

# **4X** *works!*

Creating realistic returns with minimal risk.

*4X works assumes no responsibility for errors or loss of capital. Trading currencies involves a high degree of risk which can cause loss to any traders portfolio. 4X works will not be held liable for any financial losses of any kind.*

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With over two trillion dollars a day flowing in and out of the forex market, foreign exchange trading is the most liquid form of trading on the planet. Named “Forex” for short, currencies are traded in “pairs,” most commonly against the U.S. dollar.

Until recently this exciting market was only available to the very rich. Orders were placed over the phone and monitored by a broker. However as technology has advanced, the home computer and the world wide web is now giving anyone the opportunity to take a small piece of this multi trillion dollar industry. Unfortunately 95% of all technical traders lose their entire capital within three short months simply from lack of patience, greed, and very unrealistic goals. And these are not the only key reasons for their losses. When it comes to the forex market, chart trading is very tough because of the constant over-reaction of price movement due to world wide economic forecasting. I’m not against chart trading as it very important. I am also not entirely against day trading forex, but I find that technical trading alone is most useful in futures markets as price tends not to over-react as much. However, through a lot of research, trials and errors I have found a way to trade the forex market successfully and still work a full time job.

The success of the 4Xworks method is based upon three simple facts.

1. No one knows where the market will go.
2. The understanding of what we do know about forex, based upon it’s true character and what it is willing to give us.
3. Common successful techniques of veteran traders.

# **I. No one knows where the market will go.**

Trading any market is risky business and anyone who says they know exactly where the market is going to go is either trying to take your hard earned money or is just fooling himself. Through technical analysis, one can only “estimate” what the market will do by predicting what are called “high probabilities.” This simply means exactly that, “probably.”

What makes the 4Xworks method unique is that we simply don’t care which way the market runs, we do wish however for the market to move. As long as the market is moving, there is plenty of money to be made.

## **II. What is known about foreign exchange**

### **A. Forex is volatile**

The value of currency constantly rises and falls. This is called volatility. If you are in a losing trade and can afford to soak up the loss for an extended period of time, chances are very high that it will return to your original entry point and continue to move in your favor. The way this is done, is never risk a trade you can’t afford to ride out.

### **B. Roll over interest**

Most but not all brokers pay interest every day in an overnight trade. If you are in a losing position but have the capital (and patience) to let it run to the floor and return to your entry point, the interest made during your waiting period could be very satisfying.

## C. Correlations

A correlation is how any one currency pair moves relative to another. A positive correlation is indicated when two currencies move in the same direction. A negative correlation is when two currency pairs move in opposite directions. In other words, when one goes up, the other goes down. In this case, the currency pairs in opposite directions approximately 94-98 percent of the time. Let's take a look at the two currency combinations which are in the closest form.

<b>#1 EUR/USD</b>	<b>compared to</b>	<b>#2 USD/CHF</b>
base currency		base currency
counter currency		counter currency

In the first pair we see that the USD is the counter currency. In the second pair the USD is the base currency, and since the Euro and Swiss economies are similarly affected in the changes in the value of the USD. Because of this, we can take advantage of a natural hedge. If we look at a couple of monthly charts and compare the two, one can see just how close these two pairs actually run. It is this concept that really makes the 4Xworks method work.

Later on in this manual, I will show you how to find out how these two currency pairs mathematically relate to the total value of the EUR/CHF.

## II. How the big dogs trade.

To make money as an investor the first thing you need to know is how to survive. Most people who desire to trade for a living unfortunately fall into some hideous traps. It's natural for the new coming trader to not look at wealth building in it's proper perspective, but we are also highly influenced by our culture. We live in a microwave society. We throw the burrito in, push a button and wham it's done! Nutrition at it's finest! In this fast paced world we want things done right now. But this kind of mind-set should not be a part of any traders thinking. The goal of a successful trader is to gain the ability to survive any market condition yet still make profit even if the profit is minimal. How much profit is not what is important because a profit is a profit.

