Hello. Thanks for taking the time to read this Insider's Guide. We believe you are going to find some very helpful information and tips here whether you are a beginning or advanced trader – Forex or futures – and you'll even find much of this can apply to other markets as well. The first section covers Forex, and if you advance forward in the Guide you'll see the Futures section start thereafter. There is much cross-over so even if you do not currently trade a certain market you will likely gain from the knowledge.

Insider's Guide to Forex Trading

What you are about to read is not a long dissertation on technical analysis or some system with the 20 indicators you need to load on your chart and analyze to trade the Forex.

This is not meant to be an introduction to Forex and tell you what a pip is, what spread is or what is this whole Eurodollar thing.

You can find all of that information elsewhere. Instead, this is meant to give you information that is simply going to save you a considerable amount of money, grief and time.

It all comes from the school of hard trading knocks. I am writing this anonymously. There are going to be things I'll say below that the powers that be in the world of Forex trading simply do not like anyone to say.

Instead they like to tell you about how easy it is. How it's all commission free, super trending and quite simply easy to trade. You'll be grabbing pips whenever you need them! If only it was so easy.

No, instead we are going to acknowledge the good and the bad. And some of the ugly of Forex trading and you are going to learn some things that you will definitely not know if you are new or even moderately experienced at Forex trading, and for those of you who are very experienced you will either have experienced much of this or always wondered about it.

Let's proceed. Promise, it will be brief and painless. This is about quick tips that will save you money, grief and time.

1. Commission Free Trading

This was the initial sales pitch most brokers used and many still do. "You'll trade for free – no commissions!" Well, any of us who trade actively know commissions add up to some ungodly amounts – many times you look at your annual statements if you trade actively and it's not uncommon that your broker makes more, maybe much more, than you do in your trading profits. Forex trading is not commission free. Sure, there is usually not an "add-on" commission. However, they force you to pay a spread on every trade. You have to always buy at the ask and always sell at the bid. This is not the case in stocks, or futures or really any other market.

This forced spread on every trade is a commission. That's what it is. Despite what the broker might claim. And that forced spread is not cheap. 3 pips is $30 on a just one full sized pair. Try $50 on a 5 pip spread you still see as commonplace.
Now, compare that to your average futures or stock trade. Which is more? Forex usually by far.
Now, let's not leave it at that. Remember, you get some amazing leverage opportunities with Forex so the actual commission compared to the dollar volume you are able to trade is actually reasonable in some cases – assuming you trade at the right places and follow the right strategies. We'll cover that below.

2. 100:1 Leverage…No, Wait! How about 200:1….or 400:1?

You're going to be rich! With that kind of leverage you make just a few pips per days and you'll spend as much time with your banker as you do with your significant other right? You look at the end of month totals from your strategy, run it through your state of the art Leverage Calculator and instantly you are making 100%, 300% or 500% per month. Do that a few months, a bit of compounding and you'll be buying that private island after all. This is another one of those broker come-ons. It just doesn't work this way. Yes, you can get this leverage. The brokers are going to allow it so I'm not saying it isn't as advertised. However, you are guaranteed to wipe-out using it. Guaranteed. There simply is no way you can trade at these leverage levels and make it. Not unless you are some trading genius who can take a trade and never lose. If you are – please contact me at once!
For the rest of us, you are going to lose. You are going to lose more than once. You are going to have some losing streaks. It's the nature of trading. It's not a big deal especially if you can win more than you lose, and if your average win is greater than your average loss. You do that and who cares about some losses. Don't get hung-up on it.

However, you will care very much if you over-leverage. Do not over-leverage! This is the single, greatest mistake most new Forex traders make. Your state of the art trading calculator spits out numbers that are too great to pass up and you let greed get in the way of logic.

Think about it this way. 200:1 leverage.

You have a trade you are targeting 25 pips and risking 25 pips. As you'll learn below that trade actually has to go 28 pips or more to hit your target of 25 pips and you'll actually be risking 28 pips or more – but, for this example we won't get hung up on that. We'll solve that later.

