) in a month for 20 pips. Is this realistic? Yes! Think about it, 200 pips for one lot is \$2,000 (on most currency pairs). Would an extra \$2,000 a month (\$24,000 a year) be something you're interested in? Not enough? Ok, then trade 2 lots (\$4,000/month). Still not enough? Trade 3 lots, or 4. Bottom line is that if you can CONSISTENTLY average 200 pips every month then you can determine your own income by how many lots you trade.

The cover of this eBook states that you can catch \$200 to \$3,000 multiple times per week. Using the techniques of this eBook you could do this in several ways. If you trade one regular lot for say 20

pips then that would be \$200 (for many currency pairs), if you trade 15 lots (assuming you can afford to do so) then you'd have \$3,000. In this eBook I'll also show you how to catch waves to "surf" for bigger trades, like 100+ pips. I'll even show you how to catch multiple waves that adds up to 200+ pips total in a wave that may only be around 100 pips. Doing that then you'd get closer to catching "\$3,000" with far fewer lots.

Initially, when you start please don't trade multiple lots... only when you've proven to yourself that you can **CONSISTENTLY** catch winning trades. **NEVER** trade more than you can safely afford to lose. Please read what I wrote about equity management.

The most important statement from the cover of this eBook is that you can catch these trading opportunities **MULTIPLE** times per week. Once you learn the rest of the techniques in this eBook you'll see that there are **MANY** great trading opportunities that happen each week. You could easily catch a dozen a week and still have missed many others. By the time you finish reading this eBook I'm sure you'll agree.

I hope you've already read my short eBook titled "FOREX Freedom". If all you were to do is successfully apply what you learned in that eBook with this one then you'll be very happy with the results.

ABOUT RISKS

Please remember to exercise good equity management in all your trades, never risking more than 2% of your margin account on any single trade, however if you have a small mini account you may bend this rule to 5% (or even 10% but this is very risky). For example, if you have \$300 in your account, 2% is \$6, equal to 6 pips loss. Realistically you need to be prepared to suffer 10 to 20 pip losses with this system, so obviously your risk per trade has to be a bit higher than professional traders would normally employ. Once you get your account to \$1,000 or more then definitely limit your risk to only 2% of your margin account on any single trade. Don't be greedy and you'll survive a few losses to continue your gains. Please don't trade money you can't afford to lose.

Let's talk about risk-to-reward ratios. If you were to place a trade

for a 20 pip profit limit with a 20 pip stop then your ratio is 1:1 (one to one). If you place a trade for 30 pip limit with a 20 pips top then your ratio is 1:1.5 (one to one-and-a-half). A 40 pip limit with a 20 pip stop is 1:2 (one to two).

Let's forget about the broker's spreads for a minute. If you were to toss a coin (heads you go long, tails you go short) technically you'd have a 50/50 chance of winning or losing (the market can only go up or down). If you were to trade with a 1:1 ratio then after a hundred trades you should theoretically have around the same amount of money left in your account.

This would be kind of similar if you went to the casino and played "red or black" on a roulette table (but please don't confuse FOREX trading as being gambling). Technically it's almost a 50/50 opportunity. Where the casino has a statistical advantage is that the table has a green zero and a double zero, which means that your odds are now worse than a true 50/50. In much the same way you have a slight disadvantage from a true 50/50 because of your broker's spread. So in truth, if you were to trade based on a coin toss you'd ultimately be losing money.

So how do we place the odds back in your favor? You do this by trading a strategy (such as what is in this eBook) that capitalizes on "High Probabilities". If you trade smart you should be able to CONSISTENTLY catch around 75% wins (more or less, depending on your skills – with practice you can increase this). So for example, if you made 4 trades for 20 pips stop/limit, then odds are that 3 of them would be winners, and one would be a loser. So you'd have captured 60 pips (3 x 20 pips), but lost 20 (1 x 20 pips) for a net of 40 pips.

Remember, ALL traders lose money. The trick is to gain more than you lose.

Now when you start trading to capture larger pips, such as when trading a 1:2 ratio like you would do with "Variation 2", then statistically the odds start working against you for winning this trade, but by using "High Probability" strategies you again shift the odds back into your favor. Let's say that you only catch 50% wins (though you should be able to do better than that). Half of the trades you win, and half you lose. So if you made 4 trades, and assuming

that 2 of them won, and 2 lost then look at what happened. You made 80 pips (2 x 40 pips), lost 40 pips (2 x 20 pips), for a net of 40 pips.

Remember, you are not after humongous gains. Don't "bet the farm" (all your money) on a single trade. Slow and steady, CONSISTENTLY, is how you rack up a fortune. Please read the eBook "FOREX Freedom" to see how you can accomplish this.

!!! HUGELY IMPORTANT POINT !!!

I highly stress to you now the importance of practicing what you are about to learn in a demo account before you trade with real money. Please demo trade for a solid month before trading with real money. DON'T! AND I REPEAT DON'T jump into trading with real money too soon.

These techniques are subjective. By demo trading you will learn a lot. The time you spend demo trading you are training yourself to be a better trader. You WILL make mistakes, and you will learn from them. At the beginning you may even find that you'll lose demo money (better than losing real money). Only move to real money trading once you've had a month of consistent profits. If you are not making money in a demo account then you will not magically start making money in a real account.

I would highly recommend that after demo trading practice that you move to a "mini" account before a "regular" account. Your mentality will change when you move from demo to real money, so continue practicing for at least another month with your "mini" account.

As with any skill you will improve with practice.

!!! #1 TRADING RULE !!!

This is extremely important. If you ever have two trades that result in losses back to back in a single day then shut down your computer and stop trading for the rest of the day. Yes, you may end up missing a great trading opportunity, but you're far more likely to save yourself from more losses.

The most important skill for you to develop as a trader is to be unemotional about your trades. Most people new to trading will start making huge mistakes when they start getting emotional after losing money. When you are upset after losses you will begin to do irrational trades... and end up losing even more.

You'll try to catch back what you lost. You'll consider trading double your regular lots to get back to break even. You'll trade without following the proper steps of your trading strategy. You will curse the markets, and second-guess yourself, thinking that trading isn't for you. You'll make stupid mistakes trying to take vengeance on the market. Ultimately you'll end up losing even more, and will feel like a big time failure. People have wiped out significant amounts of their accounts on a bad day for this reason (myself included). It then takes a long time to recover from your huge one-day losses.

If you are trading money you can't afford to lose, and you'd feel like someone kicked you in the stomach if you were to lose, then **YOU SHOULD NOT TRADE**.

The best thing to do, and this is the #1 Rule, is to shut down your computer and forget about trading for the rest of the day if you have two losses in a row. Take a walk, clear your head, and do something completely unrelated to trading (don't go drinking). Tomorrow is another day for you to make money.

!!! #2 TRADING RULE !!!

Never employ these strategies just before a Fundamental Announcement. As this eBook is bundled with eBook #1 "Explosive Profits" as bonus reading material, which talks extensively about Fundamental Announcements, I won't cover this topic here, except to provide you with this caution.

Before you start trading for the day be sure to look at a Fundamental Announcements calendar (links provided in Resources Section). Be aware of what news is expected to be released and when. If you are trading a currency pair that will have significant news released then be sure to exit the trade before the news happens, or (if your broker **GUARANTEES** stops without slippage in all market conditions – check with your broker about this) place a tight stop on your open

trade. This way if the market moves against you you'll be stopped out, but if it moves in your favor you'll catch some nice extra profits (repeating myself to stress the point of checking with your broker about this). If you are not careful about those Fundamental Announcements then you could end up being nuked by them, so beware!

!!! #3 TRADING RULE !!!

Never, and I mean NEVER EVER EVER trade without a protective stop loss. Period. This applies to ANY trading strategy you use.

!!! #4 TRADING RULE !!!

When in doubt stay out. This means that if you feel uncertain about a trade then don't trade. You don't have to trade everyday. In fact it's not a good idea to trade everyday because there are days that the market hardly does anything interesting. If you don't see any good trading opportunities then simply pass on trading. Trading just for the sake of trading is just plain stupid. Wait for a good opportunity to come up. You'll be well rewarded for your patience.

!!! #5 TRADING RULE !!!

Don't marry a trade. Be willing to change directions. Sometimes you may think that the market should go in a particular direction. Sometimes the market will seem to defy you by doing something different. When the "reasons" change, whatever indication you thought you saw, then go with the change rather than insisting that it should be your way. Keep your mind open to seeing what is going on, as you may realize that everything now looks good to trade in the opposite direction. Only by being flexible, mentally, could you catch an excellent trade that may be opposed to your original analysis (but of course your new decision must be based on a good strategy).

PART 5 – SURFING TRENDS

In this part of the eBook we will look at "Micro Trends".

MICRO TRENDS

This is perhaps the most important section to read. Most of the other applications are founded upon Micro Trends.

What is a “Micro Trend”? As we already covered earlier, trends occur in all time frames. A micro trend is simply a small trend that typically lasts just a few hours, and are often really just movements of a larger market pattern. Micro trends are usually viewed in a small candle chart view, most often in a “5 minute” chart. To get a closer look to better see what is happening with the price movements you could look at a “1 minute” chart, but usually you’ll use “5 minute” charts.

As just stated, a micro trend is really a movement of the market from a “bigger view”. If you look at an hourly chart you often see two, three or more candles that keep moving up (or down), that move 50 or more pips. From an hourly chart view it may look impressive, but usually it appears rather unimpressive in contrast to all the other price movements you see on the chart. It could just be a zig in a zigzagging sideways market. It could just be a retracement (pull back) of a large fibonacci swing. It could be just about anything of a price movement pattern as seen on a larger view. Regardless of what is the “big picture” reason for this move you’ll see them happen very often (many times a week on all currency pairs).

The specific techniques that are coming up shortly will teach you specifically what to look for to help you determine where to jump into a wave to surf it for profits. But let’s look at a micro trend a little more.

Here is a little review. A trend is usually identified by prices that make higher highs and higher lows for an up trend, or conversely, lower lows and lower highs for a down trend. A trend line can usually be drawn when you have 3 or more points that line up (more or less) for support (up trend) or for resistance (down trend).

What you are looking for to use this system is a Micro Trend. Once you see a Micro Trend then you look for a suitable “wave” to “Surf” using one of the three variations discussed above.

We will look at specific situations that often arise that you can use the “Surfing” approach with shortly.

LOOKING AT DIFFERENT VIEWS

In the “Surfing” approach you will often be looking at 5 minute candle charts for most of your trades, however here I will explain the importance of looking at different time frames, especially the 1 minute candle charts from time to time.

It is useful to look at larger time frame charts to see the bigger perspective of what is going on. When doing your technical analysis it is best to start by looking at the Daily candle charts (over past 3 years is what I like to look at, but one year is good). Here you will get a good impression of what the overall trend is.

Then you zoom in to the Hourly charts (over 30 days). Here you’ll be able to spot some of the things you’ll learn to look for later in the eBook.

It is good practice to start your trading day off by looking at the Daily & Hourly charts to keep these perspectives in mind.

Then you zoom in to the 5 minute charts. This is where you will spend the bulk of your time with this strategy. Most of the waves you’ll be jumping into will be clearly seen on this chart view.

What I really want to explain to you now is the importance of using 1 minute candle charts in specific situations.

Again, most of the time you will clearly see the waves you will want to “Surf” on the 5 minute candles. This is because most of the time the market is moving slow enough for you to clearly see the waves. There are however times when the market is moving rapidly, and the 5 minute candles don’t clearly show the waves you want to “Surf”.

Let’s say you see a series of candles on 5 minute charts that look more or less like this:



Let's say these candles are moving quite well, in that each of the above candles spanned 10 to 15 pips or so. Obviously you'd want to "Surf" this, but how? Just by looking at this it appears, at first glance, that there aren't any waves to jump in on, but if you look closer you can see that there are.

Notice the wicks of the candles (the skinny parts). The fact that you can see them tells you that the prices have been bouncing around, going up, down, and back up.

What you do is you switch to a 1 minute candle view. Each of the above four candles would then be represented by 5 individual 1 minute candles (you'd be looking at 20 candles in total). Chances are that you'll now see the price rising, falling, and rising again in what now will appear more like waves. When you spot what appears to be a suitable wave then you can more easily jump in on a trade.

