SaneFX

Username: sanity

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Introduction

I would guess that well over 95% of all systems and signals services are a complete rip-off and will lose you money. SaneFX is most definitely one of the 5% that actually works and, indeed, I actually use it myself to make a decent profit. Most people buy systems and signals services purely on the hype written in the sales copy and turn a blind eye to the obvious wild claims in order to savour a few days of hope…

Sadly, it's a fact that even most good systems need an experienced trader to make them profitable and it is the skills of the operator rather than the system itself that makes money. There are no hard and fast rules in trading and the widely held belief that you can back-test a mechanical system to prove that it works is pure fantasy. The fact is that systems are developed by 'curve fitting' to past results and there is absolutely no reason why the market should behave this year like it did last year.

Most systems work using a bundle of indicators in the belief that the more 'confirmations' of a possible trade we can get, the better. If this were true, then it would be easy to make money and there would be no need for the never-ending supply of new 'holy grail' systems and Expert Advisors. Yes, there is plenty of profit to be had in trading but mostly by the sellers of such systems. We've all heard that only 5% of traders make a profit (and 95% go bust) but nobody believes that applies to them!

So, why is SaneFX any different? Because it swings the odds in our favour by using a single, simple indicator that shows us the trend in existence ***here and now***. Statistically, trends (on any time scale) run for long enough to pocket more profit than loss – so long as we know when to exit. SaneFX is almost unique in as much as (during the limited time that we trade) we have the option to trade continuously. This means that we catch all the trends and never miss an opportunity. There is never any need to second-guess ourselves because when one trade closes, we open another.

Additionally, Sane FX embodies many different trading methods and uses time frames ranging from the 1-minute charts right up to the daily charts. It is versatile and adaptable – just as a successful trader needs to be. Market conditions change and SaneFX can change with them, either by utilising a different method or by changing the settings. Current settings are displayed in the Members Area.

1. Sane FX Setup

It is essential to run SaneFX from within the Metatrader platform. This provides us with wonderful, free, live data charting and the possibility to produce buy and sell signals for gold and Forex, 24 hours a day. However, you can actually place you trades with any broker, or spread bet firm, you like. I recommend the Orion version of Metatrader for Europeans because it runs GMT +4 time, which is useful for our daily chart trading because the new day starts at 20:00 GMT – very convenient for most people except in the US! If you use another version, you will probably get noticeably different readings on the daily charts. For actual trading and for US clients, I recommend FXPro.com (starts, 22:00 GMT or 17:00 EST) and you can set up the indicators in their MetaTrader from www.fxpro.com/tradingplatforms - FXPRO METATRADER 4 middle left of the page. Substitute FXPro MetaTrader for Orion Trader 4 in the instructions below.

Download the Orion MetaTrader here: www.oriongfs.com/files/ot4setup.exe
Or, if this link is no longer working, go to www.Oriongfs.com and download ORIONTRADERDEMO bottom right.

Drop the TCCI.ex4 file into: C:\Program Files\Orion Trader 4\experts\indicators
And the sanefx.tpl into: C:\Program Files\Orion Trader 4\templates

Non computer wizards follow this – you need to have a free evaluation version of WinWip – download it from www.winzip.com if you don't have it.