You have a $5,000 account and trade it with 200:1 leverage. That means you can trade 1,000,000 worth of currency (you can see why we said spreads above are a significant cost but with leverage can end up being a small percentage of cost) – and that means 10 full sized pairs.

Oh, and you lose on this trade. Let's do the math. 10 pairs x 25 pips = 250 pip loss. Make that with spread 10 pairs x 28 pips = 280 pips loss x $10/pip = $2800 loss.

Oops. You've just lost over 50% of your account. Don't even think about what would have happened if you were risking more – and these days on the Forex good luck risking much less.

If you lose twice in a row – which happens all the time you've just wiped out. Sure, if you win you make a great return but you are completely counting on virtually never losing. Even if you get a few wins immediately, you'll eventually wipe out.

It's what happens to the new gambler in Las Vegas. They try a few hands, they win, they get sucked in and then before they know it they are at their ATM machine looking for their mortgage money to try and get back that winning feeling.

You'll have success trading with huge leverage. Some of the time. It will be great and you'll brag to your friends how you made 50% that afternoon. Then, a few days later you'll be asking them to pick-up the lunch tab.

Do not use crazy leverage. Do not use crazy leverage. Do not use…ok, you get the idea. Decide on a fixed percentage you are going to risk on your account on any one trade. 5%? 10%? And, calculate that amount to determine what size you can trade based upon the risk per trade. It will still be great leverage – Forex provides that. What's wrong with 5:1 leverage or 10:1 leverage? It blows away the stock market but it's not going to wipe you out in a couple of trades.

3. Spreads

Find a broker that does not charge high spreads. Sure, you need a broker who provides a stable platform, which provides good customer service, which is regulated (important!), that has account insurance/guarantees, etc… But, realize these brokers make money many different ways. They make spread money, they make money by laying off orders on other banks, they make money on stop running. Did I say that? Guess it's too late to take it back.

There is simply no reason to pay more than 3 pips on the EURUSD. And really, you should be paying 2 pips. On the GBPUSD and USDCHF why are you paying 5 pips? Sorry, it's not going to a charitable cause – your broker's bank account isn't a non-profit. Those spreads are crazy. You should pay 3, maybe 4 at most on the other majors.

And, typically, forget about all the "exotics" – avoid trading anything that is not amongst the main pairs – EURUSD, USDCHF, GBPUSD, USDCAD, AUDUSD, USDJPY, EURJPY and maybe EURGBP. And stay away unless spread is 2 or 3 pips, maybe 4. That's already more than enough to trade so why do you need to trade the GBPCHF for

15 pips spread. Unless you really like to make car payments and pay for rounds of gold for your broker.

4. Banker's Hours… I Mean Broker's Hours…

Most of us think that all brokers are up the entire time these markets are trading. Not exactly. Brokers can set their own hours – there are not rules or regulations on that. You had better check on this. You'd be surprised how many close an hour or two early on Friday. How many open later on Sunday then the market trades. How many close for holidays even though there is trading. And when they are closed – you are stuck in your trade. You'll be in for a rude surprise when you go to exit a trade ahead of the weekend only to find out they are already closed. I know, sounds really basic, check the hours of a business but you'll be surprised how many have no clue about this until it burns them bad. Know this upfront – including when you can call the broker (they are not always staffed at the trading desk) as well as have access to their system AND order executions.

5. Wild West Trading Prices

The Forex does not have centralized pricing. Think of it this way, all those banks out there that trade, all the brokers that trade all the individuals that trade – none of it is centralized into on executable source. Each broker has their own data feed and they decide what the highs and lows are, what the highs and lows are on a swing, and can limit movement on a pair. It is artificially controlled. Sorry, it's not the free market you think it is. And, it's nothing like the stock or futures markets where you are trading in a centralized market where all the bids, asks and trading volume is executable no matter what broker you choose.