The following two charts show you how you see more details in a 1 minute chart as opposed to a 5 minute chart. The arrows show you where to look to see the differences. Both charts are of the same currency pair over the same time span. First is the 5 minute chart, second is the 1 minute chart.



See now how a different view changes what you “see”?

PART 6 – SURFING OPPORTUNITIES

In this part of the eBook we will look at specific applications of the “Surfing” techniques.

LOOKING FOR “REASONS”

An important concept to keep in mind while looking at your charts

is to look for “reasons” why there should be a “Micro Trend”, and to look for “reasons” why your Micro Trend should end at some point. You search for these reasons using various “Technical Analysis” tools. If you are knowledgeable and experienced with Technical Analysis methods then you should easily be able to identify more opportunities. If you are completely new to Technical Analysis then don’t worry, I’ll teach you enough here in this eBook to be able to use the “Surfing” technique profitably.

In this eBook I’ll teach you how to recognize “High Probability” trading opportunities that are similar to other Technical Analysis methods you may have (or may not have) already learned. The significant difference is that I teach you a different way to jump into your trade that is usually far safer for you in terms of pips risked.

This section of the eBook will explore “reasons” to notice that you have a high chance for a trading opportunity. Later we will look for “reasons” that your Micro Trend may be coming to an end, so that you’ll be sure to be out before that point.

FIRST THINGS FIRST

At the start of your trading session what you should do is to look at your “big view” charts (Daily candles over 3 years) for whichever currency pairs you are interested in trading (i.e. EUR/USD, GBP/USD, USD/JPY, etc...).

On these charts draw your long term trend lines and look for shorter term trends closer to today’s candle. Also look to see if you can spot any fibonacci action (we’ll talk about Fibs a little more soon). Feel free at this point to employ any other Technical Analysis methods you feel comfortable using. What you are doing is you are searching for “reasons” why the market could turn at certain points (i.e. it could bounce a trend line, bounce at a Fib level, or other reasons). From this “large view” you are not looking for actual trading opportunities, but it is good to note places where you expect the market may turn around. At those times you want to be trading in the right direction.

Once you have your trend lines and resistance (or support) levels drawn (from whatever Technical Analysis methods) then you want to zoom in on your charts by changing to a 1 Hour candle view

(over 30 days). Here you repeat the process again drawing your trend lines, looking for Fib levels, or other Technical Analysis indications. You may notice that from this view you can see that the market is trending up, down, or even sideways (and we'll talk about sideways movement as one of the strategies). At this point you want to notice the points where the price may meet with a trend line or other potential reverse levels as this will give you good indications of roughly where you may soon be entering your trades.

Once you have completed your analysis looking at the Hourly charts then you zoom in even further to the 5 Minute candle charts (over 5 days). Here you again repeat the process looking for all the things mentioned above, but you also look for other things that will be explained shortly (i.e. consolidation patterns, triangles/flags, etc...).

OPPORTUNITY 1 – TREND LINE BOUNCES

This is one of the easiest trading opportunities to spot, and to catch. In your Hourly chart view, if you spot a nicely defined trend line (up or down, but in our example we'll discuss an up trend) then you can look for a "wave" to catch once you have a confirmation that the market has successfully bounced that trend line.

The standard way most traders have learned to trade a trend line bounce is to place an order roughly where the price should meet the trend line, and to place a stop at the last significant low (in an up trend), usually where it last hit the trend line. Most often the required stop for such a trade would be well over 100 pips. Some folks may place their stops say 60 pips beyond the trend line because the normal stop may be too big of a risk for them, but technically this is even more risky (greater chance of getting stopped out even if the trade would have worked out).

Patience is a virtue in conjunction with the "Surfing" strategy. What you want to do is to wait until you have a confirmation that the market has bounced the trend line, and then look to catch a suitable wave to "Surf". Later in this eBook we will review "Reversal Signals" to help you identify such reversals.

Once you have your confirmation that the market is beginning to trend in the new direction (bounced the trend line) then employ one of the three variations you learned at the beginning of the eBook to

catch a wave.

Remember that the closer to the beginning of the trend you can get in the higher the probability that the trend will continue far enough for you to draw profits. The farther along a trend you go the higher the probability becomes that the trend will reverse on you. So attempt to catch a suitable wave as early as possible.

When you are new to trading the “FOREX Surfing” strategy then it is best for you to simply catch your 20 or so pips and then exit your trade for a nice and easy profit. Once you have a little more experience then you might want to consider letting your trade ride for bigger profits (going for 100 pips to hundreds), or even pyramid your gains. We’ll cover both of these topics a little later in the eBook.

OPPORTUNITY 2 – TRADING SESSION MOVES

There are two primary trading sessions each trading day (Monday to Friday). Actually there are three, but I’ll explain what I mean to be a “Trading Session” (of which there are two). Let’s discuss “Market Overlaps”, and then we’ll return to this trading opportunity.

Market Overlap – Because the world is round, different places around the world experience different times. Half way around the world from somewhere where it is daytime is nighttime. This is obvious. Now there are three major markets that trade FOREX, the North American market, the European market, and the Asian market (including Australia & New Zealand). The Asian market trades between 8pm and 4am EST (convert these times to your own time zone), the European market trades between 2am and 12pm EST, and the North American Market from 8am to 5pm EST. You will notice that there are two times when two of the major markets overlap in trading times; between 2am and 4am EST (Asian/European) and between 8am to 12pm EST (European/N. American). Generally speaking, those are the best times to trade, and all other times simply close your computer. Most significant price moves happen only during these times, and outside of these times the markets mostly “consolidate”, meaning very little price action happens, just some narrow bouncing sideways movement, and it’s usually a big waste of time trading then.

CLOSE ALL ON FRIDAYS – DANGER! DANGER! This point is huge. Never, and I mean NEVER leave a trade open through the weekend. During the weekend the markets are closed, but world events still happen that affect the price of a currency pair. When the markets reopen on Monday morning (Asian times), Sunday evening in North America, the price usually gaps meaning your stops could be completely missed resulting in huge losses. So never ever EVER leave a trade open through a weekend. If you have any open trades simply close them manually around noon or 1pm (EST) on Friday. Yes, following this advice may result in lost profit opportunities, but it far more than compensates for lost money in your account if you are on the wrong side of a big move. (The only exception with this is if your broker guarantees your stop without slippage over the weekend. Most brokers don't, though there are a few that do, but generally it is a "best practice" to avoid leaving trades open through a weekend.)

Overnight Interest – Remember, if you leave your open position over night then you are charged interest. Your brokerage should explain this in more detail for you (check to find out at what time the rollover happens for you). Remember that leaving overnight positions open on Wednesdays cost you triple interest. This is just a reminder about interest charges, however if you are in a profitable trade then this is negligible.

As you have learned from the above paragraphs is that there are two main trading sessions each day when the markets overlap (Asian/European and European/N.American). For sake of convenience we'll call these trading sessions "T-AE" (first session with Asia), and "T-EN" (second session with N.America).

It is best to focus on currency pairs that have their parent country actively trading during the session. For example, during the T-AE session focus on the Asian currencies such as JPY, AUD, and NZD traded against the USD (the only exception to this general rule since most currencies are traded against the USD) or even the EUR (as long as your broker's spreads are 5 or less pips on the pair, such as EUR/JPY, but most other pairs it's best to stick with USD). It would not make sense to trade USD/CAD during this time since most Canadians are sleeping (except for some dedicated FOREX

traders – wink). Since Europe is active at this time then you could also trade EUR/USD, GBP/USD, and USD/CHF.

During the T-EN session focus on the European and North American currency pairs such as EUR/USD, GBP/USD, USD/CHF, and USD/CAD. As a general rule (but you can break this rule) stay away from the Asian currencies during this time.

Ok, back to explaining “Opportunity 2”.

What you will notice is that often a currency pair will trend in a particular direction (up or down) through a trading session (T-AE or T-EN). Sometimes it will just move sideways within a narrow range (say 50 pips) particularly if the market is waiting for some upcoming Fundamental Announcement. Sometimes it will move in a particular direction and then midway through the session it will reverse (usually due to a Fundamental Announcement).

What you are looking for is a Micro Trend to establish itself during the early part of the session. The trend may be moving fast or slow. Look for a suitable wave to jump in on (one of the three Variations you learned early in this eBook). Go for small pips (say 20 pips) once, or even twice, during this trading session to make your profits and get out.

With this strategy it is imperatively important to remember “Trading Rule #2”, to be aware of when Fundamental Announcements are expected to occur and to not be using this trading method at that time. Use the techniques you learned in eBook #1 “Explosive Profits” to capitalize on Fundamental Announcements.

OPPORTUNITY 3 – AFTER FA “DUDS”

Many of you who have been trading the strategy I taught in eBook #1 “Explosive Profits” have sent me many emails telling me how happy you are with that system, as it has made you a lot of money. However, as most of you know from experience, a lot of your trading attempts result in a “dud”.

A few of you wrote me to tell my your observation that after a “dud” the market often ends up trending. Some of you asked me how to catch these price moves, and here I will show you what to do after a

“dud”.

About 10 to 15 minutes after the Fundamental Announcement occurred (after a “dud” occurred) you’ll frequently notice that the prices have already begun to trend in a particular direction. As long as there have been a couple of waves making higher highs and higher lows (for an up trend – reverse of course for a down trend) then look to enter on a “wave” using one of the three entry variations taught near the beginning of this eBook.

Some times the trend will be moving fast (steep), or slow. After you have seen many such “Micro Trends” then you will begin to get a “feel” for how well this particular move may move. If it is moving “slow” then go for 20 (or so) pips. If you find that it is moving strongly then you can either go for just the 20 pips, or you can let your trade “ride”, or attempt to pyramid your gains (explained later in this eBook).

OPPORTUNITY 4 – FA EXPLOSIONS “AFTER SURF”

This trading strategy often involves some more risk as you are swimming in turbulent waters. For this strategy you want to be looking at one-minute candle charts.

Right after a price explosion resulting from a Fundamental News release (read the eBook “Explosive Profits”, included with this package, to learn how to find these opportunities) there is usually a moment lasting typically just a few minutes where the price has dropped back a bit. Now you have to act fast to catch this because it can quickly shoot up.

What you do is you place your entry order at the top (assuming an upwards moving price, bottom for down), just like you would normally to surf a price wave. **YOU MUST ALSO PLACE YOUR STOP AT THE TIME OF PLACING YOUR ORDER.** Don’t ever enter a trade without a stop, especially when using this particular strategy. Usually a 20 pip stop should be good.

You can either set your limit for 20 or 30 pips, or (better) you can trail your stop to see how far you’ll end up going on this trade. Really, this is a situation that you’d prefer to do trailing stops rather than just setting a limit, because you’re chances could be good to

score way more pips.

What about “Whips”? Well, whip nothing!!! If you placed your entry order on the top of a whip then that means that nothing will happen, and so you experience no loss!

Here are a couple of one-minute charts of Fundamental Explosions that were great candidates for such trades. If you look at historical charts you’ll see that this particular situation happens frequently.



Now when you look at the next two charts, not only will you see the opportunity that is discussed in this section, you should also see that there are many other waves you could catch. Later in this eBook I’ll teach you how to “Compound your Gains” to pull say 200+ pips out of these kinds of moves, even if it continues for less than 100 pips.



I have really enjoyed using this particular strategy with some awesome gains. This is not a strategy that you'll catch everyday, but you'll see that these kinds of moves happen several times a month. Even catching one or two such trades per month could result in a handsome monthly income for you. You'll feel pretty darn proud of yourself when you successfully catch one of these.

OPPORTUNITY 5 – TRADING TRIANGLES

“Triangles” frequently occur in the market, and this is a good way to

catch some nice price move. Some traders make great profits trading “triangles” alone. The idea is similar to what you may (or may not) already know, with a few twists specifically for “Surfing”.

Triangles develop as a kind of consolidation pattern (sideways movement). Prices make a series of lower highs, and higher lows (read this sentence again to notice the difference). If you draw a trend line along the tops, and along the bottoms, you will notice that the lines converge together, forming a triangle. Take a look at the following chart to see what I mean.



The general theory of triangles is that once prices penetrate the lines of the triangle then the market tends to continue in that direction.

For the “FOREX Surfing” techniques you look for triangles on your 5 Minute candle charts. Once you spot a triangle in progress then there are two ways you can trade them (in the “Surfing” strategy). With either approach you’re best to go for your 20 (or so) pips. Catch some nice and easy profits.

