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# **XVolume System**

**Anthony P.**

## **Introduction to Volume Trading**

Thank you for purchasing the XVolume package. You have taken a very wise business decision and I am personally excited to show you these trading techniques.

Volume basically means the aggregated size of all the trades in the market in a specific bar or candle. The higher the volume, the more trades were taken and the more action took place in this specific candle.

Volume are the thing that leads all the movements of price and anticipate the future trends. **There is no trend** that did not begin with strong volume in a direction, and almost **all trends** end when a volume decreases.

So, by monitoring volume we can get good conclusions and insight about trends that we cannot reach judging by price alone. For example: if we see a short candle in which price did not move significantly but has high volume it means that this candle is near a location of high action and a potential reversal zone. It usually happens in Doji candles (for those familiar with the Japanese terminology).

We can also see good reversal signals very early using Volume – if the trend is moving up but volume is dying, we can infer that traders are getting fewer and fewer, and this is a signal of diminishing trend.

As a general rule of thumb: *Rising volume confirms trend, Weakening volume is a signal of weakness.*



## Volume in Forex

Forex is not a centralized market, this means that it is traded in several banks and trading is not occurring in one place.

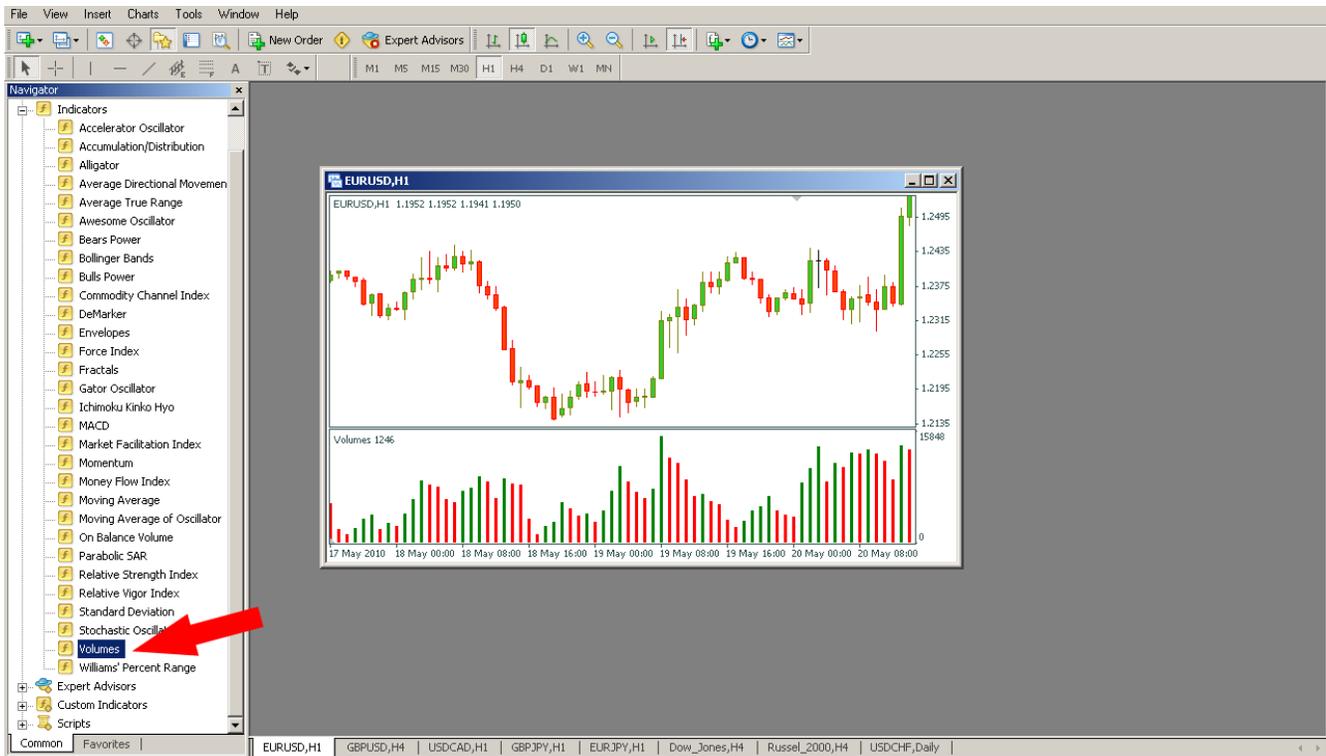
Therefore, the volume in Forex is not 100% accurate as in other instruments such as Stocks.

