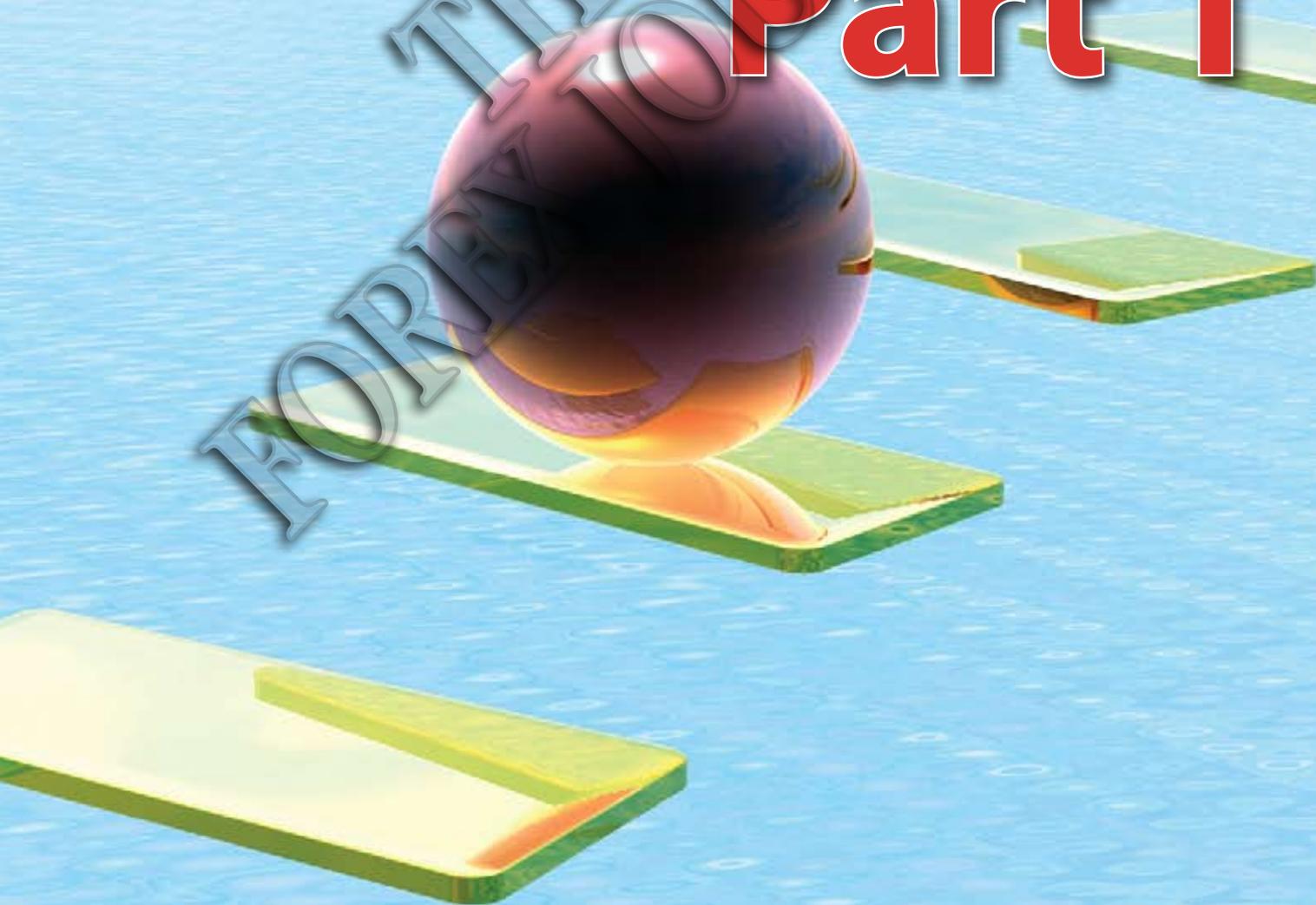


# Top Ten Tips for Forex Success – Part 1

THE FOREX JOURNAL  
FOREX JOURNAL



# Have you ever wondered how the elite group of successful Forex traders got to be successful and highly profitable? Forex trader, Jade Gate, shares 10 important strategic and tactical tips for successful trading in the currency market.