Strategy 1 – This is quite simply to watch the triangle in progress. Once it crosses the line of the triangle then look for a “wave” to “Surf” using one of the three Variations taught earlier in this eBook. The problem with this trading variation is that often once the price penetrates the triangle lines it often moves 20 pips or so quickly, not giving you a good chance to catch a small wave.

Another thing to watch out for are “false breakouts”. Look at the above chart, at “Triangle 2”. There you see a breakout going up. I attempted this trade by placing an entry order using “Basic Variation 1”, but nothing happened (dud) as it turned around. I caught it later on the way down.

Strategy 2 – This one is a little bit more complex, but is “Higher Probability” for you to catch your 20 to 30 pips on a triangle.

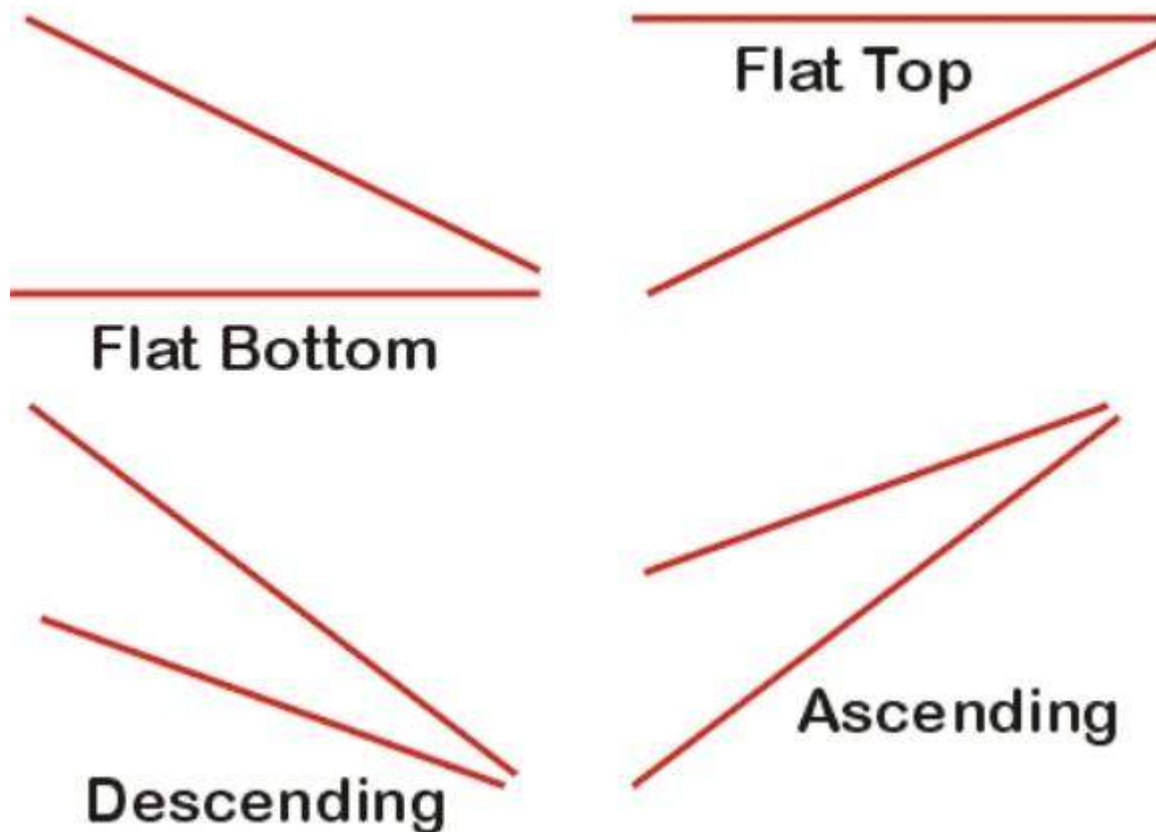
What you do is you look at the high and the low of a swing that reaches (pretty close at least) to the triangle lines, near the middle of the triangle. You then place two entry orders (kind of like what you did in eBook #1). You place a “buy” entry order at the price of the top of the zigzag near the middle of the triangle (plus your broker’s spread). You also place a “sell” entry order at the price of the bottom of the zigzag near the middle of the triangle (without any extra pips). The middle of most of your triangles (seen in 5 Minute candle charts) ideally should be less than about 30 pips wide. Simply use the size of the middle of your triangle for your stop, but if it is over 20 pips (but no larger than 35 pips) then simply use a 20 pip stop.

As the market continues in the triangle the zigzags will get smaller and tighter, until it eventually breaks the triangle lines. Once it breaks through it will most often continue in that direction. It will soon pass through one of your entry orders. At this point cancel your other entry order. Prices should continue in your direction to limit you out for 20 to 30 pips (easily).

OPPORTUNITY 6 – MORE TRIANGLES & FLAGS

In “Opportunity 4” we looked at symmetrical triangles, with both sides slopping inwards towards each other. Sometimes you will encounter other kinds of triangles. Here we will look at the other kinds of triangles you may encounter (in 5 Minute candle views).

TRIANGLES



In a “Flat Bottom” the highs get progressively lower, while the lows remain relatively the same. In a “Flat Top” the lows get progressively higher, while the highs remain relatively the same.

In a “Descending” triangle, both the highs and the lows get progressively lower, and conversely in an “Ascending” triangle both the highs and the lows get progressively higher.

There are two main ways to trade these triangles. “Strategy 1” from “Opportunity 4” is the same with all of these, so just reread “Strategy 1” from that section.

“Strategy 2” won’t work as described from the above section for these types of triangles. However half of the idea does work. For a “Flat Bottom” and for a “Descending” triangle you would place your buy entry orders the same way (but not your sell entry orders – which will be explained in “Strategy 3 & 4” below). For a “Flat Top” and for an “Ascending” triangle you would place your sell entry orders the same way (but not your buy entry orders – which will be explained in “Strategy 3 & 4” below).

Strategy 3 – For Flat Bottoms & Tops

This is the strategy for your entry orders on the FLAT side of the triangle. Again, on the sloping side you would use “Strategy 2” as described above.

As in “Strategy 2”, you look at the height (in pips) of the middle of the triangle. Divide the number of pips in half (round up if you have an odd number of pips), then place your entry order that far from the flat side.

The middle of most of your triangles (seen in 5 Minute candle charts) ideally should be less than about 30 pips wide. Simply use the size of the middle of your triangle for your stop, but if it is over 20 pips (but no larger than 35 pips) then simply use a 20 pip stop.

Strategy 4 – For Descending & Ascending

This is the strategy for your entry orders on the down side of a descending triangle, and on the up side of an ascending triangle.

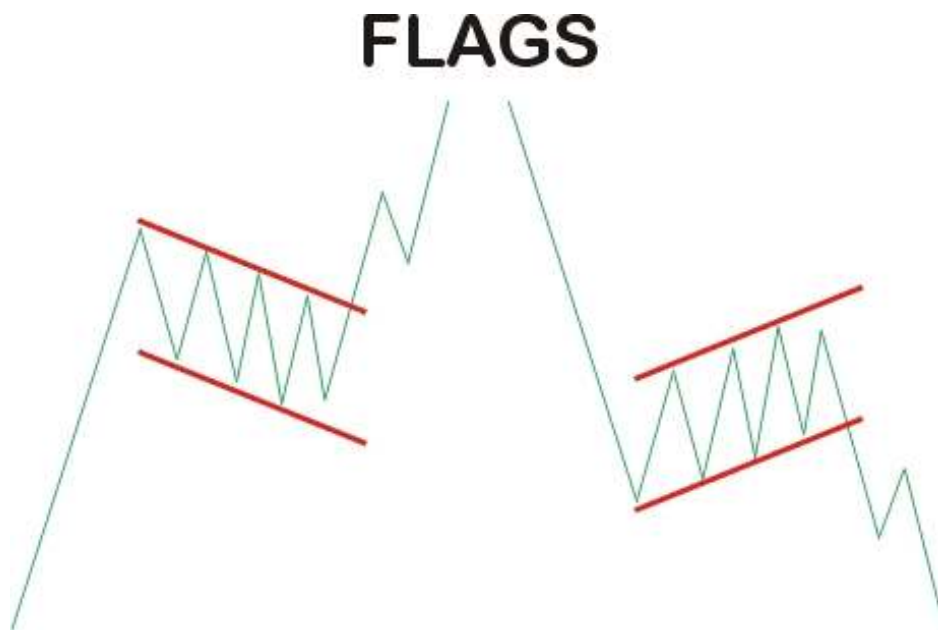
Simply flatten this side and essentially do “Strategy 3” for this triangle. Look at the price level of the point of your triangle (where the two lines converge). This now becomes the price level of your “flat” side. Then look at the height (in pips) of the middle of the triangle (from your triangle trend line to the imaginary flat line). Divide the number of pips in half (round up if you have an odd number of pips), then place your entry order that far from the imaginary flat side.

The middle of most of your triangles (seen in 5 Minute candle charts) ideally should be less than about 30 pips wide. Simply use the size of the middle of your triangle for your stop, but if it is over 20 pips (but no larger than 35 pips) then simply use a 20 pip stop.

To be quite honest with you I don’t like trading descending and ascending triangles. I haven’t traded them that often, and when I did my results were only “so-so”. I’ve included it here for your information of how I’ve attempted these trades, but you’ll find the other strategies more successful. Realistically you’ll do better waiting for the prices to break out of this formation and then catch a nice little wave for a 20 pip profit. Read the next section on “Flags” as such triangles often behave much like “flags”, in fact they really are flags, except the prices keep getting tighter and tighter together.

FLAGS

What is a “flag”? A flag usually appears as a little pause in a trending price. It is usually a small consolidation pattern with a distinct slant. In an upwards price move, for example, you might see a rather short period of time where prices stay within a parallel range with a distinct slant downwards. Most often when a breakout occurs the prices usually continue in the previous direction, but sometimes does break out for a reversal. The slant usually occurs in the opposite direction of the direction the prices were originally trending.



The following chart shows you some flags. It's not the best example of flags, but I chose this poorer chart as it has two flags to show you that they can be smaller and larger.



Notice how with the small flag that when the price broke through the trend line it shot up nicely. If you were looking at a one-minute chart you would have probably been able to catch a small wave on it's breakout as it moved 28 pips in that 5 minute candle.

The bigger one can more loosely be considered a flag. It's actually easier to see this as a flag when you zoom out a little. Anyhow, what you would have done is to place your entry order at the top there where it broke out from the trend line. If it was a false breakout you would not get entered, but as it turned out to be real you would have been entered there for a few nice pips (easily 20 or 30 pips – though the prices went even higher remember to go for safer easier pips).

Though flags are usually very short term phenomena in contrast to channels, read the following about “Consolidation Channels” as flags are closely related. You will also notice that these flags appear often on charts, but may be interpreted to be part of something else, depending on how your mental filters look at them. For example, the chart shown in the section on Fibonacci techniques below clearly show flags when your mind is looking for them.