Nevertheless, we can and will use it in our trading as it is still good and enough accurate. If you wish a more accurate volume information you are invited to take a look at Pro Real Time charting software which gives volume information from many sources, and is considered more accurate.

In MetaTrader the volume you will see is 'Tick-Volume'.

## Using Built-In Volume in MetaTrader

To use the built-in volume in MetaTrader just click in Indicators → Volume and insert it like any other indicator. You will see the volume panel appearing at the bottom of the screen.



## **Install Volume Killer Indicator**

In this section you will learn how to install the Volume X Indicator.

*Before you install:* If you don't have MetaTrader ® installed, please download it from this link:

[http://www.alpari.co.uk/files/site\\_uk/000software/MT4\\_set\\_up.exe](http://www.alpari.co.uk/files/site_uk/000software/MT4_set_up.exe)

Follow the instructions and open a demo or real account. We recommend trading the indicators on demo account before proceeding to real accounts.

*Installing the Indicators:* Copy the indicators files EX4 into your /experts/indicators/ folder. This folder is in the folder of the MetaTrader trading platform.

Examples:

If you are using the Interbank FX Trader broker, the folder will be at  
*C:\Program Files\Interbank FX Trader 4\experts\indicators\*

If you are using the Alpari MetaTrader broker, the folder will be at  
*C:\Program Files\MetaTrader – Alpari\experts\indicators*

If you are using the FXDD broker, the folder will be at  
*C:\Program Files\FXDD – MetaTrader 4\experts\indicators\*

If you're having problems, here is a video showing how you to **install indicators to the** MetaTrader ® platform:

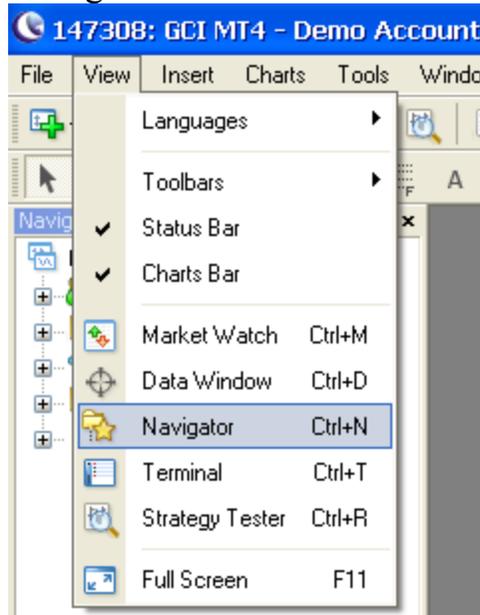
<http://www.youtube.com/watch?v=F-VusM-Q8rw>

If you can't find your /experts/indicators/ folder or need any assistance, please contact our technical support at and we'll be happy to help.

## Opening the Indicator

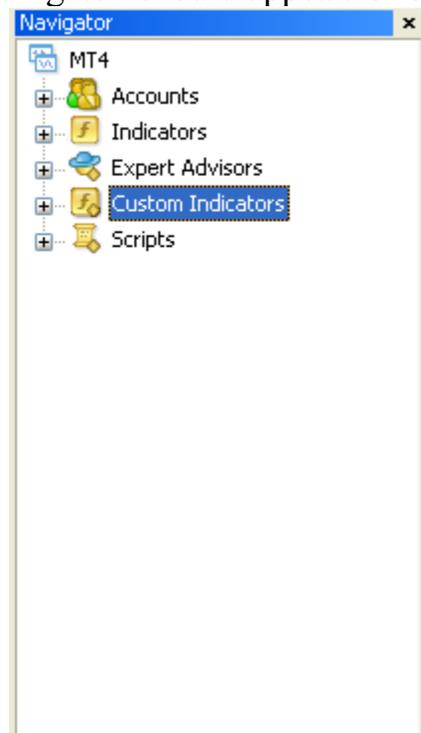
→ **Step 1:** Open the MetaTrader® platform.

→ **Step 2:** Click on View -> Navigator. You can also click on CTRL+N.



*Click on 'Navigator'*

→ **Step 3:** A window titled 'Navigator' should appear. Click on Custom Indicators.



*The Navigator*

→ **Step 4:** You should see the Volume X indicator © at the Custom Indicators folder. Double click on the indicator and click OK to load them onto your chart.

## Volume Increasing \ Decreasing

After you've opened and set-up the Volume X Indicator you will start getting messages on screen that derived from volume analysis of the Forex pair.



## Trading System #1: VolumeBlock

The first trading system we will use in the XVolume trading package is the VolumeBlock system.