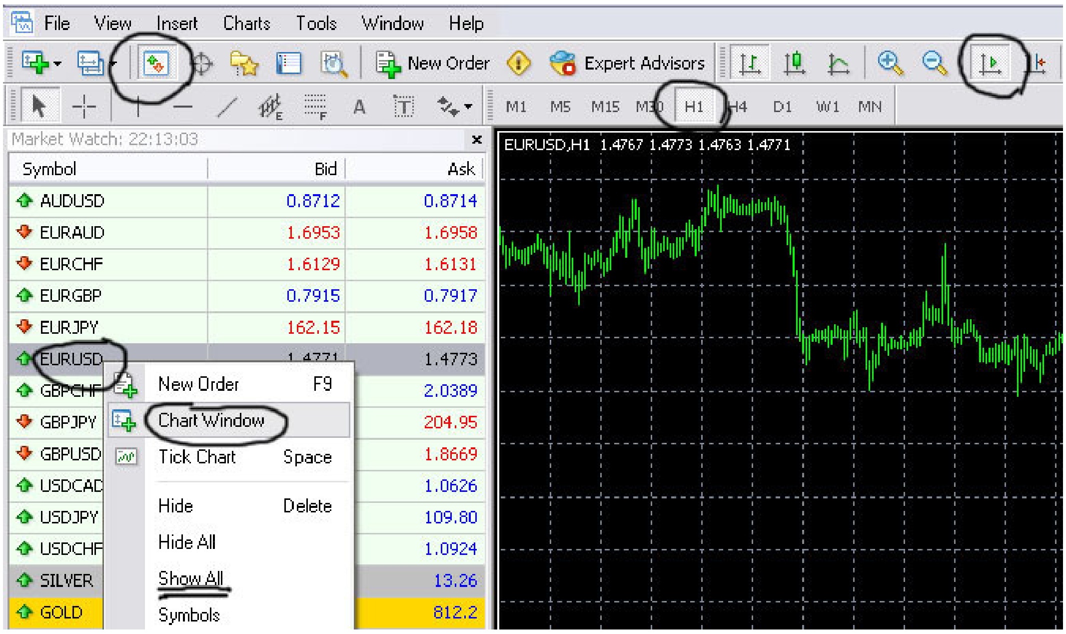
- Double click the SaneFX.zip and it will open up to reveal the contents.

- Click on the SaneFX.tpl file and then click Extract and double click the C drive, then double click Program Files, then double click the Orion Trader 4 folder, scroll down and click on templates and then Extract

- Click on the TCCI.ex4 file and then click Extract and double click the C drive, then double click Program Files, then double click the Orion Trader 4 folder, scroll down and click on experts and then on indicators and then Extract.

Start up Metatrader and now we can set up the individual charts. SaneFX is designed to work with gold and all of the common currency pairs. There is no reason why it should not work on any currency pair so feel free to try it out but the ones recommended are tried and tested. However, conditions may change…

Open up your Metatrader. It's probably easier to close any default charts that come opened with your Metatrader and start from scratch. Start by clicking on 'Market Watch' (just below 'Insert' and circled below) to reveal the list of instruments. Right click on it and click 'Show All' to ensure that they are all listed. Right click on EUR/USD and click 'Chart Window' to open up the chart. By default, it will be a 1-hour chart (H1). Make sure that autoscroll is on – I've circled it top right.



Right click on the chart itself, click 'template' and choose SaneFX – your chart should now look something like the one below.

Repeat this process for:

AUD/USD

EUR/USD

GBP/JYP

USD/JYP

USD/CHF

USD/CAD

GOLD

These will do for now! Close the Market Watch window.

The six currency pairs are perfect for any time frame trading and gold for scalping.

2. SaneFX Indicator Principles

If you look at your charts, you will mostly see nice curves up and down with the SaneFX indicator tracking these and changing from red to green accordingly. As a generalisation, it's easy to see that profits are to be had by buying when the indicator turns green and selling when it turns red.

In reality, it's not so simple and you will see that some periods would have worked extremely well, while others would have caused a loss with frequent changes of direction or just sideways consolidation. Change all the charts to the 30-minute period (30M) and look again. This time frame is the one we use for day trading over anything from maybe 15 minutes to a few hours.

The markets often move less during the time between the close of the US session and the open of the UK session (from 21:00 to 07:00 UK time) although we sometimes get some good action during the Asian session between 03:00 and 06:00GMT. On the half hour charts, you can see that the market will either be trending up or down, oscillating up and down or basically moving sideways. Obviously, we ignore the latter and concentrate on the other two, where there is some action. Even when there is a definite trend up or down, there will be small periods of retracement when the market moves in the opposite directions as traders 'gather their breath'.