Have you ever wondered how the elite group of successful Forex traders got to be that way – successful and highly profitable? Do you think you have what it takes to join the club? Can you survive the Forex “apprenticeship?”

Most successful traders became profitable by first earning their Forex PhD. In this case, the letters ‘PhD’ stand for ‘Phenomenally Huge Drawdown.’ It is often said that 95% of new traders will lose their shirts. What precisely, separates the winners from the losers? The success stories have a common theme – and it is not what you might expect.

Smart traders understand the risk inherent in this market and plan to be around for the long haul from the outset. What are the keys to success? Do you have what it takes?

This is Part 1 in a 3 part series on trading Forex successfully.

The strategic and tactical approaches are addressed first. It is important to gain a proper grip on the dynamics of the Forex instrument as a whole before venturing into trade management/technical analysis skills, which will be covered in Part 2 and the personal qualities of the trader covered in Part 3.

## Strategic/Tactical

### 1. Respect for Risk

Forex is like an ocean liner that runs on the edge of a razor blade. It can be highly lucrative and highly damaging. Successful traders comprehend the risk inherent in a highly dynamic changeable market and adjust their perspective and trade plans accordingly. These lessons have been learned the hard way, through incurring sometimes significant losses.

Successful traders have enormous respect for risk (since they have experienced the damage this market can do first hand when they get it wrong), they are highly flexible, not rigid; they are in tune with the changing tides of sentiment and have the capacity to shift their directional bias accordingly.

## 2. Advantage Plus

Successful traders have two key advantages.

First, they have the best information. This consists of 5 key items

- extensive Technical Analysis knowledge that works in the Forex market
- lengthy market experience
- independent/sound research capacity
- self-motivated attention to detail
- thorough and professional preparation

Second, they make the smallest number of mistakes. It is not a question of making no mistakes (even the best traders get it wrong sometimes) but they strive to keep the error rate as low as possible.

Successful traders obtain, and maintain their success through accessing and using reliable high quality information and by keeping their error rate low.

## 3. Know the Rules and Exceptions

The Forex market has 1001 different nuances that apply in different circumstances. Good traders know the rules. Great traders know the exceptions. Knowledge, experience and education matter. Longevity in the Forex market is important since it is only through this long-term familiarity with “trial and error” that a good trader gains the detailed knowledge and discipline needed to be successful. Trading Forex is a little like training for neuro-surgery. Traders should avoid conducting major surgery on the patient until such time as they have sufficient knowledge, skill, training and clinical practice to be highly competent in their craft. The learning curve can be steep and costly if you venture into major operations too soon (e.g. misuse of margin, assuming positions that are too large, over-trading).

Successful traders have extensive experience under their belts. They have identified a trading system that works consistently for them and they apply it rigorously. They

also know the exceptions, that is, when and under what circumstances their normal approach cannot be relied upon.

## 4. Timing

Timing is critical to successful trading. A core axiom in maximising success is to only trade when the market is at its most liquid. This occurs at the beginning of the European session, during the overlap of the European and U.S. sessions and as the U.S. session closes. During these times, the tides of momentum are at their peak with the greatest velocity. “Momentum is like a drawn crossbow, and timing is the trigger which will release the bolt with deadly accuracy.” (Sun Tzu, Art of War).

Successful traders maximise their chances of success by deliberately stacking the odds in their favour.

## 5. Understanding Herd Behaviour

Currencies are drawn to major support and resistance levels. Herd behaviour is rampant in this market. If new traders learn nothing else, it should be to only place trades when currencies are at established support and resistance levels and/or when there is clear confirmation that a breakout move or trend reversal is occurring. Trading within the body of a move already in progress compounds risk in an already high risk instrument.

Successful traders monitor key support and resistance levels closely.