The 1<sup>st</sup> stage is to make sure that volume is increasing. You can do this from checking the Volume X Indicator or checking volume manually (I prefer the Volume X ).

After we have confirmed that volume is rising we will look for a level in which price is struggling with. For example:



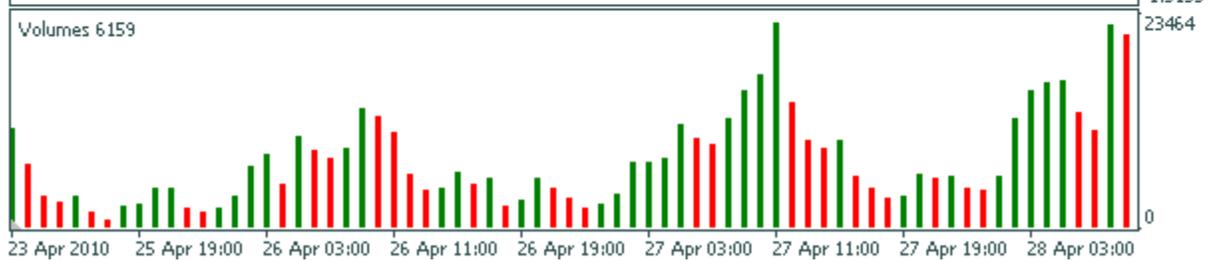
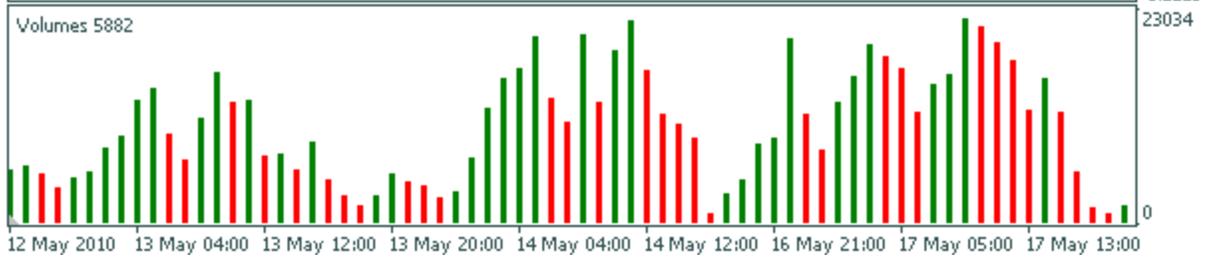
We will set a trading order to enter the market 10 pips above or below this level (depending on direction). If price is rising we will put a trading order 10 pips ABOVE this level and if it is declining we will put a trading order 10 pips BELOW the level.

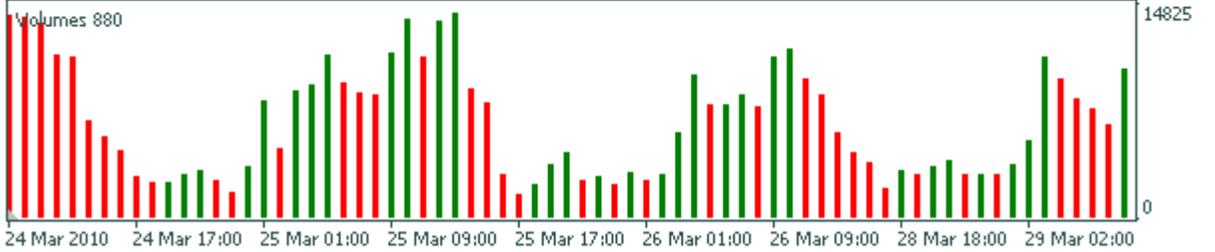
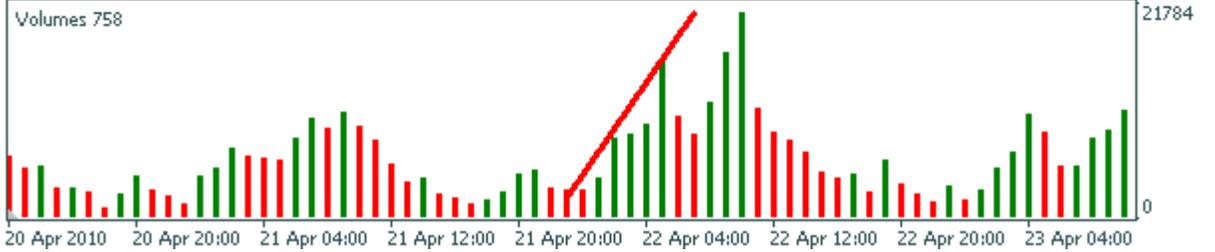
Unlike regular breakout trading, this system makes sure that momentum and volume is on your side so you have much higher chance of winning the trade.