This is a big difference in Forex. One day it likely will be centralized – and that will be a great thing. In the meantime, you are going to be trading a market where one person might have a stop filed, another one trading elsewhere will not. Same with limits. This means you literally can have two people trading the same exact strategy and they will end up with completely different results at times.

It's frustrating but true - - and you need to understand this. Just because broker NoCommissions.com executes a fill doesn't mean that WeNeverRunStops.com is going to execute as well. If you ever bring up charts from different brokers you'll see they can be different – it's never drastic, usually a few pips on various swings but in fast markets you'd be amazed how much they can vary. It is not uncommon for me to be trading and see brokers different by 5 or 10 pips at times – it's not typical but it happens and that can make a major difference in your results.

Solution? There isn't a great solution other than to realize this is the case. If you are following a strategy/service and they have hit target and you have not – you better chalk it up to slippage and get out because they hit and you didn't. Happens all the time and it's best to simply try and stay in synch with your strategy and assume you'll make up those pips on another trade.

6. Day Trading or Swing Trading

Day trading Forex is very difficult. It used to be easy. It's not any longer. In the good 'ol days there was excellent trading range, smooth moves, wide swings, and very little choppiness. You'd rarely load up a candlestick chart and see huge wicks and tails. These days that's all there seems to be. At least 3 or 4 days per week. You'll still get a trending day or two but that's not enough to make back what you are likely to lose the other days. In addition, spread is a real killer for day trading. Let's say you are paying 5 pips. And you decide you are going to be a Forex scalper. Taking 10 pips on a trade and risking 10 pips. You look on the chart, you can do that all day right?

Well, remember what we said above – as soon as you enter a trade you are down 5 pips. You are not even like stock trading or futures, etc… You are already down due to the forced spread. And, to get that 10 pips of profit you now need the market to move 15 pips. To risk that 10 pips you are actually needing to risk 15 pips. So this simple trade that will make you 10 pips now comes with a risk of 15. Not a great ratio.

Does this mean you cannot day trade Forex? Absolutely not. There could be strategies that work. There definitely were many that used to work great. It's just that it has gotten much more difficult.

Swing trading on the other hand allows for a bit more tolerance. The reason? Usually when you are trading the larger moves you probably are going for a better ratio – maybe 100 pips and risking 50 pips (just for an example) – in addition, you are likely trading much less often. That means fewer spreads, fewer problems, fewer stops being run. It also means that since you are going for a larger target if you get to your target, don't get a fill and just miss you don't care about taking 96 pips instead of 100. Who cares? Let's not trip all over ourselves trying to squeeze out a few more pips.

However, if you day trade, you simply cannot risk 15 pips like above and decide to take 6 pips. It's much easier on swing trades to digest some of this "slippage" on your exits.

Personally, if I was to suggest a way to trade I would not suggest you start with day trading. You are almost definitely going to have many problems. That alone will save you a lot of losses.

7. Regulators

Absolutely, definitely, positively check to ensure your Forex broker is licensed and is a registered FCM. Check to see what their reserves are, make sure they hold segregated funds, better if they are traded publicly somewhere – many are traded publicly in Europe – that's fine. Just make sure you do some checking on where your funds are going. And, confirm they truly are registered. They should give you their registration number. Check it and make sure it's valid and current.

The last thing you need to be doing is sending your funds to an unregulated broker who has not cleared the minimum requirements of the NFA – it is totally unnecessary to take this risk.

It probably goes without saying but we still continue to see stories of people losing their funds to unscrupulous or under capitalized firms.

8. Automation

First, let’s face it. Forex trading is really tough. 24 hours per day for 5 days is more than a full-time job. It’s basically impossible to trade that much time for anyone.

That is why auto-trade can be very popular with the right trading service. It is so much easier not to have to monitor the markets 24 hours a day – which is basically impossible to do on your own.

