

Desert Island Trading Method

Created by Scott Shubert

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Greetings traders,

This document is based on the training program created by Scott Shubert. Included are the notes taken from the training program, with full credit to the original author, Scott Shubert. Trades executed by anyone as a result of reading this document are at the trader's own risk. While I believe these notes will allow anyone to become a successful trader if used effectively, the dynamics of how the live market moves must also be understood. Best of wishes to all those interested in taking the time to consider these notes, and as always, pleasant trading!

Introduction

This introduction considers many of the financial aspects of currency trading, including lots, risk, PIPs and leverage, and potential profit.

- A larger lot size means trading with smaller amounts of money on a regular basis.
- Every day the market moves approximately 120 pips on most currency pairs.
- For a \$1,000 account with 200:1 leverage, if you decide to risk no more than 5% of your account at any time, this means you can risk \$50.
- Each lot might cost you a \$5.00 deposit, as an example. With the leverage above you can trade 10 lots while risking 5% of your account.

-With a small account size, you will want to focus on earning \$.10 per lot traded. This means that if you traded 10 lots and you closed the trade with 20 pips profit, you will have earned \$20 – 50 pips profit. After only six months with the account listed above and at this rate, your

account would be \$10, 100. Furthermore, your daily profit would now be \$202. This is the equivalent of a job that pays \$25 per hour, 8 hours a day.

-After 1 year you would have \$108,272 in your account and your daily profit would be \$2164.

-Starting with \$1000, if you average 20 pips per day, you are consistently successful, and you risk 10% of your account, in one year you will have \$11, 521,774. The following income calculator shows how you can achieve these results, condensed for space and with the web address:

Trading Mastermind www.ForexTradingSeminar.com

This calculator demonstrates possible income projections based on your choice of risk, your amount of capital, the type of lot size you are using and the PIP value for major USD pairs.

The fields that can be changed are highlighted in yellow.

Lot Size = The lot size you have with your account.

PIP Value (approximate) = Lot Size divided by 10,000. For instance standard lot size, 100,000 / 10,000 = \$10

Risk % or % of Capital at Risk. This is the amount that you choose to risk per trade. 1.5 - 2% is recommended in the industry.

Average PIP Stop Loss - You must estimate the average stop loss size for the trading method you use.

PIPS Profit Per Day for swing trading may be considered PIPS per trade and the days may be then be considered trades.

DISCLAIMER: Past performance does not guarantee future results. **Currency trading is risky,** and is not suitable for everyone. This information is for demonstration purposes only.

Days	Lot Size	Account Balance	Risk %	\$ at Risk	Pip Value	Average PIP Stop Loss	Risk Per Lot	No. of lots traded	Number of PIPS	Daily Profit
1	1,000	\$1,000	10%	\$100	0.10	50	\$5	20	20	\$40.00
245	1,000	\$8,418.852	10%	\$841.885	0.10	50	\$5	168377	20	\$336,754.00
246	1,000	\$8,755.606	10%	\$875.560	0.10	50	\$5	175112	20	\$350,224.00
247	1,000	\$9,105.830	10%	\$910.583	0.10	50	\$5	182116	20	\$364,232.00
248	1,000	\$9,470.062	10%	\$947.006	0.10	50	\$5	189401	20	\$378,802.00
249	1,000	\$9,848.864	10%	\$984.886	0.10	50	\$5	196977	20	\$393,954.00
250	1,000	\$10,242.818	10%	\$1,024.281	0.10	50	\$5	204856	20	\$409,712.00
251	1,000	\$10,652.530	10%	\$1,065.253	0.10	50	\$5	213050	20	\$426,100.00
252	1,000	\$11,078.630	10%	\$1,107.863	0.10	50	\$5	221572	20	\$443,144.00
253 (12 mo)	1,000	\$11,521.774	10%	\$1,152.177	0.10	50	\$5	230435	20	\$460,870.00

Currency Pairs

Currency

Abbreviation

Nickname

Euro	EUR	-
Great British Pound	GBP	Cable, Sterling Pound
U.S. Dollar	USD	Greenback
Swiss Franc	CHF	Swissie
Japanese Yen	JPY	-
Canadian Dollar	CAD	Loonie
New Zealand Dollar	NZD	Kiwi
Australian Dollar	AUD	Aussie

Major pairs/currencies

Euro, Great British Pound, U.S. Dollar, Japanese Yen and Swiss Franc. These are the most commonly traded pairs.