As we said, Volume is the fuel behind the market and if it is rising it is a sign of strong momentum, and a higher chance of the level to be broken.

Examples for trades:









## Volume Divergence System #2: VolumeBounce

This trading system is similar to the previous one, but it makes sure that volume is **declining** rather than rising.

We will wait for price to get near a support or resistance level (level which he is struggling with).

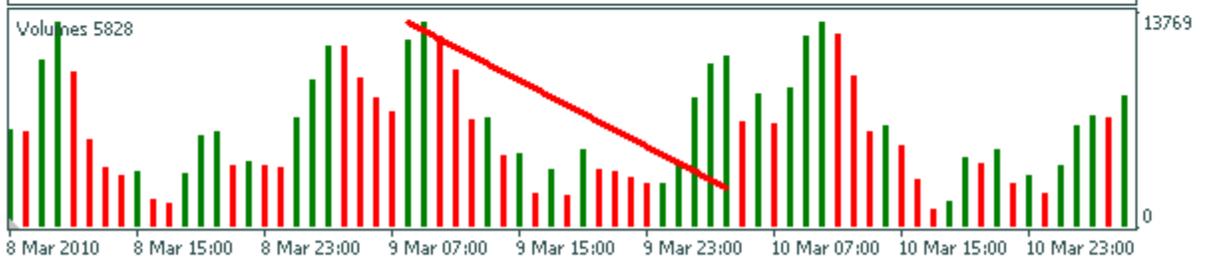
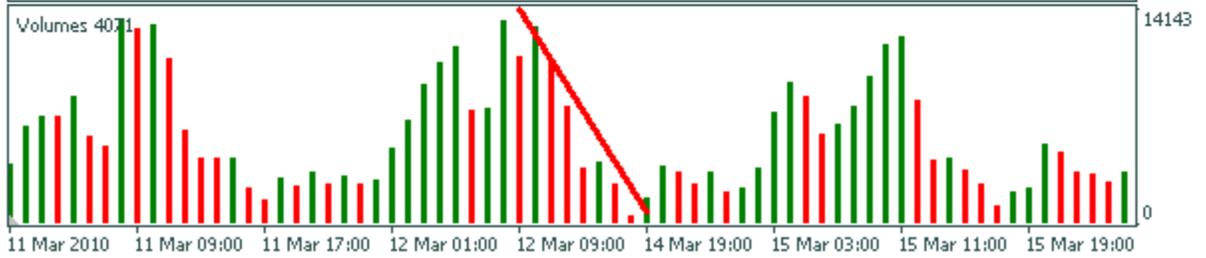
Then, make sure that the volume is declining.

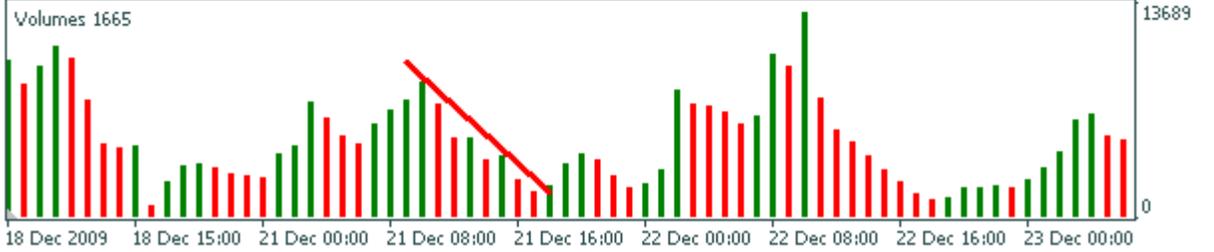
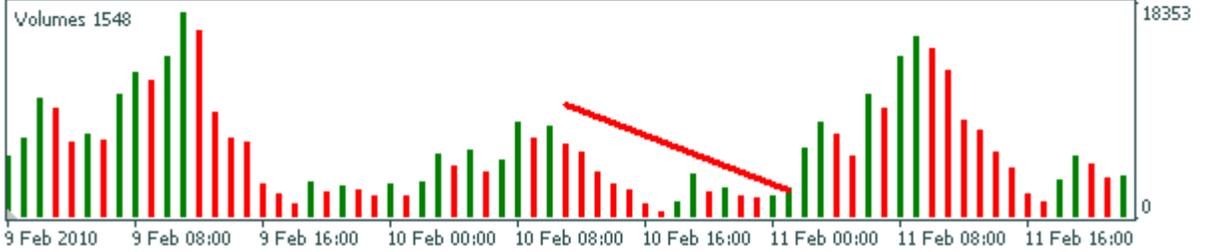
The final confirmation is from Japanese candlesticks.