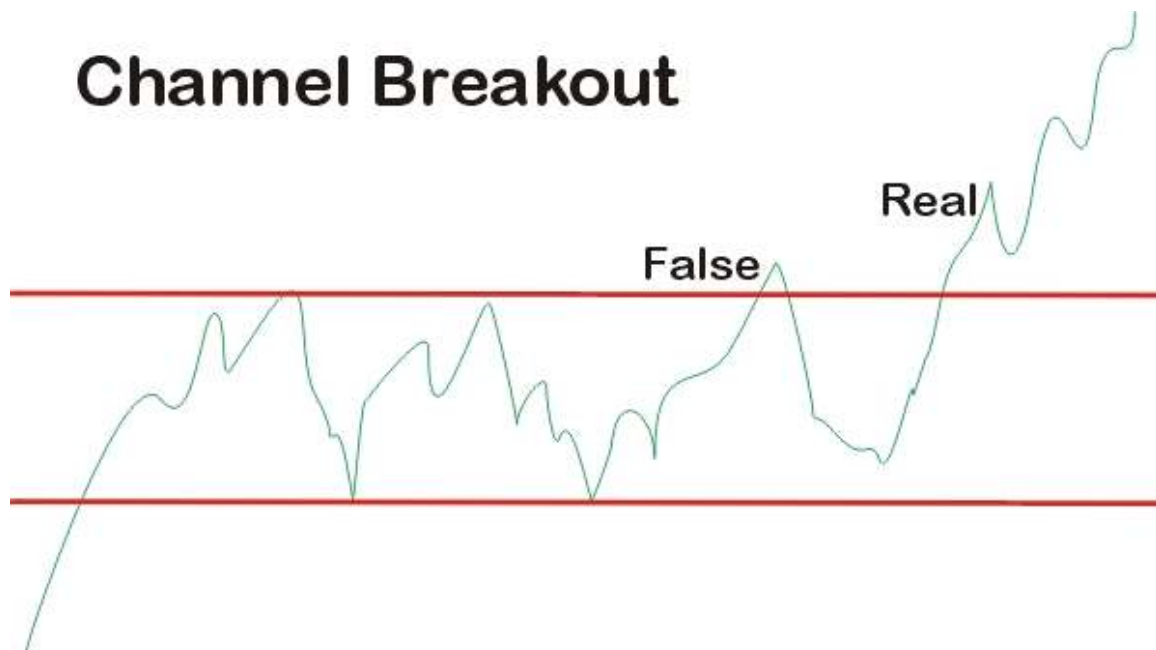
Before I finish off with this section let me give you one more trading technique that you could do on flags. This works great for small flags to catch profits when the price just leaps up and doesn't give you a nice wave to surf before it has gone too far (missed

profits). This would have worked nicely on that small flag from our chart example above. Simply place your entry order at that last high with a 20 pip stop. Then employ Basic Variation 4, where you would immediately replace your stop to the last low.

OPPORTUNITY 7 – CONSOLIDATION CHANNEL BREAKOUTS

This is really quite simple. A “Consolidation” is when your prices move sideways, in a narrow channel. This is a common thing many traders watch for as it happens often, and usually presents profitable trading opportunities. Big consolidations usually happen in anticipation of significant Fundamental Announcements, but you will often encounter smaller ones that have no obvious reason.

To frame your consolidation channel simply draw two trend lines. One along the top, the other along the bottom. The lines are usually perfectly horizontal (though they sometimes could have a slight slant). Look at the following diagram.



The general rule of thumb is that the width of a sideways channel will more or less equal the height of the price movement once the price eventually breaks out of the channel. The standard way most traders trade such channels is to place an entry order above and below the channels, with a stop at the opposite side of the channel.

The biggest problem most traders encounter doing the standard

approach is that they get whipped by false breakouts. Some traders will only enter a trade on a channel breakout when they see a “full candle outside of the channel” as this helps to avoid false breakouts. Bottom line is that you’ll find the surfing approach handles these situations nicely.

When you see that the price has broken through the channel then just wait a bit. The price should pull back a bit. Once it has pulled back then place your “Surfing” entry order. If it was a false breakout then most often you wouldn’t get entered in on the trade, and you won’t lose anything. But if it was a real breakout then you’ll get picked up on the trade once it continues advancing in price.



OPPORTUNITY 8 – INSIDE CONSOLIDATIONS

Remember, sometimes your prices will be trending nicely, but at other times you see that prices just move sideways for days. This is known as “consolidation”, and this also presents a nice trading opportunity in conjunction with the “surfing” approach.

It’s usually easiest to spot such tradable consolidations when looking at Hourly charts. Typically, you’ll see that prices are moving sideways, bouncing around inside a channel between 40 to 80 pips. Of course, when the price eventually breaks out of this channel it will present nice trading opportunities (see the previous

opportunity section “Consolidation Channel Breakouts”). However while it remains inside the consolidation channel you can also play around for some nice profits.

The standard way most traders would trade such a situation is very similar to how we as “surfers” would do it, except we have a little more refined technique, and in my opinion, we do it better.

Later in this eBook is a whole section devoted to “reversal signals” and you’ll learn about trend line breaks, King’s Crowns, and double tops / bottoms. You might want to pause reading here, go read that section, and then continue reading here as I won’t review those topics, but will simply speak of them assuming you understand those terms.

Ok, to recap, you’ll see prices locked in a trading range of say 40 to 80 pips (this is the most typical range, but sometime you’ll see smaller or larger ones). When prices reach near the consolidation trend lines (usually parallel horizontally, but sometimes has a slight slant) you start to watch for “reversal signals”. Once you have found a clear reversal signal then you would look for a suitable wave to surf.

So let’s say that prices have been trending somewhat upwards within your consolidation pattern. Let’s say that prices reached to be near the top of the consolidation zone. In an ideal world the price would peak right at your trend line, but in the real world it will usually peak a little below it. Sometimes it’ll peak a little bit above it. At that point you’d place an entry order as you’ve learned in the previous section. If it is a real breakout you could ride it nicely for some profits, but if it’s a false breakout then your entry order would be a “dud” (not entered into a live trade) and prices would re-enter the consolidation channel (maybe revise your trend line to fit it better, but it’s ok if you have little penetrations if your trend fits other tops/bottoms better).

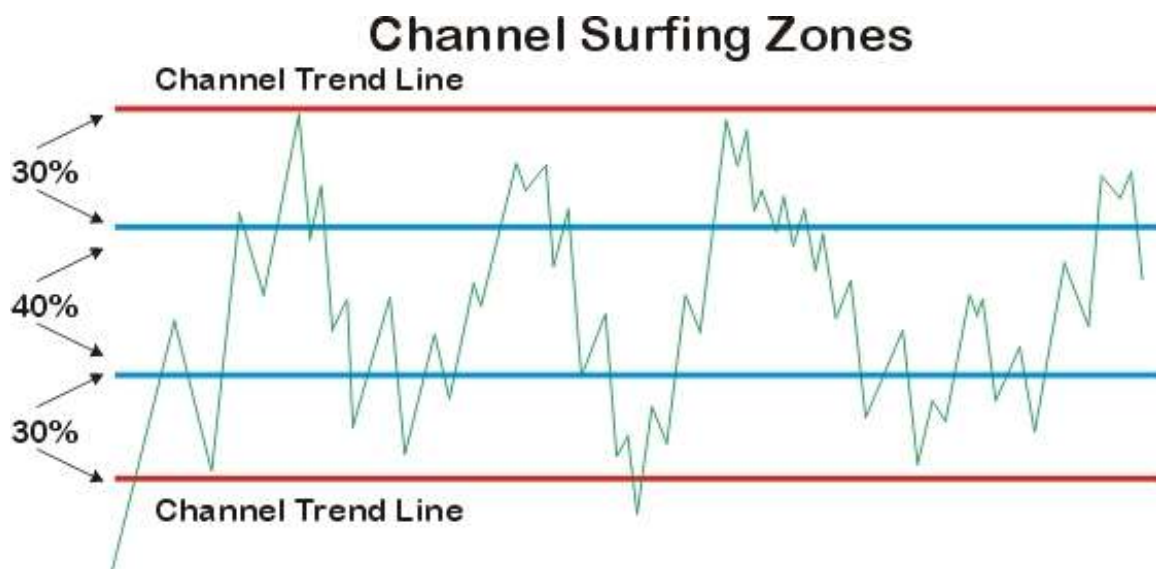
What you should now see is some sort of “reversal signal” as taught later in this eBook. Once you’ve got a nice reversal signal and you are confident that prices will now move back down then look for a suitable wave to surf as prices move towards the other end of the consolidation channel.

Ok, here is an exit strategy I've personally developed over time. I haven't heard of anyone using this exact strategy for such consolidations, but I'm sure that people use some similar idea.

In an ideal world you'd get in right on a peak that bounces exactly at one trend line, then exit the position as it goes all the way to bounce at the other trend line. Such situations can and do happen, but you're dreaming if you think that you'll be able to do this consistently. Most often the price will come somewhat near the other channel trend line, but you want to get out earlier. It's better to go for targets that will more consistently produce profits for you rather than trying to maximize the profits of your trade each time. If you try to go for maximum profits then often you'll find that the market may turn around on you again and you'll end up missing your target exit.

Here is the strategy I've developed. I haven't thought of a cool name for this strategy before, but maybe for future discussions with people we'll call this the ummmm... "Channel Surfing Zones" (Just made up the name now).

Take a look at the following diagram:



In this chart you will notice that there are outside red lines and inside blue lines. The green "prices" are there just for a visual. The red lines represent the channel trend line. These you draw on your chart as best fit along the highs and the lows.

To draw the blue lines you need to do a little simple math. Grab your calculator to help you (in the resources section I've included a

Microsoft Excel spread sheet that will do all the calculations for you).

First you need to calculate the distance in pips between your top and bottom trend lines. Simply subtract the price level of the bottom trend line from the price level of the top trend line. We'll call this your channel height. As stated earlier, most of the suitable consolidation channels you'll encounter will typically be between 40 and 80 pips. Don't bother with small channels of less than 35 pips. Certainly try this if you encounter a channel larger than 80 pips (carefully).

Now you need to calculate where you'll draw your blue lines. Simply take the number of pips of the height and multiply that number on your calculator by 0.3 to find out how many pips 30% of the height is. Count that many pips down from your top red line and draw a horizontal line there. Then count that many pips up from your bottom red line and draw a horizontal line there on your charts. By now your chart should resemble the diagram above with 4 lines going across.

You have now segregated your consolidation channel into three zones. You now have a "top 30% zone", a "bottom 30% zone", and a "middle 40% zone".

Let's now say that prices have moved up into the "top 30% zone". You wait until you see a "reversal signal", and then look for a suitable wave to jump in on the way down. It is important that your entry price be within the "top 30% zone". It's ok if sometimes you enter on a wave with your entry price just inside the "middle 40% zone", but avoid this as best you can.

Your stop can be either the standard stop for the wave you jumped in on, or simply place your stop at the price level of the red line. If you entered a wave within the "top 30% zone" then even on an 80 pip consolidation your stop will be less than 20 pips (notice how I'm really dedicated to trading with little stops). If the consolidation you are trading has regularly touched the red line (but not crossed it) then you might want to consider putting your stop a few pips beyond the red line for extra protection.

So now where do you exit? Simply set your limit at the other blue

line's price level. Sooner or later the price should cross the blue line on it's way to the other end of the consolidation (assuming you remain in the consolidation pattern). This is a nice "High Probability" trade. Once you've entered the market and set your stop and limit then leave your computer (or trade on other currency pairs) as it will usually take a while for your trade to get limited out.

Ok, so now you've made a few nice pips when prices reached the "bottom 30% zone". What now? Well repeat the process explained above to catch a wave going back up. If you time things right you could catch some nice profits zigzagging up & down a few times before the price breaks out of the consolidation.

Take a look at the chart below of EUR/CHF over 30 days. The pip height of the channel is 86 pips. Just looking at the chart visually how many times could you have profited from this in the past month? Also notice how sometimes the price as it's moving across the channel doesn't even get close to the red lines, but in every case it at least crossed the blue profit line.

One more thing. Notice the penetrations? (Ignore the crazy Fundamental Announcement blips). If you traded according to the rules as explained here there is only one place you would have gotten stopped out at. It's the last tiny penetration on the bottom right. For all the other penetrations you should not have yet been in on a trade since it was still trending towards the red line.



Just to give you a little contrast, this next chart (Hourly view) is of a consolidation that lasted just 2 days, and is only 35 pips high (barely worth trading). Again, notice that magic of exiting on the blue line.



VARIATION – BLUE TO BLUE – DAILY USE

Here is a sub variation of this strategy, better used on smaller consolidations (40 or less). While prices are inside a 30% zone (top or bottom) you could just place an entry order at the close blue line price, a stop at the red line price (or a few pips beyond) and a limit

order at the other blue line. This way you don't have to work at catching waves, especially considering that in small channels the price can move into the middle 40% fast and you might have missed the chance.

This is a great little technique you should definitely try often (demo a lot first). This particular trading opportunity happens very often, almost daily. I usually only trade during market overlap times, and normally recommend that people only trade during those times, but here is the exception to that rule.

Very, very often you'll see that prices on many currency pairs (virtually daily) enter into a small consolidation pattern between 1pm and 11pm (New York time). Most often the consolidation is very small, but you can frequently score some small trades (say between 5 to 15 pips). The trick to making it worth your while is to trade multiple lots to get the profits you would like. Remember though, if the "blue to blue" doesn't give you at least a 5 pip profit (preferably more) after you factor in your brokers spreads then just pass on the trade.