Contrary to what other systems tell you, there is no universal rule that guarantees success! In trading, things change from day to day and what was good yesterday may fail today. For this reason, when looking for a suitable day trade, we start by switching between the 1 hour, 30 minute and 15 minute charts to see which presents the best opportunity. By default, the SaneFX 'Length' is set to 30, which is about right for the daily and 4-hour under average conditions. The 1-hour chart works best set at 20 and for the 30-minute chart and below, a length of 16 is recommended. To adjust the setting, double click on the indicator line, open the 'Inputs' tab, double click on the 'Length' number itself and change it. This takes about 5 seconds. I will cover this in greater detail later. This ability to adjust to prevailing conditions is the key to success and is what makes SaneFX unique. You can fine tune by looking back at the chart and eliminating short changes that would have spoiled a trade.

No mechanical system (or EA) can define rules adequately for spotting trading opportunities – this is the province of the human eye. It soon becomes obvious that a particular chart is going nowhere whereas another has a clear, wavelike movement. It is the latter that presents opportunities and it is here that we can be guided by the SaneFX indicator. If the indicator is constantly changing colour, we clearly have no sustained trend but if it remains red or green for several candles and (more importantly) over a rise or fall of at least 20-30 pips, then we can consider trading.

By far the best and most profitable way of trading is using the daily charts with the six currency pairs we've set up. It is important to understand that this is the mainstay of the SaneFX system and all other methods are interesting variations, which you may find suitable for you personal trading style. But it is hard to confine oneself to just the two minutes a day that the daily trading needs! I will cover the all-important daily trading method in full later.

The simplest and quickest way to learn the principles with SaneFX is the scalping trade. This is because we need only look at the 5-minute chart for Forex and the 1-minute chart for gold and trade directly from that. However, even on this short time frame, we may consider looking at the 30-minute chart to see if a larger trend exists. For example, if there were an up trend, we would expect bigger profits scalping buys on the 5 and 1-minute charts than sells. However, this is by no means guaranteed but it is good to be aware of the larger trend. Remember, nothing is certain in trading and a trend may end at any time.

Our basic aim is to enter a trade when the indicator changes colour. At around the change point, it will usually change back and forth until the price has moved sufficiently to establish a trend – the colour will repaint until the next candle opens. Because of this, we should never open a trade until the TCCI is the same changed colour both sides of the preceding candle to be extra safe as shown in the diagram below. So long as we have correctly identified an active market (like the one on the next page) we can expect the trend to continue long enough to make a decent profit (10 – 30 pips) before a retrace. We close the trade immediately the colour changes.

We can trade without stops or limits so long as we have a decent Internet connection and can watch the trade all the time! However, I prefer to immediately put in a 15 pip stop, just in case – sometimes, I use a small 10 pip stop. It is most important to never allow these scalp trades to run away into negative territory in the hope that they will turn round. As soon as we have anything over 10 pips against us, we should be thinking to close the trade. Certainly, a 15 pip loss is the most that should be allowed.

Although we trade without a limit because we close the trade manually when we get a colour reversal. You may consider closing before then if you have a good profit (40+ pips) and it looks as though the chart is reversing – but do this sparingly!

Scalping the GBP/JYP on the 5-minute chart.

You can see that we had two successful trades of 55 and 45 pips and two failed trades of around zero and minus 5 pips. It is important to close the trade immediately the indicator changes colour and to open a new trade in the opposite direction after the next candle has completed. The reason for this is that we want to be certain that the trend is established – until a candle has completed, the colour may change back.

This can be done with gold using the 1-minute chart in exactly the same way. For fuller details, see the brief chapter on scalping gold.

The best trade is the long-term Forex trade using the daily (D1) charts with the SaneFX indicator left at its default 30 setting. Again, the principle is exactly the same but, instead of having to wait for five minutes (or one minute) to see if the indicator is going to change colour to trade, we have to wait a whole day! In practice, we check the daily charts at the end of the chart day (20:00 GMT), regardless of our time zone, and if a trade looks possible, we wait until the daily candle completes to open the trade.

The last standard type of trading that we can do is day trading. We can do this from the 30-minute chart and with the SaneFX indicator adjusted to 16 or 20 from the default 30 (it will be saved). Here the principle is the same as before except that we trade over longer periods than scalping and shorter periods than long-term trading! In practice, this will be anything from 15 minutes for a failed trade up to as long as ten hours if we catch a prolonged trend. On average, it will be a few hours.