## 6. Logic and the Analytical Mind

The Forex market can remain irrational longer than you can remain liquid. Highly analytical minds can find this lack of logical behaviour difficult to process. Logic and reason based on fundamentals do not always influence currency behaviour. Bias and impatience are the trader's enemies. Some traders would rather be right, than be rich. Check your ego in at the door before entering, or this market will check it in for you.

Successful traders possess humility – they acquired this the hard way.

## 7. Price Action (PA).

In the Forex market, zig zag price action and retracements are very common. Most moves will retrace by 50% and

many moves will re-test support and resistance levels several times before deciding on direction. Successful traders avoid getting on board too soon since the market generally provides plenty of chances to recognise a move reversal – levels are (nearly always) tested more than once, usually multiple times. Learning to read the signs for safe entry accurately is a major part of the apprenticeship.

Successful traders recognise the most reliable trade signals. They know when to enter and when to exit, locking in profits.

## 8. Less is More

Successful traders keep their finger off the trigger unless all of their pre-determined entry signals are met. Overtrading is the Number One account killer. Choose your moment of entry carefully. Plan your trade. If in doubt, stay out. Less is more. This cannot be emphasized enough.

Successful traders plan their trades and exercise the discipline to wait for price to come to them.

## 9. Psychological Warfare

Trading is psychological warfare with yourself first and with the market second. Trading is a catharsis, a rite of purification, a cleansing from the impurities of wrong information, lack of discipline, errors of judgement. Sometimes, when traders make the same mistake over and over, their learning is merely being taken to a deeper level on each consecutive occasion until the point is eventually gotten.

Constant repetition of a mistake occurs because our brains can be unknowingly programmed to prefer trading a particular directional bias (just like Pavlov's dog, we are rewarded for trading a certain long or short bias, so the reward program is "set" to automatic). Re-programming the brain to be able to trade both the trend and countertrend is vitally important, but it is not an easy task.

Allowing yourself to be shaped and "refined" in the Forex crucible requires two key personality elements – character and fortitude. It also requires a significant cache of reserve funds, without which, your Forex trading career may be short-lived. One of the worst mistakes new traders make is to transition from demo trading to live trading with all guns blazing.

Successful traders have visited their own fallibility, they have survived the crucible and allowed it to shape them. Successful traders can trade both trend and countertrend moves with equal confidence.

## 10. Longevity.

Plan from the outset to be around for the long haul. Trading Forex successfully requires high levels of self discipline and emotional maturity – trading real money (unlike demo trading) carries significant pressure that can easily lead to doing the wrong thing in the heat of the moment. Learning to manage emotions, to remain patient and disciplined is perhaps the hardest of all apprenticeship hurdles. Being unable to gain mastery of this is the main cause of losses and blown accounts.

Successful traders are disciplined, smart and market savvy because they have been around long enough to have visited the raw truth regarding the causes of their failures. They have diligently applied themselves to the task of overcoming their short-comings and succeeded (where others have either given up or continued to cling relentlessly to bad habits or unrealistic objectives, and fail).

### Summary

Start small. Trade a live micro account to begin with. If or when you have the runs on the board with consistent profits in a micro account, that is the time to move to a larger account and larger position sizing.

Make plenty of allowance for the steep learning curve and be well prepared – understand from the outset this is a journey you are embarking on, a journey into how this market operates and a journey into how you operate as a trader. It may take a few months or it may take years to acquire proficiency, it all depends on you, the trader. Acquiring the necessary knowledge and skill is a process, sometimes a brutal and lengthy process.

Be fully prepared. Be smart, be realistic, trade safely while you learn the craft of trading Forex successfully.

*Jade Gate is a management professional in the education and quality control sectors (managing education facilities). She has been trading stocks, options and futures for 5 years and began trading Forex one year ago. With her background, she thought Forex would be fairly straightforward, but found it much more complex than she had anticipated. Having recently come through the "apprenticeship" phase of Forex trading, she is now trading Forex successfully. These tips come fresh from the trenches, so to speak. Her background includes Tertiary education in two disciplines at the Masters level, MPA and Education*