Little tip – try to avoid trading at the interest roll over time (especially Wednesdays). Find out from your broker at what time this happens for you and try not to trade during that minute, however it's not the end of the world if you do as (hopefully) your profits will exceed the roughly 1 pip loss of the interest.

So there you go. Now you have a strategy to trade when most other traders think there are no opportunities available!

ONE MORE TIP

Here is one more tip for trading inside of channels. Often before significant Fundamental Announcements you'll see such consolidation patterns. This is because traders are waiting for the news to see what will happen, and so prices don't really move much. Review the section later in this eBook on Fundamental Announcements to learn how to spot the potentially big ones. If a channel happens then see if you can pick up a trade or two before the news. Be sure to exit the trades before the news happens so you don't get nuked by the news. After the news then go after the "After FA Surfing" techniques.

OPPORTUNITY 9 – TRADING FIBONACCI

Ok, here we start coming back to my “roots” (where I originally started coming up with this strategy).

You’re now going to get a little crash course in how to trade fibonacci swings. I’m going to keep this as simple as possible here, but believe me, here you’ll learn basically everything that others charge hundreds of dollars (even thousands) to teach. The only difference is that they keep going over many examples to make sure you understand everything, as well as show you some variations. I however won’t do that. I’ll just “spill the beans” here for you, and you reread this as many times as necessary for you to grasp it. It’s not the purpose of this eBook to teach you Fibs, but think of this as a “value added” teaching that works well with “Surfing”, and I’m saving you hundreds of dollars.

If you are already familiar with Fibonacci theory then skip ahead through the next bunch of paragraphs to where I explain how to combine “Surfing” with “Fibs”. To make it easy for you to scroll down to find I’ve made a line of asterisks (*****) at the beginning of that section.

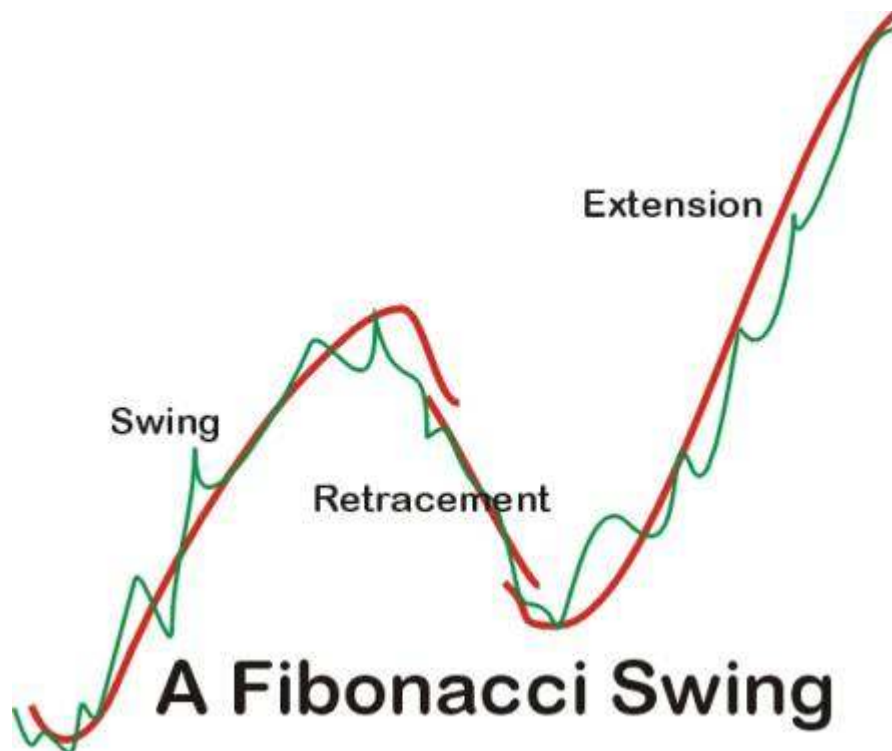
Fibonacci Theory 101

I’m not going to bore you by telling you much about the history of Fibonacci, and how it applies to nature (i.e. breeding of rabbits, growth patterns of sea shells, pine cones, trees, humans, etc...). I’ll just get right to the nuts and bolts of the technique of how it applies to trading.

First thing you’ll notice is that this technique is incredibly simple, but believe me (and the many thousands of traders who use this technique) it is amazingly profitable. At first glance it seems too simple work, but it does. This technique ALONE consistently makes fantastic profits, and has been my personal absolute favorite of all techniques – definitely my most used strategy of all standard technical analysis tools. It’s incredibly powerful, especially when used in advanced ways (Gartley’s & Convergences – not really covered in this eBook). I won’t discuss why Fibs work so well (trader psychology / “self-fulfilling prophesy”) but just look at your historical charts and you’ll see that it does.

For sake of convenience, in all explanations of Fib theory here I'll simply focus on up moving prices. Everything applies conversely to down moving prices, just flip everything I say upside down.

As you are already aware from this eBook, prices don't move in straight lines; they move in waves, or "swings" (as it is often referred to in Fib theory). Just like how prices move in "waves", as described in the basics of this eBook, prices move up, they then "retrace" down, and then they continue to move up. When the prices move up again from the bottom of the "retracement" and go above the top of the swing (or wave as we've been calling it in this eBook) then that is usually called an "extension" in Fib terminology. Below is a diagram to illustrate this.



In this diagram, the red line shows you the overall swing. The green line shows you the prices as they're bouncing around, but overall conforms to the "swing".

Swings can be seen (and traded) in all chart time views, but most traders typically look for swings on hourly charts.

In the Resources Section (resources website) you'll find a Fibonacci calculator. Go and download this, as you'll need it for the following steps.

Now, what you do is you find the low price of the swing, and the high price of the swing, much like you have already learned to do. Enter your high price and low price into the Fib calculator. The calculator then will show you Fibonacci “resistance levels”, and “extension levels”.

What are “Resistance Levels”? Again, I’m not going to explain to you the math and theory of why these specific numbers are significant in this eBook. Just know that for some magical reason they are. The “resistance levels” are the high probability points of where the prices will “retrace” down to before bouncing back up (forming your “extension”).

There are four main Fibonacci resistance levels. They are 38%, 50%, 62%, and 79%. Actually these have been rounded up to the full percentage. For example, the 62% is really 61.8%, but for sake of convenience most traders often refer to them by the full percentage.

These percentages refer to how far the resistance level is. For example, the 38% level is 38% of the way down from the top, the 50% level is obviously right in the middle, 62% is about two-thirds back down, and the 79% is 79% down. 100% would be that the price dropped all the way back down to the bottom price.

Let’s look at an example to clarify things. Let’s say you have a swing on some currency pair that happens to be 100 pips (of course in the real world your swings would be smaller or larger). Let’s say your low price is 1.2100, and your high price is 1.2200. Enter those numbers into your Fibonacci calculator and you’ll see the following numbers displayed (for the up swing).

38%	=	1.2162
50%	=	1.2150
62%	=	1.2138
79%	=	1.2121

These are your fibonacci levels of support, meaning that when the prices are moving back down, your retracement, they should bounce off (within a few pips) one of those four levels of support. The magic level of support for FOREX trading is the 62% retracement

support, as this is the most common (and profitable) level to enter your trades on. Often while prices are moving down to the 62% level you may notice them bounce a bit from the 38% and 50% levels.

How most traders enter a trade using Fibs is they place an entry order at the 62% level, and a stop at the 100% (full retracement back to your original low).

Ok, so where do you exit your trade? After prices have retraced down they will then typically start an extension. Some times the extension happens nice & straight, but often it just sort of bounces along upwards. Now here is the nice thing – you can calculate the price of your limit exit thanks to fibonacci.

In your Fib calculator you see that it gives you two more numbers, which are your extension targets. If your retracement bounced off of the 38%, 50% or 62% then your target is the 162% extension. If your retracement dropped to 79% then your target is the 127% extension. So from our example above, you would set your limit at 1.2262, but if you had a retracement down to 1.2121 then your limit would be 1.2227. Keep in mind that usually it's best to subtract a few pips (say 10 pips) from your limit target. By going for a few less pips means that you'll exit the trade for profit. It really sucks to miss taking profit because the market turns around just a few pips before your limit order.

After you have completed such a trade then look to see if the extension itself becomes a fibonacci swing on it's own.

Here is a chart example of fibonacci swings. While writing this I decided to go look for some nice examples to show you. Well, I wasn't too surprised when I turned on my charts (which default to see EUR/USD in 5 min candles) to see a text book perfect example to show you. You can see that I took this screen shot in real time because of the color of the last candle. Here you see a live example of two fibonacci swings, where the extension of the first swing became it's own swing. To make this screen shot even more perfect the second swing bounced at each of the four retracement levels, and the extensions of both swings hit perfectly. The following screen shot is text book perfect to show you... but the amazing thing is that many, many times you'll see fibs line up text book perfect. Note

that in this section I explained up swings, and said that everything is conversely true for down swings. This chart shows down swings.



Below is a list of the prices from the above chart. The first swing is Point A to B, retraced to C, then extended to D. The second swing is Point C to D, retraced and bounced E (38%), F (50%), G (62%) and H (79%), then extended to I.

- A 1.2166
- B 1.2124
- C 1.2148
- D 1.2094
- E 1.2114
- F 1.2121
- G 1.2128
- H 1.2135
- I 1.2075 (and it kept going down)

Now look at this chart and see how you might have traded this with the “Surfing” approach. (Hint, variations 2 & 3, but 2 would have done it for you) You can certainly use fibonacci techniques in conjunction with the “Surfing” approach. In fact you’ll see that they have a lot in common.

It is usually best to look for fibonacci swings on hourly charts. Of course you'll see them on larger and smaller chart views, but again, it's best to spot them on hourly charts for the purpose of this technique.

What you are looking for are "High Probability" areas to jump in on a trade. Normally, as a Fib trader you would look to get in on a 62% bounce to catch the extension for some nice profits, but here you'll learn a few less common ways to trade Fibs. We'll look at some "Fibonacci Variations" to catch standard extension trades with lower than usual risks, but you'll also learn a variation to jump in on a retracement (which most traders would normally not do).

FIBONACCI VARIATION 1

This variation explains the "Surfing" approach to jumping in on an extension (similar to how most Fib traders would enter).

Normally, a standard Fib trader would place an entry order at the 62% level, a stop at the 100% retracement, and a limit a little before the expected extension. You could certainly do this. The risk to reward ratio for doing this is pretty good, however you would often be looking at somewhat larger stops of say 50 to 100 pips, depending on the size of your swing.

What you are looking for are times when the market has shown signs of having bounced the 62% level, and is now moving in the direction of your extension. It is **ESPECIALLY** favorable when you have other technical reasons why it should have turned around at that point to start moving for your extension. A common thing to look for (one that I have witnessed countless times over the past years) is when your 62% retracement converges with (meaning coincides with) your trend line (drawn on hourly charts over the past few weeks). You may also notice whatever favorite indicator you use converges in such a way too, but my personal favorite is when it hits the trend line.

You won't see this set up everyday, or even every week (some weeks trend, some weeks consolidate), but when you do spot it then you know you could possibly catch a **HUGE** amount of pips (50 to 500) using your tiny stop (of say 20 pips).

So what do you do? When the market has shown signs that it started to move back in the direction of the extension then you look for a suitable wave to jump in on.

What's next? Well, what you do now depends on your profit objectives. You could simply go for say 20 or 30 pips to exit with a nice tidy profit. Or you can watch how it goes for a while. If it has gone up enough to seem "safe" that it's unlikely to go back then simply set your stop for a conservative 10 pips profit (so if it does fall back you get stopped for a profit rather than a loss – better to leave with something rather than a loss) and set your limit for a bit before the projected extension level. Talk about a huge risk to reward ration (huge reward)! If you are even bolder, and you see that the markets are trending nicely then you may want to do a trailing stop to see how far you can ride this wave (trail at last significant lows/highs, usually close to your trend line). Going this route you could catch hundreds of pips before your trend snaps.

What could go wrong? Well there are a few things that can go wrong, and I'll explain them here.