However, there are some basics you should make sure your Forex broker offers. They should always offer contingent stops and limits at the time you place your order. This is critical and there are brokers that don’t. There are literally brokers out there where you place your entry order and until it’s filled you cannot place the stop and limit. That’s horrible; it will cause you endless grief and frustration and definitely money.

Absolutely do not trade with a broker that does not allow this basic order type.
Do not trade with a broker where you cannot place buy stop or sell stop entries. You need to be able to enter at the price you want and only then. Not somewhere where literally the only way to get in is with a limit or a market. Do not box yourself in with limited features.

In addition, this is one of those unspoken and really sneaky things some brokers do. They show you charting and prices that are not executable. Perhaps I should name names… maybe another time… let’s keep this informative and not personal (!) but just know that there are brokers out there who provide charting and show prices that they actually do not execute at. They just take someone else feeds. That’s always fun when your limit order looks filled based upon the chart they show, and then you never get a fill.

You need to absolutely confirm that what you are seeing visually is executable. If not, you had better find out why. Sometimes they show the asks on the highs and the bids on the low, sometimes they split the difference, etc… You really must know or you will end up having all kinds of problems. It’s best if the prices shown are executable – if they are not at least know how they are based. And, if it’s some random feed that has nothing to do with the broker… run.

9. Trading Desks – A Broker’s Best Friend

Many brokers will try and tell you about how huge they are and how many traders they have at a desk. Yes, it’s a good sign that they are of some size. However, do not think that all those people scrambling around in that picture of their trading desk are on your side. In fact, they are probably against you. Realize that brokers take the other side of all trades with you and of course then try to lay off those positions elsewhere. That means it is you against them. Despite what they may tell you.

And, that means you can bet they have ways of hunting out stops and not filling limits. It’s not going to be an issue when the market clearly blows through a stop or a limit. It’s those times where the market may have just made a limit price but somehow the broker seems to always miss those close call limits on your profit exits by a pip or two. However, on your stop exits, usually for a loss they seem to have an uncanny ability to stretch just a little farther and grab you before going back the other way.

You are not being paranoid – this does happen. The trading desks are there to make profits for the broker not to help you make money. It is you against them and you must realize that.

Another reason why day trading can be so tough. The more you trade the more battles you’ll have with these desks and the more problems. Better to pick your best trading spots and allow yourself enough of a buffer on your stops that they won’t reach out and grab those stops. And, you really ought to be ready to exit when that elusive limit just seems to not fill despite repeated efforts.

It does happen, all the time. The broker is not your friend when it comes to executions so you had better look out for yourself.

10. Systems, Services, Signals

There are many systems out there and many services. Some of them are excellent, some of them are not. You will truly only find out which ones work for you with some investigation and definitely with a trial. These are just some basic tips.

First, you’ll find there are providers that post results that are the “best exit” – meaning they show the results based upon the lowest low when short in that trade and the highest high. Of course nobody knows to exit at those prices and usually this can double or triple actual performance. It happens all the time – read the fine print.

Second, yes, results that are back-tested can have some benefit but realize markets change. What worked six months ago may not work now. Instead of trusting back-testing you need to have a trial. Insist on it and don’t pay money upfront until you get a chance to at least trial the service – or make sure if there is a cost it’s very low.

Some people spend thousands of dollars on a piece of software only to find out it doesn't work. It's much easier to deal with something not working when it was a free trial, or just a small monthly fee without long-term obligations.

Third, realize that all the issues we presented above are typically not reflected in results. However, armed with this information we've give you, you are going to be so much better off than probably 99 out of 100 traders who are going to learn all this the hard way. There are definitely good strategies out there commercially. It's a game of numbers like everything else. Most probably are not effective but with some research and a bit of trial and error you can find something that is going to be perfect for you.

In Summary…

Forex trading can be wonderful to trade. Do not look at the above hurdles and feel they are insurmountable. With the knowledge you now have you can work around or through all these issues. You can definitely profit and Forex trading is not going away. It's popularity is at an all-time peak and we'll probably be able to say that for a long time to come. However, it is not the easiest market to trade and much of how it's sold isn't truly the reality.