It could well be that the 15-minute chart presents a better picture than the 30 minute, in which case, we will trade from here. Once the indicator has changed colour (showing a potential change in trend), we wait until the next candle open and then switch to the next short period chart - in other words, from the 30 to the 15 or from the 15 to the five. We open the trade only when the indicator on this next chart is the same colour. Once we have opened the trade, we switch back to our original time frame chart and wait until either our stop or limit is hit or we get another colour change – at which point we manually close the trade.

If you are looking for another trade confirmation, I would recommend putting in a 10 and 20 simple Moving Average on each chart. The cross will give a trade direction but it suffers much more lag than our SaneFX indicator. To insert an MA, click 'Insert' top left, then click Indicators - Moving Average. I use a thin yellow 20 MA and a thicker 10 blue MA. When the blue crosses the yellow, that's a fine indication of a possible trade in that direction but it may lag behind by several candles and (like the SaneFX indicator) is useless in a consolidating market.

There is one unusual but extremely effective type of trade available to us and this is trading the London Open for just two hours. This is covered in the separate guide.

There we have the basics of trading with the SaneFX indicator. To fill in the finer details, see the respective chapters in the main guide that follows.

This is where the easy, serious money can be made and everyone should trade this method. For this reason, I've devoted a separate chapter to the technique. The currency pairs that work well are listed below together with their corresponding stops.

AUD/USD – 200 pips
EUR/USD – 300 pips
GBP/JYP – 200 pips
USD/JYP – 150 pips
USD/CHF – 150 pips
USD/CAD– 200 pips

For most trading and certainly here for the daily chart, you need to open a trade on the start of the next candle when the TCCI is a new colour BOTH SIDES of the preceding candle. You can see this in the two examples below.

In both examples, the colour change happens on candle 1 and when candle three opens on the third day, the TCCI is that colour both sides of candle 2. So, we open the trade at the start of candle 3. In both examples, this ends up being a candle in the wrong direction but we can't know that at the time – however, some retracing is quite usual. You can see that the price continues nicely in the desired direction on subsequent days.

If we get a quick profit of anything substantially over 100 pips in under 24 hours, it can be wise to close the trade for that certain profit but most go on to produce a great deal more after several days or maybe more than a week. Never close the trade on the TCCI colour change for the first 24 hours but risk allowing it to hit the stop. The reason for this is that, at the beginning, a relatively small retrace can change the TCCI colour because the trend is not strongly established yet.

When you open the trade, make sure you put in your stop as indicated above to set an absolute limit on possible losses. I prefer to also put in a large limit (take profit) just in case something happens and I can't manually close the trade but it should be closed either when you have made a large (400+ pips) profit or, ideally, when the TCCI changes colour again. Of course, when this happens, we should have a trade in the opposite direction in a day or so!

However, because we are operating on a much longer time frame, it's a good idea not to open the trade until we see the same trend on the 1-hour and 30-minute chart. This means that the trade is less likely to go against us immediately after opening. It's not absolutely necessary to do this as we put in our stop loss and at least a 300-pip limit (take profit), but it can be a good refinement. <u>Better to have no limit</u> but to wait for the indicator to change colour again and then close the trade. It is always very tempting to pocket anything over 100 pips in less than 24 hours but we make much more in the long run by risking a loss and waiting for the trend to end. I would never close the trade prematurely for less than 150 pips (unless there is a very good reason). In practice, we almost never lose the whole of our stop loss anyway, because the indicator will have changed colour long before then assuming we get past the first dangerous 24 hours (when the trend is developed).

If you are able to check the charts during the day, fine. Otherwise, trades can be closed out at the end of the day when you do your routine check at 20:00 GMT. However, you can lose some pips by not checking during the day if there is a sudden reversal causing a colour change. That said, it may be only temporary and change back again an hour later to give us more pips. There are no black and white rules in trading!

Once you have your 6 pairs set up, you need only spend two minutes a day (ideally at 20:00 GMT but if you miss by a couple of hours it's not a disaster) checking for TCCI colour changes and possible new trades or to close existing trades. You will find this method easily produces a few thousand pips a month for almost no work at all.