First of all, as all Fib traders know, the worst case scenario is that the prices will continue to drop below the 100% retracement level (complete market turn around), and so no matter what Fib strategy you were using you'd be stopped out for a loss. The nice thing in this situation using the "Surfing" approach as opposed to the standard Fib approach is that you've only lost around 20 pips whereas the regular Fib traders lost a whole bunch more.

The most aggravating situation that could go wrong for you is that the markets may briefly turn around to retest the 62% retracement meaning that you'll likely be stopped out, and then shortly thereafter the market returns in your direction. Oh well, bummer, you could try to catch another wave.

The other thing that could go wrong may actually turn out to be a blessing for you. Sometimes the market will retrace to the 79% level. Sometimes it will bypass the 62% altogether (not giving you a chance to enter around there), and so you could get in around the 79% level as described above for the 62% level (this would be a good thing). The "bad" part is that if you got in after a 62% bounce you would get stopped out as it goes down to 79%. At this point

you try again at the 79% level. In the end, assuming that it ultimately does a nice extension for you, you'll make more than a standard Fib trader who got in at 62%.

FIBONACCI VARIATION 2

This one sometimes takes a bit more guts as often you'd be trading against the overall trend. In this variation you are looking to do a short, quick little trade to simply catch 20 to 30 pips (sometimes even less pips, but rarely much more).

Don't do this when the market is moving rapidly, as often in a rapid market swings only bounce the 38% or 50%. After keeping your eyes on charts for a while you should be able to better recognize such situations. Slower moving markets are best.

Remember, markets move in waves on all time frames, and so you will see big swings. What you do is you look for what appears to be a swing in progress of making a retracement. When it appears to reaching close to a 38% retracement this confirms for you that your swing has started to retrace. Simply look to jump in on a little wave, and set your limit for the 50% level. This is a nice "High Probability" trade to catch some pips as often it'll plunge through the 50% level. Now your greed may tempt you to go for a bit larger profit – you'll think of placing your limit at 62%, but don't do it. Yeah, often you'll be leaving profits early, but it's better to take more consistent smaller profits.

FIBONACCI VARIATION 3

This one I'm not going to really explain here as it involves some more advanced technical analysis, but will say a couple of things to those of you know what "Gartley's" and "Fib Convergences" are. If you don't understand what those above terms mean then just skip reading this section.

As you can probably recognize, "Fibonacci Variation 2" could be used on a Gartley of a large swing. Rather than going for 20 or 30 pips you could go for the extension of the small swing that is a retracement of the larger swing.

If you play around with the "Surfing" approach you could spot other

variations that could work well. Have fun & good luck.

OPPORTUNITY 10 – COMPOUNDED GAINS

Ok, now this is fun, and it's guaranteed to get your heart pounding (a mix of excitement from the profits and some "yikes!").

This technique is great to use after a significant Fundamental Announcement. Basically, this is what you learned from the "Opportunity" above on "FA After Surf", but on steroids. This technique will also work for situations where you have a strong trend during that particular trading session, and prices are really moving well. Most often such strong trending days happen after some kind of FA news (but not all the time).

Usually you can anticipate that you'll probably have a good opportunity to do this if there was a Fundamental Announcement early in the day's trading session that had a nice jump up of 20 to 50 pips, then when you attempted to "After Surf" (using the FA Explosions After Surf technique) you score a successful first entry.

By now you should already be entered in a trade. Then you wait a bit. Prices should soon form another wave that you could enter in on. Now, you could simply enter on the trade now (a second trade, so you would have two trades active), but before we continue I need to explain an important point.

Your ability to do a "Compound Gain" will depend on how much money you have in your margin account. Remember that brokers will allow you to have open lots as long as you have sufficient funds in your account. Many brokers offer a 200:1 ratio, but we'll look at a 100:1 ratio. This is well explained in the "FOREX Freedom" eBook. So, assuming a 100:1 ratio, to trade one lot you need over \$1,000 in your margin account minimum. Realistically you should have more because let's say you have \$1,100 then if the market moves down 11 pips the broker will automatically stop you out regardless of what you set your stop at. So you should have significantly more than just \$1,000 to trade one lot (\$500 if your broker gives you 200:1 ratio). Same thing with a mini account, except that everything in a mini account is just one-tenth the size. So if you were to trade two lots (one deal, or two separate trades) then you would need \$2,000 set aside in your margin account (\$200

for a mini), but of course more to cover your stops. Basically you need to have sufficient funds in your margin account to cover however many open lots you are trading.

Now, back to the strategy. What you do is you keep adding a lot (on nice waves) as the market keeps waving up (or down in a down market). Sounds simple, but wait there is more.

It is important to do all this properly to secure your profits (so you can score big), otherwise if you do this wrong then you stand to lose big. So continue reading paying attention to the details.

You could simply enter a lot each time a nice wave is created. Remember, it only counts as a new wave if it has made a higher high and a higher low (in an up trend, conversely for a down trend). But now here are the specifics of the strategy to do this safely.

I know I'm repeating myself, but I want to make sure you catch this point. Do this wrong and you could potentially lose a bunch (though you'd likely make good profits anyways, but it's better to be safe than sorry). Do this right and you shouldn't lose at all.

One more thing... this isn't a quick trade. When find such an opportunity (they happen several times a month) then you'll want to be near your computer through the trading session (remember the Asian/European and European/N.American sessions we discussed earlier in this eBook?).

This is how you could lose with this (if not done properly). Let's say you have a series of open lots that you entered at incorrect times (as taught shortly), and you don't have your stops at the correct places. You could end up with one winning trade (your first one) and the rest losers, making you an overall loser (don't read any puns into this).

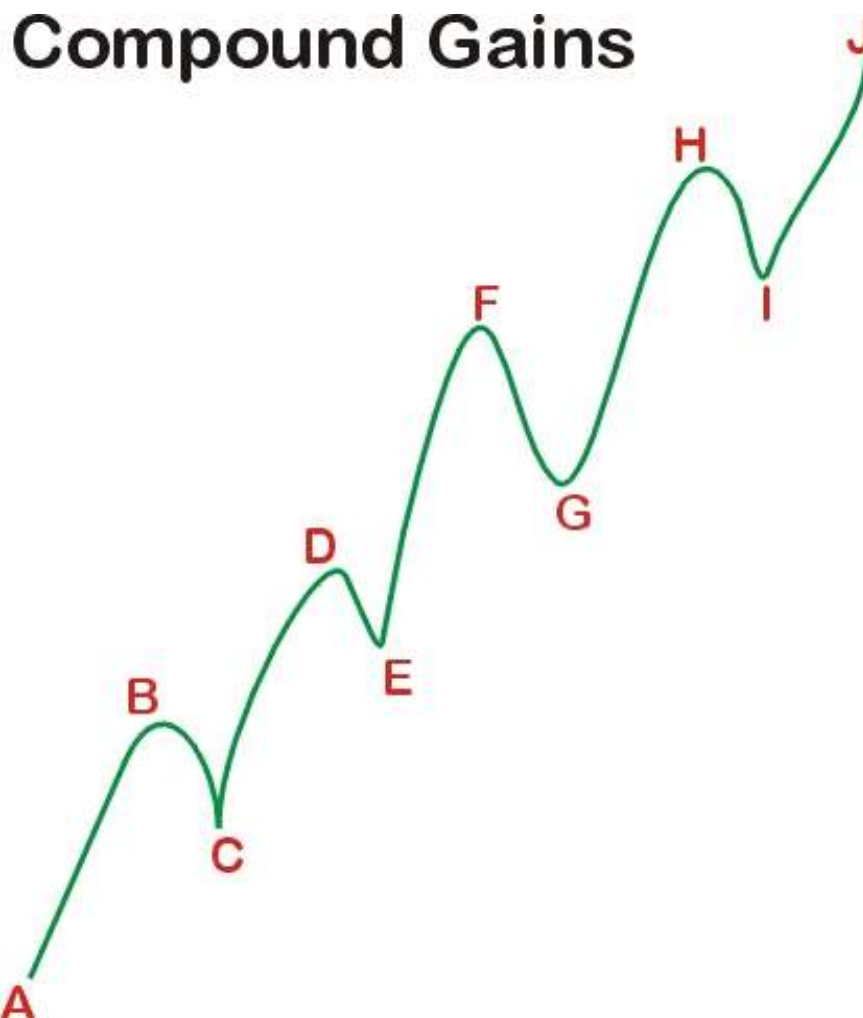
This is how to do it right. Read the following paragraphs several times to be sure you fully understand this.

Ideally you want to enter on successive waves such that when you replace all the stops of your existing trades at where you would normally place your stop for the newest trade all the older trades would result in a profit, or at least a break even (for the second

newest trade). Of course the newest trade you entered would be stopped out for a loss should you get stopped out.

If you were to continue compounding your gains, and let's say you succeeded in adding 7 lots (seven trades, for example), then unless you manually exit your trades at a strategic time (explained below) you'll eventually get stopped out. If this were to happen then you should have 5 trades that are definite winners, the 6th one could have gains or break even (or at worst just a minor loss of say 5 to 10 pips), and your 7th trade would be a loss for sure. The net result would be that you have several trades that resulted in a nice overall profit.

Take a look at the following diagram.



Let's explain "Compound Gains" using this diagram visually, without any numbers (as the numbers might confuse you at this point). We're going to break out into variations now. Compound Gains Variation 1 uses standard "Surfing" techniques and is

somewhat more likely to let you ride the series of waves to the top. Compound Gains Variation 2 uses modified “Surfing” techniques, and if all goes your way you stand to catch even bigger gains.

COMPOUND GAINS VARIATION 1

Ok, let's say right now (at this moment in time) the prices are around point C. Obviously you would place your entry order at the price level of B, and your stop is at A (trade 1).

Now prices continue along the green line from our diagram. Prices go up to D and start dropping to E. It looks like here is another good place to enter a trade at D with your stop at C, but really it's not.

Why is this not a good place to enter your second trade? Well, what would happen if the market would turn around now. Your second trade would get stopped out at C, as would your first trade (because you would have moved your stop of the first trade to this point). As you can see visually, both trades would result in a loss (not good). At least move the stop of trade 1 to point C so at this point if your trade goes bad you get stopped out for just a tiny loss.

Ok, so you forget about entering your second trade here, and you continue to wait. Now prices continue moving upwards and you get to point F, and it starts moving towards G. Now you may consider entering your second trade at price level of F with a stop at E (trade 2). As soon as your trade is executed (prices go up and your trade becomes active) then you immediately replace your stop from your first trade to this level (E). So now both of your open trades have their stops at E.

What would happen if the markets turned around now and you got stopped out (both trades)? Well, trade 2 would be a loss, while trade 1 would be a profit. In an ideal world having both stopped out would result in a small net profit, or a break even. Don't enter trade 2 if it would mean that the net loss would be greater than 10 pips (keep your risks small while going for super gains).

Let's say that the market keeps moving up. Now you have two active trades. Prices now have reached point H, and are dropping to point I. For much the same reason as explained above, we won't

enter a trade here, as your stop for all three trades would be at G, meaning that one trade would be a winner while two would be losers. So you don't enter a new trade here, but you move your stops of the other two trades to G.

Now the markets have reached point J. Here you would enter a new trade (after prices dropped a bit, not shown in diagram) for the same reasons as explained above (trade 3). All your stops would be set at the price level of I.

You would continue with this method until you either get stopped out, or if you manually exit the trade (as will be explained after the following variation).

As you can see, you have safely added more lots (3 in this example) to catch more gains from this nice price trend.

COMPOUND GAINS VARIATION 2

Here is a clever strategy that is a modification of the above. It is riskier than variation 1 in the sense that you stand a great chance of getting stopped out early thus missing more gains, but if everything goes well then you stand to make greater profits, as from our visual diagram example used above, with this variation you would have 5 profitable trades as opposed to the 3 trades from the above example. For this variation you simply use "Basic Strategy Variation 4".

So how does this one work? Let's use the same diagram as above for our example.

You would get in on point B as usual, with your stop set for A. (trade 1)

When you get to point E you place your entry order for D, and your stop set for C. (trade 2 - Just like I told you not to do in variation 1)

Now you watch your charts like a hawk. As soon as the prices cross D and your trade is activated then IMMEDIATELY replace your stops of both your trades to E (act fast).

What happens now if the market turns around? Well trade 1 is profitable, trade 2 is a loss, and you should either have a tiny net gain, a break even, or just a tiny loss (of less than 10 pips).