Currencies not including the dollar are called “cross pairs,” and these include the following pairs: EUR/GBP, EUR/JPY, EUR/CHF, GBP/JPY.

The Canadian Dollar, Australian Dollar and New Zealand Dollar are considered “minor currencies,” and together they make up only 3 – 7% of trading each.

Soft Currencies

Hong Kong Dollar, Singapore Dollar, Czech Koruna, New Zloty, etc. These pairs are also called exotic currencies, they are not easily traded, they lack market depth, and there may be wide spreads between the bid and ask price. Generally, there is little reason to trade these pairs, and the currencies’ national economies are small and may not trend well.

Most brokers usually have at least 10 currency pairs including EUR/USD, GBP/USD, USD/JPY, USD/CHF, USD/CAD, AUD/USD, EUR/JPY, EUR/CHF, EUR/GBP and GBP/JPY. Many brokers also offer additional exotic pairs and metals, such as Gold versus the U.S. Dollar. 26 pairs offered by many brokers include CHF/JPY, NZD/USD, GBP/CHF, AUD/JPY, EUR/AUD, EUR/CAD, AUD/CAD, NZD/JPY, CAD/JPY, GBP/CAD, GBP/NZD, GBP/AUD, AUD/NZD, CAD/CHF, AUD/CHF, NZD/CHF and USD/MXN.

Trading the EUR/USD is what mainstream Forex training teaches, and this training often focuses on the EUR/USD only. This pair is what more people trade than any other pair, but it may not be the best idea to only trade this pair, and the chart patterns may be distorted.

Trading Plan

An ideal trading plan will include the following: a goal of demo trading, the number of pips you want to average, a win to loss ratio, risk to reward ratio, and over what time period you wish to trade including how many trades. Further considerations are listed below.

-What will be my starting capital?

-How often will I enter a trade?

-How long will the trade remain open?

-How many pips will my trades average?

-How much will I risk per trade? An example is the amount of deposit verses the number of pips in a stop loss.

PIP- price in points or price interest point. Pip refers to the smallest unit of price of a Forex currency pair. Example: GBP/USD price = 1.6500- the 65 represents hundredths of a cent. If the price moved to 1.6501 it moved 1 pip. Another example of this price is shown below.

GBP/USD price = 1.6501

6 = tenth of a dollar

5 = hundredth of a dollar and tenth of a cent

0 = thousandth of a dollar and tenth of a cent

1 = ten thousandth of a dollar and hundredth of a cent

Lots

Lot size is extremely important and the number may be determined by your broker and the type of account you choose. You should refrain from asking anyone how much a pip is worth except your broker, because the pip worth depends on the type of account you choose.

Lot- traditionally a lot refers to one million dollars in the Forex market. Today a standard account lot size is \$100, 000; a mini account has a \$10,000 lot size; a super mini account has a \$1000 lot size. If you have a standard lot size of \$100,000 and your account is set for 100:1 leverage, this means you will deposit \$1000 for each lot you trade. If you have \$30,000 in your

account (a standard lot size of \$100,000 and your account is set for 100:1 leverage) and you choose to risk 30% of your account per trade, this means you will be willing to risk \$900 dollars, which is less than the deposit for one lot. Therefore, you would need to either deposit more funds into your account or go with a different type of account.

Lot Size Examples

\$100,000 = \$10 value per pip

\$10,000 = \$1 value per pip

\$1,000 = \$.10 per pip

These figures are generally true regardless of the leverage you have. Another way to look at these figures is that lot size divided by leverage equals price per lot.

\$100,000 divided by 100 equals \$1000 per lot.

An important point to remember is that your risk is based on the number of pips you are willing to go negative or the number of pips in your stop loss, **NOT** the amount of your deposit.