Gold Scalping

This works well on the 1 minute chart with the TCCI set to 16 and you can continuously trade under suitable conditions by opening and closing trades one after the other on the TCCI change.

However, you need to identify volatile conditions and never trade when the chart is going sideways. Many brokers only trade gold during the UK and US sessions and so we should only try this technique during this time frame – 07:00 – 21:00 UK time.

This is a good example of when you need to use your discretion and experience to pick the best times. A stop of about 15 pips is probably ideal under most conditions and you can either close for a 20 or 30 pip limit or do as suggested in the first paragraph and wait for the TCCI change.

Day Trading

Day trading simply means any trade between scalping and long-term (more than a day). In practice, we usually day trade off the 30 minute charts of most currency pairs using a TCCI length or 16 or 18. Again, there can be no hard and fast rules and you need to use your discretion as to whether the chart looks suitable or is going nowhere. We trade in the usual way on the TCCI colour change – entering and leaving in the same way as the longer-term trading detailed previously.

Stops will usually be between 25 and 55 pips depending on the pair and conditions – make a judgement on the size of previous retraces. As with longer-term trading, we do not close on the TCCI colour change for the first candle, i.e. 30 minutes but allow the stop to be hit. We close on the TCCI colour change after this or when a suitable profit has been reached (maybe 50 – 100 pips). Trades will generally be from a hour or so to half a day.

Money Management

Money management is absolutely essential in order to succeed at trading. You should start trading the 0.1 contracts that equate to $1 a pip or, if you use AvaFX, you can even use the microscopic 0.01 contracts! Only when you have proven that you can make a profit should you increase your stake, no matter how much capital you have.

In fact, you should demo trade for a while to familiarise yourself with the concepts by trading the shorter time frames until you are fully competent with your methods and your trading platform.

Trading 0.1 contracts, the minimum capital would be $500 and preferable $1,000 in order to be able to trade multiple long-term currency trades. To exceed this would be extremely foolhardy as losing spells happen to everyone and you cannot trade confidently if you are fearful of your capital being wiped out.

It is often recommended not to risk more than 2% of your capital but this is very over-cautious and, I suspect, suggested by sellers of losing systems! After all, if we know we will make a profit, it’s just not necessary to be so careful. In addition, the fact is that most of us have more money in the bank and can top up our trading capital if needs be. The sad reality is that almost nobody who starts trading goes on to make a profit right away…

Never, ever chase your losses by increasing your stake or by taking a risky trade with the mindset of a gambler. Remember that trading should be seen as a long-term way of making a steady stream of extra money or even a living. Do not risk this by behaving like a gambler – extreme discipline is needed at all times if you are to succeed.

If you can’t accept a loss calmly and wait until the next good trading opportunity, you will certainly blow your capital. Losses are inevitable and how we handle them decides whether we become a good trader with a rosy future or just one of the many 95% who blow their accounts and fail!

The Truth About Trading

Financial trading is just about the only way the average person can become exceedingly rich. It is also one of the easiest ways the average person can become exceedingly broke. Everybody starts of thinking that they will be one of the 5% who don't lose all their money but after maybe two months everybody has realised something stands in the way of turning theory into practice. That something is what makes a good trader. I can teach you the theory – the practice is up to you. First, I'm going to tell how and why so many people fail…

Trading forums always have their share of newbies who think they've found the holy grail of trading in some system or Expert Advisor (automated trading program). I've seen them so convinced that they are even worried about their broker discovering exactly how they will be making so much money. Of course, luck plays a huge part in trading and it is quite possible to be lucky for long enough to actually make some decent money but, in the end, all these new traders come up against some 'unbelievable bad luck' and lose everything.

It's not commonly known that most professional traders working for large institutions don't make a profit either. Sometimes, the only way their companies make money is on the commissions from clients. The whole world of trading is full of misconceptions, myths and outright lies. Statistics in the industry can be incredibly misleading because of something known as 'survivorship bias'. We only see the survivors – the failures have gone bust and dropped out and so are not counted. There are millions of traders and tens of thousands of fund managers. Some are bound to be hugely profitable, just from the law of averages.