Now that markets continue upwards and you see another wave (you are at point G). Place another entry order at F with stop at E (trade 3). Again, watch like a hawk and as soon as your trade is activated then IMMEDIATELY replace your stops of all three trades to G.

Repeat this procedure to enter on points H and J. Now you would have a total of 5 open trades, and all your stops would be at K.

At this point should you get stopped out you would have fantastic profits on trades 1, 2 and 3, trade 4 would have a marginal gain, and trade 5 would be a loss. Your net result would be that you would have gained more pips than the height of the entire price movement (from point B to J). You have successfully compounded your gains!

COMPOUND GAINS EXIT STRATEGIES

The best way to exit your position is to consult a psychic to find out what the peak price will be, and then exit there so that all your trades are profitable. If you don't know of any such psychics then you might want to consider one of the following exit approaches.

EXIT 1 – Manual Exit

This is the exit strategy that I personally most often employ after a successful trading session. During a trading session you could possibly get stopped out, but if you plan to exit your trade manually then this is usually the best way to do it.

First of all, remember that there are two main trading sessions per day. By trading sessions I mean the overlap times as discussed earlier in this eBook of the Asian/European and European/N.American times. Most often you'll find that you'll primarily trade one of those two sessions. Europeans are lucky in that both sessions are convenient for them.

What you want to do is to get out towards the end of a trading session. The one exception is that you might want to relax your stops a bit if you are trading the first session to hopefully continue your trades through the second trading session.

Towards the end of each trading session, ESPECIALLY the European/N.American session, you'll often find that prices will

begin to level off typically in the last hour. Simply tighten up your stops to possibly get stopped out, or if it keeps going then manually exit your trade near the end of the session. Tightening your stops to get stopped out is usually the preferred method as it could leave you in the trade if prices continue the trend longer.

The end of each of the two sessions has a personality. The end of the first session sometimes appears to take a breather before the open of the second session. Sometimes during a strong trend prices will continue to move through the between time as though there were no break between sessions. Sometime the market could turn around complete, hence why it's good to have stops in place.

Since I live in North America (Canada to be more specific), I am personally much more familiar with the end of session 2, since that is the one I have watched countless times, far more often than session 1. Let me tell you about my observations of the end of this trading session, as I consider it interesting, and important to know.

I pay most of my attention to the second session, which is from 8am to 12noon EST (New York time). Often I find a suitable trade to jump in on between 8:30 to 10am. Often I'll let it ride to the end of the trading session (if I don't get stopped out).

My personal observation (witnessed many, many times) is that somewhere between 11:30 and 1pm (usually earlier, but sometime later when there has been a strong trending day) the market will turn around a little bit and then go into a consolidation pattern. Usually for the rest of the day (before the Asians start it up again) you'll see a consolidation pattern (often fairly tight within 30 pips or so). This basically happens because the European bankers start packing up for the day, and who knows maybe American bankers go golfing in the afternoon (just kidding, well... maybe). Bottom line is that typically there isn't much trading pressure happening after noon EST.

So what does this mean for an exit strategy? Well, basically after 11:15am EST I keep a good eye on the markets, and start bringing in my stops as close as reasonable, trailed along each bounce. Most often I'd be out between 11:30 and 12:30 from a stop. Sometimes around noon I just manually exit if it appears to be retesting a previous high (on an up trend), and most often I would have ended up exiting close to the max. Sometimes the markets will continue

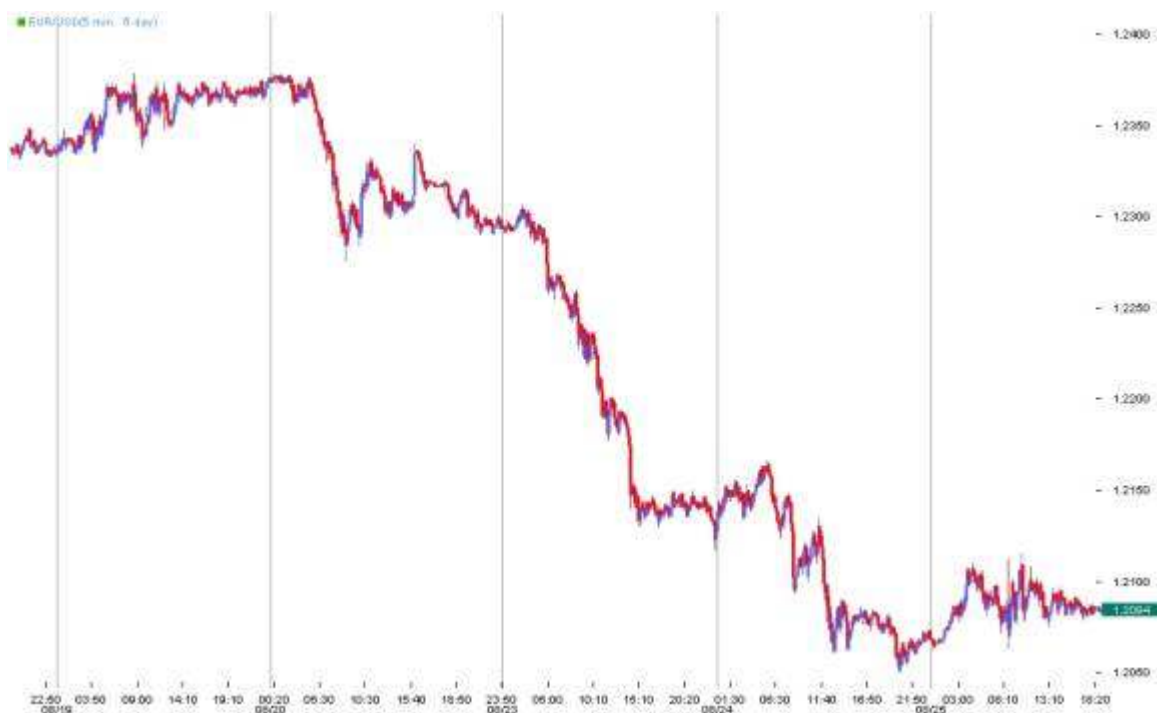
longer than usual if there was a particularly strong trending day, and it may go through this pattern after 1pm.

If I have to leave my computer (I often make plans in the early afternoon – rarely in the morning during trading times) I'll simply set a tight or reasonable stop and a limit. It's usually better to get stopped or limited out than to do a manual exit. But hey, there have been many times that I exited manually because I was happy with my profits (at current spot price) and I was getting fed up watching 5 pip oscillations (sideways), or simply had to leave.

Bottom line is follow good trading practices in your exits and to allow yourself to get stopped/limited out most of the time, but if from time to time you feel to exit manually then feel free to do so. After some time watching the markets you'll get a feel for how the end of session will end and you may manually exit for better profits than a stop.

EXIT 2 – Get stopped

Take a look at the following chart screen shot I've taken in real time of EUR/USD (5 minute candles over 5 days).



Now let me ask you, wouldn't it have been better to simply get stopped out rather than manually exiting your position?

Myself personally I am most often a day trader, and I like to exit for profit at the end of a trading session. Another strategy is to towards the end of your trading session just stop adding lots, relax your trailing stops somewhat and just let it ride. Or you can close all but one of your open lots, put a liberal stop and see how far it goes. Watch out for big Fundamental Announcements and weekends that could nuke you, but aside from those potential dangers you could end up catching some very nice pips, or you could get stopped out. But so what if you get stopped out since you've left your stops to secure your nice profits, right?

PART 7 – REVERSAL SIGNALS

In this part of the eBook I will review some typical technical analysis tools to help you spot market reversals to further your abilities to work the “Surfing” strategies.

TREND LINE BREAKS

We have already loosely discussed trend line breaks, but here I will specifically focus on this to ensure you fully comprehend this.

Remember the trader's saying, “the trend is your friend, until it bends”. Sooner or later it has to end. Knowing how to trade along trend lines alone could make you some serious profits. Keep this in mind.

In an up trend (everything conversely true for a down trend) prices continue making a series of higher highs and higher lows that bounce your support trend line. You recognize that your trend has been broken when (A) prices penetrate significantly through your trend line (ignore minor penetrations), and (B) your previously established low has been crossed.

At this point, if you have any open trades, you'd be stopped out (ideally for a profit).

Once your trend has been broken then you look for trades in a new way. This is more applicable to our “micro trends” as discussed at

length in this eBook.

At this point you wait to see what happens. If you are still well within a trading session then do the following, but if you are near the end of a trading session time then simply take your profits and shut down your computer. If prices continue to rise, and ****exceed**** (not just comes close as it could be forming a double top or tweezer top as explained later) the peak high then you could look another suitable wave to continue a conservative climb. The micro trend line break may have simply been a larger wave in the overall climbing market.

If your prices continue to fall making lower lows and lower highs then you might be able to catch a few pips as it has turned around. Look to see if your reversed trend is part of a larger fibonacci swing, or perhaps it has bounced a trend line from a larger time view. Look at your Hourly charts to check if you can spot any reasons why your trend has ended. If you see good “reasons” then look to jump in on a wave in the new direction, otherwise just hold off trading until you spot an obvious trading opportunity.

If your trend line has seriously ended then you are likely to see a “King’s Crown”, which by itself can royally reward you in your trades.

KING’S CROWN, HEAD & SHOULDERS, 1-2-3 TOPS/BOTTOMS

King’s Crown, Head & Shoulders, and 1-2-3 Tops/Bottoms are all different names for basically the same thing. I’ve even heard the referred to as “Mountain Peaks/Valleys”. I’m sure some people have other names for the same thing. I like to call them King’s Crown (as do many other folks), or Crown for short, but if you hear someone using a different term you’ll know what they are talking about. From the diagram below you can see why this has been called by the other names.

So what is a “Crown”? A Crown is simply a price pattern that often presents itself when a trend is broken. In an up trend that is broken you will often see something like the following diagram (just flip it upside down and you’ll see what it looks like from a broken down trend).



In a nutshell, you spot a crown when peak 2 is the highest, and the low between peaks 2 & 3 has crossed the trend line and usually has taken out the low from between 1 & 2. Often, but not always, peak 3 bounces off the reverse side of the trend line and has ideally made a 62% retracement of the swing from peak 2.

On larger Crowns (as seen on Hourly charts) many traders try to enter at the peak of 3, and you could certainly look for waves to surf after this point has been established.

On small Crowns (as you might see on your micro trends) you might look for a suitable wave to surf after peak 3 has been established. Remember, when trading micro trends you might see this type of a crown just as a Fibonacci swing is beginning a retracement. Read the strategies I've written about trading Fibs earlier in this eBook.

DOUBLE TOPS / BOTTOMS

A double top/bottom is simply another end of trend formation that often occurs. It looks like the letter "M" at the end of an up trend, or like the letter "W" at the end of a down trend. Usually the middle of the formation you breach the trend line, then it goes back up and comes very close to the previous high, more or less by a few pips. The peaks are very close to be at the same level.

This happens in all time frames. EUR/USD shows several excellent

double tops/bottoms on the Daily candle charts.



The following chart shows you a double bottom on a 5 min EUR/USD chart. It's not a text book perfect example (most often things don't appear absolutely perfect) but you will see that it is a double bottom none the less.



As you can see on this chart, your micro trend ended on this “double bottom”, and you should have been stopped out at the point shown.

In such a situation you could always place an entry order at the peak in the middle of the double bottom for a conservative trade of say 20 pips. If the market doesn't go in that direction then your entry order won't get triggered and you won't lose anything (a "dud"), but if it is in fact a double bottom (remember, while it's in progress it could form into something else) then you'll catch the trade for a small profit (just go for small pips on such a trade). It may later turn out have other trading opportunities, so keep your eyes on it.

OTHER THINGS TO LOOK FOR

In this eBook I have already given you a ton of stuff to work with. I could go on and on and on with other techniques, but this eBook gives you a sufficient and complete trading methodology.

Feel free to get creative to find other ways to integrate "surfing" with standard technical analysis techniques. Look for "connections" between techniques too. For example, if you are familiar with Candle patterns, you would recognize that a tweezer top/bottom is really just a double top/bottom looked at from different time frames. Try "surfing" with Pivot Points (works well), and whatever happens to be your favorite technique.

Play around with the "surfing" concept. You'll find that it is a really useful technique in conjunction with most other techniques to enter trades with smaller risks than usual for those techniques.