To gain the ability to survive any market condition and still make profit, one must understand the element of risk and how to keep it as low as possible. The following 3 examples are commonly used by commercial traders. Learning “big dog” trading fundamentals will not only help you keep wealth building into proper perspective but they will also help you lower your risk as much as possible.

## **A. Large capital**

Don't let the words “large capital” discourage you. It's a key element to learn. It's important to understand how the large investor takes advantage of his worth to survive a sour trade and still make money. Take for example the e-mini S&P 500. In this index, every time the market moves one tick it pays \$12.50 per contract. There are 4 ticks for every 1 point move equaling \$50 per point per contract traded. In a typical bull market the large investor is looking for a low point to buy, so let's say that he chooses to place 50 contracts on the line anticipating for the market to climb. A 100 point move in his favor with 50 contracts will create for him a total profit of \$250,000. In this case lets just say that the trade went sour and moved 10 points against him. He would be at a loss of \$25,000 yet because his worth in capital is 15 million do you think he's sweating right now? No not at all! He can afford to allow that trade to fall another 500 points. However, in a bull market even a 100 point loss is extremely unlikely, so a losing trade will eventually make money if an individual has enough capitol worth available to take a trade all the way to “the floor.” Because of their large capital, the big dogs always win.

## **B. cost averaging**

We're going to name this large investor we have just been talking about and call him Joe. Joe uses a common technique that will help him take advantage of some very large profit gains as he sees his original trade take a major beating. Believe it or not he's actually anticipating for it to fall. Joe is convinced this is a bull market and there is an economic forecast predicting that the market will continue to rally for another 100 points. So as the market continues to fall, Joe is looking for another opportunity to buy. The market collapses another 10 points and Joe buys another 50 contracts with the hopes that the market will rise. But again the market falls another 10 points yet Joe is not worried at all but buys another 50 contracts. He does not look at these pitfalls as losses but opportunities. And after buying three separate times as the market fell Joe continued to take advantage of better buy points creating more profit potential. The market finally turns in his favor with a 120 point gain and adding \$825,000 to his portfolio.

If the market rose after his first original buy point, Joe would not be disappointed because of a \$250,000 gain. In Joes mind, a profit is a profit! Joe also minimized his risk by not placing the total amount of contracts he was willing to risk at one time on the line. Joe divides the amount of risk he is willing to invest into segments as the market falls. The closer he can buy near "the floor" the more money he will make on his way up. This very common trading method used by the "big dogs" is called "cost averaging."

## C. realistic goals (extremely important!)

Another all too common pitfall that new coming traders make in forex is setting unrealistic goals. I've seen the adds on ebay and the internet that say, “ **Make 500 pips a week with this amazing low risk system!**” or, “**1000 pips guaranteed weekly using my special indicator!**” People, if anyone could make even 200 pips a week consistently, we would all be millionaires! Never buy into these claims because it simply isn't true or reasonable! I personally do not set goals for myself as to how many pips I will make. Your initial goal should be survival first and profit last. First learn to survive anything the market can throw at you and then allow profit to follow. With that in mind, I never calculate my profit by counting pips. Every time I used to count pips as a trader I would find myself swimming in a cesspool of “I gotta get my pips mode!” The “I gotta get it” mentality causes discontentment and greed. Of course not everyone is like that but I just find it much easier to remain content with my gains and journal my profit according to a percentage of return at the end of every month. Contentment, is a very valuable asset to have, so I find it is exceptionally important to not expect any particular size of return. I take my profit as it comes. Sometimes my returns are small and sometimes they are much larger. I've made 5% one month, 15% the next, and then only 2% the next month. If I make a 2 percent return on my portfolio in any given month I'm not exactly thrilled, but it is also nothing to complain about. A profit is a profit. And a 2 percent return on a 6 figure portfolio isn't a bad thing. It's all about perspective. Just 30% a year compounded monthly is what the wealthy are made of. What if a well known bank decided to give you a 10% annual return on a typical savings account. Is 10% a pretty good return on your money? Of course! If you saved your money for 30 years and never touched it, at that rate there would be a pretty large chunk of change in there. What if you made on average a 10% return on your portfolio every month and didn't touch it for 5 years, is that something to complain about? No Way! If taxes were not an issue during those 5 years, 5000 dollars would easily turn into 1.5 million. Not bad! Did you know that Warren Buffett does not make a 10% return on his money every month? How's that for perspective? Obviously I can't promise that those are the kind of returns you should expect or that you will ever make anything. Forex is risky stuff no matter how you look at it. A 5 to 10% monthly return is doable but you should never expect it because expectation in this business creates greed and disappointment. In a nutshell, the key to successful trading is simply having a lot of patience and taking small profits (size doesn't matter). You cannot protect your investment if you are forcing your gains.