Since the market can only go up or down (and sideways for a while) it is roughly 50:50 whether a long-term trade will make money. It's a coin toss. Here's a hypothetical scenario that is actually extremely close to real life. Take 1,000 people randomly from the street. The only criterion is that they be between 18 and 60 and not retarded. We make them all fund managers for a trial period of nine moths and train them how to click the right buttons on the screen to place a trade and we teach them to toss a coin – heads they buy and tails they sell. All trades will last exactly one month.

At the end of the first month about 500 will have made a profit and 500 a loss. We give the losers a second chance (after all, anybody can get it wrong occasionally). At the end of the second month another 500 are winners, 250 for the second month in a row. Boy, these are the smart ones! Again, 500 are losers and half of them are the dumb schmucks who lost the previous month. We fire them because they obviously haven't got what it takes to be a good trader.

We carry on for the nine months and do you know what we are left with? We have just over 100 traders, all of whom have never lost money for two months in a row and we have two outstandingly brilliant traders – now promoted to head traders – who have had nine winning months in a row. These are the guys who just can't lose.

What to clients look for when they choose a fund manager? That's right - track record. Potential clients choose the companies or individuals who came out top last year. But, we have two genius traders who never lose money. People are falling over themselves to entrust their life savings to these guys.

Of course, it's almost certain they will lose all their clients money but hey, improbable market conditions can happen…

Take it from me; most of the winning fund managers (or companies) have been lucky. In fact, statistics show that last year's winners do less well than average this year. This is exactly what you'd expect since, in the long-term, luck balances out. In truth, it's not quite so black and white because a little knowledge and experience tips the balance to maybe 60:40 but still the winners were probably lucky to have won by so much.

A similar situation exists with the trading systems and EAs (expert advisors) that are found for sale on the Internet. Almost all such systems and EAs are developed by back testing; in other words, they are tweaked until they show a profit on the past year or two's market. This is known as 'curve fitting' and developers like to demonstrate that their system shows a profit even going back several years. Just as with our coin tossers, it's mostly luck whether this year's conditions will be the same and maybe around 60% of them will show a nice profit.

The ones that do show a nice profit for a while are the survivors and get branded as good methods. The others slowly disappear into oblivion and drop from the stats. That's why there'll always be a constant new supply of the 'latest and best'.

The human brain was tuned over millennia to only think fight or flight, black or white, this or that, yes or no. It's only in the last few hundred years that multiple choice questions exceeding two have arisen and only very recently have we been continually presented with choices beyond our understanding to evaluate accurately. It's human nature to gloss over things we don't understand and we are all trained from an early age to believe that we do understand them – the science of probabilities and alternate histories is unknown to 99.999% of the population.

It follows from this that winners are credited with winner's skills because the alternate histories of other choices along the route to success are not seen and never considered. Politicians are great men until they make one mistake and then the press vilifies them. Winning traders are great traders until they blow up and lose everything.

That's the background and from this you will see that new traders are delusional. Not only are they delusional but also their emotions will certainly work against them in every trade they make. Even if they have a system that really can show a profit, they will most likely not stick to the rules because correct trading practice is counter-intuitive and when their own real money (as opposed to demo trading) is involved, these emotions will overrule their intellectual intentions and their rules will go to hell.

Hey, it still happens to me after many years and I even used to be a psychologist and I know practically all there is to know about the psychology of trading. My weakness is that I tend to close trades too early – I want to pocket 20 pips instead of holding on for 50. I also tend to believe that *this* trade will be one of the losers so I want to refuse potentially good trades. My weakness is fear. With some people, it is greed (being overly brave) and they hold on for big profits and end up losing big time. As a point of interest, the greedy are fearful in life and people with my trading weakness are braver than average in life!

That's not praising myself – in life, I'll rush in where angels fear to tread and frequently say things most people wouldn't dare. My extreme bravado is countered by my extreme fear in trading. People with ‘normal’ psyches would make good traders but traders are almost always very individual types who don’t conform. ‘Normal’ people suffer 9 to 5 jobs and traders tell the boss to go to hell or just quit.