Experience will show you this as will what you've learned here. Take it slow. Use minimal leverage initially, and realize that you'll have a learning curve and you'll make some mistakes. Consider it the cost of your education.

If you stay with it, and apply the proper logic to a quality strategy you'll do just fine. Just be realistic. You're not going to make 1000% a month. You're not going to turn $5,000 into a million in two years (right of a website I saw recently.) You're not going to win 50 trades in a row. That's all o.k. You don't need any of this to be a tremendous success trading Forex.

Know you can and will make it, but just know that you are in for a challenge. Once overcome, it can be tremendously rewarding.

Insider's Guide to Trading the e-Mini Futures

1. **Timeframes** - There are certain times of day that are best to trade. In general, you can count on the first 2 – 3 hours of the trading day, after the New York markets open (9:30am EST) and the final 2+ hours of the day (2pm – 4:15pm EST) to yield the most consistent results. The midday can be rewarding but almost every time we've reviewed trading results you end up with much more work and effort for a lot less return during the midday.

2. **Trend and Chop** - Markets will oscillate up and down much more often than trend. If you trade a method that succeeds only during trending markets you'll have the occasional big day, but any review of the markets will show that the markets chop and churn more than they trend. Be sure your trading method does not only thrive in a trending market – and watch for signal services or strategies that make it a habit of showing you how great it does on those big moves up or down. Those are the easiest markets to trade – you hardly need a system for that.

3. **Market Context** - Know the "Average Trading Range"/ATR of the market you are trading and compare it to the norms. This is important because many systems/strategies will have fixed targets and stops. Which is fine since you probably will not need to fine-tune these that often (though you should on occasion as market conditions and levels change substantially.) However, your expectations are going to be different when a market is trading at 50% of its normal trading range vs. 150% of its normal trading ranges. When you start to see some real variance from the norm that is the time you are going to want to adjust your targets and stops to accommodate. For example, if the average trading range in a market over time is 10 points but it drops to 6 or 7 you can bet your normal expected targets are going to consistently "just miss" – it's very important to know the overall context of the market you are trading.

4. **Trading the News** – you should always be aware of major economic news. There are many economic calendars available on the internet. One of the most comprehensive that also rates the expected volatility is: http://www.forexfactory.com -- don't worry that it says forex if you are trading futures. The idea there is you should know the major reports – and keep in mind that if you take a trade right at the same time as a release is coming out you've gone from a predictable trade per your system to a completely random event. Personally not against trading in front of or after the news, or even holding through the news assuming you have set target/stops but markets love to pull a complete "180" reversal right at the release and trading right into that event typically puts the odds well against you.

5. **Key Numbers** - Always watch round numbers. Human psychology has trader's doing the exactly wrong things around round numbers. What we mean by that is entering a buy just below a major round number such as a 1400, 1500, 1600. This can even extend down to "0" and "5" levels such as 1405, 1410, 1415. Be aware that markets have an uncanny way of stopping at these levels and reversing – you cannot adjust for every potential resistance/support point but again, just like with news you should adjust your entries and/or exits if they happen to fall right in line with a key round number. That small extra adjustment will make all the difference for you.

6. **Back-testing** – be wary of results that come from back-testing. Realize that it is easy with software/trading platforms today to take almost any trading system, even a lousy one, and optimize it on past data to make it look like the holy-grail to end all holy grails. Back-testing means little. The only useful part of back-testing is to possibly help set-up parameters for going forward trading. And, if you get results that were issued in real-time (and are verifiable) then you are onto something. Just always confirm/ask that the results being presented were those that were issued and generated through real-time trading not the result of back-testing. Those results you can toss out the window. 98% of the time they won't be replicable.