For Long Trades: wait for candle to exceed the high of the previous candle.

For Short trades: wait for a candle to exceed the low of the previous candlestick.







## **Exiting the Trade**

As a rule of thumb we will exit trades when the volume is declining.

Wait for the Xvolume Indicator to tell you that the volume is declining – and exit. This makes sure you exit at the optimal location.

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## Money Management

*"Successful traders have a larger edge and better money management than unsuccessful traders. Unlike popular belief however, this study shows that the smaller edge of successful traders is not the cause of their failure. Traders' failures can be explained almost exclusively by their poor money management practices."*

***"The Secrets of Successful Trading", Fernando Diaz***

Money management is an important part of the system that is designed to protect your capital and reduce your drawdowns. We will now present you several money management rules you should employ.

Do not deviate from these rules at any cost:

- ✓ **Never risk more than 1-3% of your capital in any single trade** – Never risk more than this amount in any trade you enter. Risking more than 5-10% in any trade will lead you to great risk, and very few losing trades would kill your account, preventing you from trading and recovering from your losses.
- ✓ **Never change your Stop Loss** – Never change your stop loss due to your capital and equity. We have presented you with solid stop loss rules you should use to calculate your stop loss point. This point has nothing to do with your capital and should not be affected by it. You should change the trade size (lots) to fit the amount you are willing to risk. For example: your stop loss is 10 pips and your equity is 10,000\$. You wish to risk 2% of your equity in this trade, so you enter trade with 2 lots – so your risk is 200\$, or 2%.
- ✓ **Always take a time out from trading any time you lose 5% of your capital.** This breaks bad momentum and limits negative spirals into deep holes. It gives us time to calmly reevaluate the situation. A few days off helps clear the head. A time out helps limit revenge trading. The desperate attempt to quickly make back the loss most often causes even more trouble.
- ✓ **Always close trades before weekend.** This is not so much money management as it is risk management. If you keep positions over weekend you are exposing yourself to the risk of a gap in the opening. Price can open at Monday at a totally different price than it was at Friday, and your stop loss cannot protect you from it. If price did not reach target, close your trades at Friday noon.
- ✓ **Always use actual stops.** Actual stops protect you from major catastrophes, power breakdowns and many other unfortunate events.

Don't worry about stop hunting – most brokers don't do it and if yours does, choose a more reputable broker to trade with.

For traders interested in learning more about money management we recommend entering this great mini-site:

<http://www.turtletrader.com/money.html>

## **Mindset**

*"The longer I live the more convinced I become that life is 10 percent what happens to us and 90 percent how we respond to it."*

**Charles Swindoll**

This is the final concept we will describe in the XVolume strategy. However, it is still important no matter how or what you trade.

It also derives from the first conclusion regarding the win rate: any trader sometimes has losing trades. No matter how good your trading system is, it may have losing trades. In any system or strategy, you may also face streaks of 4-5 losses in a row. This is the reality of trading and you have to face it.

However, professional traders know that these streaks have nothing with their trading proficiency or abilities. They are simply the result of temporary bad luck. What most novices do in such situations is starting to question themselves: they think about changing their trading strategy, adding indicators or confirmations, or completely changing their system. They do not understand that their system is fine – and these losses are a part of trading reality. They alter their system after any loss, aiming to achieve 100% hit rate. **100% hit rate is not achievable**, as in any time one bank can take a trade against you and drop the market 50 pips in a second. There is no way you can anticipate such moves, so please stop trying.

What you need to understand here is simply: **always stick to the strategy**. Do not change it no matter how much you lose. Don't worry, if you trade this strategy, your winning will be 3, even 4 times the losses. Again, do not change the system. It has proven itself for a hundred years and will continue forever, so enjoy your knowledge and trade the system as mechanically as you can.

A good exercise you can do to increase your confidence in the strategy is to look for past set-ups and trades. Look for past trades in the currencies and timeframes you are comfortable with, and summarize the result. Calculate the profit the strategy made in the past, so you are 100% sure that it is consistently profitable and your fear is reduced.

For more information about trading mindset, we recommend the great book, *Trading in the Zone* by Mark Douglas.

## **Conclusion**

I hope you enjoyed and will profit from the Xvolume trading package. The methods you have learned WORK and if you will execute them as described, you will make money.

If you have any questions about the system feel free to contact our technical support.

To Your Success,

*Anthony P*