There are many things during a trade that can scupper your chances.

See the chapter on the psychology of trading for how this will affect you.

Psychology of Trading

If you gave the perfect system to 100 people, less than 10 would actually make money. This is because most people fail owing to the fact that they cannot stick to the rules; they continually second guess themselves or they simply have an unconscious urge to self-destruct! Unless you believe and take these facts seriously, it is unlikely that you will be among the winners. If you have already done some trading, you'll know this to be true (even if you're not prepared to admit it) but if you are a complete beginner then take it from me – when you actually start trading, your emotions will be struggling to rule your head.

Yes, it's exciting, adrenaline pumping stuff. In order to succeed, you have to reach the stage where it becomes almost a boring business – particularly with the daily chart trades! It's a good job that we only need actually trade a few hours a week otherwise it would be far too stressful. When your own real money is at stake, it becomes quite different from trading with play money or paper trading.

Sometimes, it's not so much the fear of losing money because, after all, if we apply sensible money management, we should never stand to lose more than a known percentage of our capital. It can even be a relief when the trade hits our stop and the stress is over at a loss of a few pounds. What are often the driving factors are the fear of failure and the loss of our dream of financial independence as a successful trader.

If you have any kind of experience of life and if you've learnt anything from it, you will have to admit that our emotions usually get the better of our heads. So, we start trading with a known weakness. In addition, to trade successfully, we have to go against our natural reaction, which is to quickly pocket any profit and do nothing about mounting losses, in the hope that the market will do an about turn. Trading is rather like riding one of those trick bicycles where the handlebars are rigged so they turn the bike in the opposite direction! You have to reprogram your natural instincts if you don't want keep crashing.

Much has been written about the fact that fear and greed moves the markets in the short term. Sadly, greed makes us close the trade with less profit and fear makes us hang on to our losses – quite illogical.

One of the greatest books about trading is Jack Schwager's 'Market Wizards' and his follow up, 'The New Market Wizards', in which he interviews numerous successful traders and questions them about their success. I think everyone should read at least the first book for several reasons. Firstly, it will convince you that consistent profits are possible in trading, secondly, it will give you an insight into the minds of successful traders and thirdly, it contains a lot of useful stuff about the psychology of trading.

In particular, there is an interview with Dr Van K Tharp, a research psychologist who has investigated what brings success or failure in trading and devised a system for improving the results of traders. He states that in the minds of the great traders; money is not important; it is OK to lose; trading is a game; mental rehearsal is important and that they believe they've won the game before they start!

Ed Seykota, who developed the first computerized trading software and who turned $5,000 into over $12,000,000 in 16 years, eloquently describes how **all traders actually get what they want out of the market** – even the losers. I used to be a psychologist specializing in hypnosis, so I know a thing or two about the subconscious mind. The first thing to grasp is that we can know *nothing* about our subconscious because, by definition, it is beneath our awareness. Once we discover something, it is no longer in our subconscious mind. The second thing to grasp is that the subconscious exerts a powerful force on our lives and many of 'our' decisions are not really ours at all, but those forced on us by our subconscious. Many, many of us have completely hidden traumas from childhood deep within our subconscious and these nag away and cause permanent low-level stress and feelings of unworthiness. If you understand this, it is easy to appreciate that many people don't really want to succeed and somehow find a way to screw up. Trading provides the perfect opportunity.

That is just another reason why we must have a clearly defined set of rules and stick to them. The problem is, the market is always throwing up new scenarios and no rules can cover every possibility. Because of this, we have to use *some* judgement and it becomes all too easy to find a reason to break the rules by closing trades early, by refusing a signal because it looks risky, by hanging on to a losing trade because 'we thought it was going to turn around', and so on.

Even I still do it – even with all my experience, even knowing and understanding a great deal about psychology, even after I've seen the methods of my system produce winner after winner, even after the statistics prove beyond any doubt that following the rules makes you rich!