7. **Indicator Overkill** - There's the old adage "Keep It Simple Stupid" (KISS) and this really does apply to any trading. Do not go overboard with indicators. There is a real temptation to put every lagging indicator you can find or that comes with your charting platform on your chart. Realize that it is not any indicator alone that is ever going to make or break a system. They are just meant to help hopefully move the odds in your favor on your trading. Indicators need to be built around a very thorough ruleset and we would suggest you always make "price" to be your primary guide in trading. Price based indicators and price based trading has the best chance for success. Just keep in mind no one indicator is ever going to be able to provide consistent buy/sell set-ups. Also, keep in mind trading is a game of odds. Those who succeed in places like Las Vegas understand this. They know they are going to lose a LOT. They are just looking for the slight edge, the edge to get their win/loss above 50% if barely. And, even if they cannot get that above 50% if they can vary the size of their "bet" the results can be very positive despite having more losers than winners. This brings us to our next topic.

8. **System Benchmarks** - Do not measure a system's success on too few variables. Some people get hung up on the win/loss percentage. You need to realize you can have a system that wins 80% of the time and still be a failure. You can have a system that wins 30% of the time and it can be a great success. In addition, some people get hung up on the "initial" target and stop. You can succeed with a system that has a higher stop than target. Don't get shaken out of a potentially

successful approach due to this. You have to look at ALL the variables not just the win/loss percentage. Not just the stop and target. Not just the average win vs. average loss (though that is more important than the initial target & stop) – combine everything together to successfully assess a strategy. And then, you have to put it through the final filter – yourself. Can you manage trading a system that wins only 30% of the time? Or, does your trading psychology need a system that wins 65% of the time, even one less profitable (since it can be difficult to lose or have streaks of losers and keep going) or can you be comfortable with a system that takes its profits slowly but consistently or do you feel you can only stick with one that hits home runs on occasions? Even if a system is successful it still might not work for you depending upon how you are built for trading.

9. **Leverage –** you should always watch your account size and leverage. If you do not know the percentage you are risking per trade of your account then you are already off in the wrong direction. Too often people set stops on trades using an abundance of leverage and they don't realize they could be risking 10% or more of their equity in that account on a single trade. For example, if you are trading the Russell e-Mini and your risk on the trade is 3 points, that is $300. Should you be trading this with a $2,000 account? In this situation if you lost you'd be down already 15% just for one losing trade. And, with any trading losses do happen, and they do happen on a regular basis. You need to capitalize properly. Only you can determine what risk and drawdown you are comfortable with but set those up-front. If you are only comfortable with losing 2% or 3% or 5% on a trade then set your position sizing up accordingly, or start with more equity. In addition, don't just think about it in terms of a single trade. What if you lost 2, 3 or 4 times in a row? Could you handle that drawdown? If the answer is no – then you are risking too much. You need to be able to ride out the inevitable drawdowns and losing streaks that happen even with the best strategies.

10. **Commission costs do matter** - Especially if you trade with frequency. You should spend towards the low-end of the current competitive pricing. Too often we see people say they are paying 2x or more the going averages – that is usually a recipe for negative overall results. Yes, it is important that you work with a quality broker that has an excellent electronic trading platform (you are not going to "call in" your trades and successfully trade the e-mini futures) that is reliable and up 99.9% of the time. Realize that it is not uncommon for traders to change brokerages. Sometimes it takes time to find the right combination of price and performance. However, there are excellent choices – if you do not have that potent combination then you need to keep looking. Because, there is no need to settle for high commissions, poor performance on their trading platform with technical issues or lack of support. The market is so competitive that yes, you can have it all and you should not accept where you are if you do not feel you are getting this combination. If not, you are just giving money away. You wouldn't

walk around your town just tossing money around, and you are doing just that by settling on the wrong broker, the wrong tools or the wrong system.

We hope this guide has helped you. There are the top issues that every trader faces, some of them not frequently discussed but something you need to consider. Trading the indexes using e-Mini futures can be a great opportunity but you need to be armed with all the knowledge. Realize that as with anything worthwhile it does take some time and experience to truly succeed. Be willing to invest that time, travel up the learning curve, and be educated more than the next person and you can succeed.