PART 8 – FUNDAMENTAL ANNOUNCEMENTS

In this section I will explain to you how to know when Fundamental Announcements (or FAs for short) are expected to be released, and how to recognize which ones are more likely to produce price moves. It is important to know this for two reasons.

****1**** It is important to be aware of when they are happening so that you can avoid getting nuked by them as explained earlier in the eBook.

****2**** A couple of the strategies in this eBook capitalize on the price moves created by Fundamental Announcements. By knowing how to find potentially good opportunities you can literally be waiting for the precious moments after a FA news release and score

some very nice pips. Typically you'll be looking to jump in on trades within a couple to several minutes after the news is released.

LOOKING AT THE FA CALENDAR

The resources section of my website provides links to a couple of Fundamental Announcement calendars.

Every day is different, with different countries posted to release announcements. Often you will see the same country making multiple announcements for the same time. This is the best setup as when there are multiple announcements happening simultaneously then the market is much more likely to react strongly. One danger is that if there are multiple announcements then there is a greater chance of whiplash happening.

You could also attempt to trade when there is only one announcement at a particular time from a particular country, however it becomes less likely that you'll see a major price move, unless the news is significant (as explained below). Generally it is best if there are two or more at the same time for less significant announcements.

You should also pay attention to what the announcement appears to be. Release of key economic figures seems to generate more action than speeches (generally). Really, it's difficult to say anticipate what will create strong reactions, but after practicing for a while you should get a feel for what to expect.

At the end of this section I provide you a list of "key" announcement types to pay attention to. See section titled "Key Announcements".

Furthermore, economic figures released in the morning time of that particular market seem to have more impact than later ones; announcements that happen early during market overlap times tend to be best.

Look at what is posted for the next day to plan accordingly; deciding what time(s) seem to offer the best opportunity (or to watch out for), and which currency pair you plan to trade at that time.

Set your plan in advance and you should have better success, simply

because you can plan to be ready to trade for those times and you'll be thinking clearer about how to proceed with the trade. What you might want to do (highly recommended) is to review the upcoming week in the Fundamental Announcements calendar during the weekend, and write out a plan for the week detailing the exact times you plan to trade and on which currency pairs (doing the FA After Surf techniques). The ten minutes spent doing this separates you from novice traders, showing you are a professional quality trader that takes the time to properly plan your trades, and then trade your plan.

KEY ANNOUNCEMENTS

There are certain Fundamental Announcements that are much more likely to result in strong movements. If there is uncertainty (good for your trading) about what the announcement will be then there will be an immediate and sometimes drastic effect on the currency market (more drastic news = more drastic price move).

The most important to watch for are Unemployment Reports, and Interest Rates. Also high on the list to look for are Consumer Price Index (CPI), Inflation, and Gross Domestic Product (GDP). Less important (meaning less likely to result in the big) but still worth keeping an eye on include M2 (Money Supply), Treasury Budget, Producer Price Index (PPI), Retail Sales, and International Trade.

Be sure to look for the above in your weekly Fundamental Announcement calendars and plan accordingly to attempt to trade them.

Additional Info For The USD (USA)

Unemployment Reports are released on the first Friday of every month at 8:30 am EST for the prior month (this is usually very big), and every Thursday at 8:30 am EST they release a weekly adjustment (less important but still a good possibility). CPIs are released 8:30 am EST around the 13th of each month for the prior month. International Trade is released 8:30 am EST around the 20th of the month (data is for two months prior). PPI released around 11th of each month at 8:30 am EST for the prior month. Treasury Budget released 14:00 EST around the 3rd week of the month for the

prior month. GDP released 3rd or 4th week of the month at 8:30 am EST for the prior quarter, with subsequent revisions released in the 2nd and 3rd months of the quarter. M2 released Thursdays at 16:30 EST data for the week ended two Mondays prior. NAPM (National Association of Purchasing Managers) released 10:00 am EST on the first business day of the month for the prior month. Retail Sales released 8:30 am EST around the 13th of the month for one-month prior.

Spend some time researching about Fundamental Announcements (lots of stuff on the web – links to get you started can be found in the Resources Section) to better understand what these are, and how they work. Remember, educating yourself is an investment in yourself, and can help you to be a more profitable trader.

PART 9 – FINAL THOUGHTS

LOOKING AT CURRENCY PAIRS

Most traders (myself included) tend to focus primarily on just a few pairs (my 4 favorites are EUR/USD, GBP/USD, USD/CAD (I'm Canadian) and EUR/GBP – I don't personally like trading USD/JPY often, nothing against Asians as I like Asian people, I just don't like the personality of the currency pair. I find it erratic).

It is a good idea to pick a couple of currency pairs and to get very familiar with them. Each pair has it's own personality, and when you develop a 'feel' for it you'll often have more success plucking out successful trades.

Remember that you have several currencies you could be looking at and trading. You'll encounter times that your favorite currencies won't be doing much of interest (thus you won't trade). At such times I venture into looking at other currency pairs that I normally don't trade. Who knows, on a slow day you might spot a trading opportunity on one of those other pairs. Good luck!

Word to the wise – don't trade "exotic" currencies. Stick with the currency pairs that offer you 5 pips spreads or less.

RESOURCES SECTION

I provide an Internet Resources Section that provides you with useful links and downloads to supplement what you have learned in this eBook, and for your FOREX trading in general.

To access the members Resources Section click the portal link within the main eBook package page.

GET READY & START TRADING

Well, you're just about done reading this eBook. Here are a few final suggestions to get you started right.

Read through this eBook repeatedly. You want to make sure you understand everything, and to really register all the many trading variations into your mind.

Spend the first few days just looking at many charts. See if you can find examples of every single trading method taught in this eBook on your charts. Please don't skip over doing this. By doing this you are training your mind to spot these trading opportunities. The more you practice doing this the more likely that you will recognize the trading opportunities in real time. This of course means you'll be able to jump in on trades. If you don't do this practice then chances are you'll turn on your computer to trade one day and not 'see' a wonderful opportunity to profit from. The more you practice the more profitable you will become.

Register for a free demo account with the broker of your choice. In the resources section I provide you with links to suggested brokers to use. For a minimum of a solid month practice trading in your demo account. Please don't jump into trading real money without at least some demo practice. You want to make sure you understand what you are doing before you risk real money. I assure you that if you are losing money in a demo account you won't magically start making money by trading a real account.

While you are still practicing your trading in a demo account go through the steps of opening a real money account. I suggest you first open a mini account even if you can afford a larger account. Your mentality will shift once you start trading a real money account vs. a demo account. Make sure you continue trading

successfully on your mini account. After you have practiced some more on your mini account then, and only then consider opening a “regular” account.

Remember to continue using your demo account even when trading a live account. Practice newer techniques in your demo account. Use your demo account for trades you are less confident about.

The more you practice the better you will become as a trader. Your winning trades vs. losing trades stats will improve. You’ll become more profitable.

If you are a completely new trader then please consider the following two points.

****1**** I have shared this concept with many people. For the next 12 months pretend you are in school learning a new trade. Real Estate agents, Doctors, Lawyers, Accounts, or any professional for that matter don’t just read a book and then consider themselves full fledged professionals in their field. They study, and most importantly they practice practice practice.

You could find from your first month that you’re earning enough to be financially independent, but most likely you’ll find that you need to build your skills and confidence levels to get to that point. If you practice diligently over the next 12 months then you to could be one of the many people who make a living trading FOREX.

****2**** Remember that education is an investment in yourself. The more you learn the more resources you’ll have available for your success. I highly recommend that you get the complete FOREX training packages at <http://www.rapidforex.com/>. I can’t stress to you enough the importance of knowing as much as you can to be successful in whatever field you choose to be in.

I also recommend you invest in business & personal development seminars. This is not FOREX related, but is a valuable tip for you. There are a few books I highly recommend you read (listed in the Resources Section) that you could pick up at your local bookstore. Believe me, reading these books (as with this eBook) can change your life!

HAPPY TRADING!!!

Well, that's pretty much all there is to the "FOREX Surfing" system. I am pretty confident that you will love these strategies and will profit from it. I simply ask two favors from you now in return for me sharing this information with you. Please send in a glowing testimonial of how this program made you money (doing so signifies that you permit me to use your testimonial, and I am grateful to you for it), and please tell a friend to purchase this eBook, or put a link on your website. **Passing the word around is the sincerest way to tell me that you are truly grateful for this amazing system and is the best "thank you"**. It is also a kind thing to do to help your fellow man/woman. Image how you could help them by telling them about this program (especially if they benefit from it), just like this is helping you. Please ask them to get a copy for themselves, or if you want you can buy extra copies for them (it makes a great gift). Remember, one successful trade can more than pay for this eBook and leaves you with a system to earn a lifetime of profits (like the saying goes, "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for life").

Thank you in advance for sending me your testimonial. I wish you all the best and happy trading!

Blessings,
Robert

P.S. – Remember, you could exclusively trade only these strategies and make some good pips, but you are still allowed to trade whatever other techniques you may already be doing or will learn. You should take a look at the other eBooks I have available, and consider getting trained to understand technical analysis for FOREX trading – well worth the investment in yourself! I am currently developing a COMPLETE training package for FOREX trading that will teach you just about everything those other courses teach charging \$3,000 to \$10,000, but you'll have access soon to it all for an absurdly small price of just a few hundred bucks. Why am I doing this? Well, I believe that EVERYONE should have the opportunity to learn to trade FOREX ([read about my mission](#)), but unfortunately most people can't afford those high priced courses. I have a heart, and it is my sincerest wish for you to be free!!!

GOVERNMENT REQUIRED DISCLAIMER, LEGAL & COPYRIGHT NOTICES Abundant Freedom LLC. (with the licensed permission from the individual copyright owner(s) of this eBook & related materials) is making available this website, eBook(s) and all other resources / bonuses for INFORMATIONAL PURPOSES ONLY, makes no claim for accuracy of the information, and is not intended to provide legal, investment, or financial advice. Any statements about profits or income, expressed or implied, does not represent a guarantee. Your actual trading may result in losses as no trading system is guaranteed. You accept full responsibilities for your actions, trades, profit or loss, and agree to hold the author(s), Abundant Freedom LLC., Infinite Limits Inc., Evergreen Forex Inc. and any authorized distributors of this information harmless in any and all ways. The copyright owner(s) of this licensed material(s) is not responsible for the marketing & business activities conducted by Abundant Freedom LLC. Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. Before deciding to trade foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts. Not complying with all the requirements stated in the money back guarantee section voids any refund privileges.

This eBook, "Forex Surfing", and any content provided in support of this eBook is copyright of the author (Robert Borowski) and Evergreen Forex Inc. These materials are licensed for use and distribution by Abundant Freedom LLC.

UNAUTHORIZED DUPLICATION AND/OR DISTRIBUTION OF THIS PROPRIETARY COPYRIGHTED MATERIAL IS STRICTLY FORBIDDEN. YOU ARE NOT AUTHORIZED TO REPRODUCE (by electronic, physical, or any methods) AND/OR SELL THIS ELECTRONIC EBOOK OR LICENSED PRINTED COPY IN ANY

WAY INCLUDING ONLINE AUCTIONS (i.e. eBay), NOR GIVE AWAY FOR FREE TO ANYONE, NOR PLACING IT ANYWHERE ON THE WEB WHERE SOMEONE MAY DOWNLOAD IT. Please report any theft you happen to find. VIOLATORS WILL BE PROSECUTED TO THE FULLEST EXTENT OF THE LAW.

The material in this manual is the property of the author and Evergreen Forex Inc. This material cannot be copied in part or in whole without the express written permission of the copyright owner(s). Anyone who attempts to distribute this material without permission will be prosecuted to the fullest extent of the law and will be liable for reimbursing the copyright owner(s) the current full purchase price of this entire manual for every person who illegally viewed this material; plus all lawyer and court fees.

Abundant Freedom LLC, Evergreen Forex Inc., and/or Infinite Limits Inc. reserves the right to modify any legal notices, disclaimers, copyright ownership, policy, conditions of use, and the guarantee without notice at any time and effective retroactively. For full current legal notices please refer to the online [legal notices page](#).

© 2004-2005 Evergreen Forex Inc. – All Rights Reserved

This eBook is licensed to Abundant Freedom LLC for distribution.

“Forex Surfing” eBook version 1.30