The difference between the winners and the losers is simply how *closely* we follow rules and common sense and how little we allow our personal psychology and emotion to get in the way of trading. It is extremely difficult, uncomfortable and even painful to go against our psychology. Let me give you an example everyone will understand. How many times in your life have you planned to go up to that woman (or man) and say the things you want to say? How many times have you planned to unload your mind on your boss? When it comes to actually doing things like this, so easy in our daydreams as we plot our strategy, we find that we are often quite unable to put it into practice!

It's just the same in trading. We know that when the trade signal comes on our chart, we should place the trade. But, something tells us that this is one of the times when it's a bad trade and we find several excuses not to trade. Ten points past the signal, we realise we were wrong and deliberate whether to enter the trade as a latecomer. The market retraces and perhaps we feel that our initial decision not to trade was correct and that the market is going to go in the opposite direction. If we allow our justifications and excuses to get the better of us we may even find that we've opened a trade in the opposite direction.

You need to watch very carefully what mistakes you habitually make. Do you fail to take the trade at the signal? Do you close the trade too early? Do you fail to close the trade and take a small profit when the signals tell you the trade has become too risky? Do you let your losses get too big in the hope of a turn around? Do you chicken out of the trade as soon as you're a few points down? These are the common mistakes and you can correct them if you are aware of them and apply a little will power and self-discipline.

You need to set yourself trading goals. It's easy turning up for work in a regular job – everybody does it and we've been indoctrinated since childhood to do it. Working for yourself, by yourself, is another matter. You'll be at home and home is associated with leisure and with a hundred easily available distractions. For these reasons, you have to make a definite plan to spend time trading. A quick glance at the chart will tell you whether a signal is imminent or not. It's easy to miss a signal and if you find this happening often, then you should ask yourself if this is a deep-seated fear of trading. Perhaps you don’t really want to trade? Well, I never really wanted to work, but I did! You can overcome this sort of problem if you put your mind to it, but trading just makes some people unhappy. How much do you really want to succeed? It’s all right, you know, to admit that trading is not for you!

By setting goals financially and time wise, you can substantially increase your chances of success. You also have to think about whether to tell your friends and relatives what you are doing and if you do tell them, do you tell them about your successes and failures? Think carefully before deciding. There are pros and cons on both sides.

If you have a long run of failed trades, then it may be better to take a few days off and, when you return, to only trade at half your normal value per point. Reduce your fear of losing and you may start winning again. For some people the road to success is a long and painful one.

Never trade when you are stressed or upset in anyway – you will likely mess up! Discipline and mastery of your emotions often means not trading at all. Learn not to become euphoric when you win nor despondent when you lose – stay balanced.

By way of encouragement, I can only stress that the methods of SaneFX we use are well proven to work, so follow them carefully but allow your increasing experience to bend the rules according to the. Almost nobody succeeds at trading straight away, regardless of the system they may use. Success requires tremendous discipline and persistence and a true desire to overcome all the obstacles that are most certainly stacked up against us.

Believe that it is possible. A positive attitude has concrete effects. For those of you who realise the importance of working on creating a positive attitude and effectively opening the pathway to the ‘future you’ who is already a success (after all, an infinite number of universes exists and in one of them you must indeed be a great trader!) I would strongly recommend reading ‘Harmonic Wealth’ by James Arthur Ray.

Conclusions

SaneFX provides you with an opportunity to develop your own trading techniques on many instruments – both commodities and currencies and possibly even indices. However, I think that indices should be left alone other than possible scalping from the 1 or 5 minute chart because they are very volatile and unpredictable.

Avoid any short-term trading around the regular news release times relevant to your product. For example, anything affecting the USD will affect commodities and obviously USD currency pairs. If you are short-term trading the Swiss franc, watch out for CHF announcements, and so on.

The best source for financial news announcements is to http://www.forexfactory.com/calendar.php where you have the main releases for the week. Click on the time and set it to your local time zone and then return to the calendar. Do not risk opening a trade near news times and close existing trades. We often get a big movement that soon retraces, often to the point of overshooting into opposite territory.

Check the Members Area every few days to see if there have been any updates to stops and limits or TCCI settings. Username is: sanity and your password is: fxpips

Any questions don't hesitate to mail me on John@Malta2.com and I'll do my best to answer as quickly as possible.

All the best and good trading

John, January 2009.