# III. Brokers

Before we begin going over the trading method it's important to consider a broker. Remember capital? We need to find a broker to suit our needs so we can trade as though our pockets were deep. To understand where I am going with this you need to understand lot sizes.

## A. Lot sizes

In stock trading we buy shares, but in forex we buy lots. Simply put a lot is the amount of leverage that a broker is allowing a trader to trade with. This can be a lengthy subject so I'm going to break it down in a way that's easier to understand by showing the buying power of a typical lot size every time the market moves one point. **Note: A one point move in forex is called a pip.**

**100k lot (Standard lot 100,000) - makes or loses \$10 a pip**

**10k lot (mini lot 10,000) - makes or loses \$1 a pip**

**1k lot (micro lot 1,000) - makes 10 cents each pip**

**\$100 lot (micro mini 100) - makes 1 cent each pip**

To trade like the "big dogs" it's best to trade with the smallest lot size possible. Most brokers do not offer micro mini lots which is why I will only recommend interbankfx.com. Now there has been some bad reviews posted on the net about interbankfx but only from news traders. **We are not news traders.** I have searched high and low for a broker that would suit the needs of the 4xworks system and this is the only one that I find that suits all of them.

My favorite option is that they offer the micro mini lot (\$100). One of these tiny lots for each pip will pay or lose 1 penny. When trading these tiny lots, a \$250 account can be traded "as if" it was large capital. Also, metatrader allows you to place a buy and sell order at the same time. Most platforms will close out a position if you do this. You can use your own broker if you wish, but I highly recommend that you use a broker that uses the metatrader platform. **If you choose not to use interbankfx, you will most likely need to adjust your lot sizes.** Always demo first because it is very easy to over leverage your account if you are not allocated correctly.

## IV. Review

- A. Forex is volatile: In a losing trade it can come back “if you can afford to carry the loss.”**
  
- B. Forex pays interest: Interest adds up nicely as a trade is carried until closed. This is a small part of the system, but it is a nice little bonus.**
  
- C. Negative correlations: Buying currency pairs that move in opposite direction creates a natural hedge play. Hedging any market is the safest form of trading.**
  
- D. Cost averaging: This method creates better buy points increasing profit gains while lowering risk.**
  
- E. Small and fewer lot sizes: By using the smallest lot size possible the small investor has the potential to leverage an account like the larger investors with large capital. This creates more buying power.**
  
- F. Realistic profit goals: With the right perspective a trader is content with slow growth gains. Those who are greedy will always over extend their account.**

## V. Understanding the EUR/CHF.

It is said that 70% to 80% of trading is psychological. Hedging lowers stress levels and forces the trader to lower risk. This is a very helpful asset to have as a long term trader because the mind is a difficult thing to tame when thinking, “what if” scenario’s. Before we begin trading the system, it’s essential that you understand how the EUR/CHF cross relates to the two currency pairs that we trade. The relationship of the three currency pairs can be better understood by going to <http://www.4x-rox.com> . The team at 4x-rox offer a free report to help you understand the mathematics behind the EUR/CHF hedge play.

### EUR/CHF

### EUR/USD - USD/CHF

Simply put, as a rule, whatever direction the EUR/CHF cross is moving at the time, that is the direction you need to trade the hedge. But please remember, this is not a day trading method, this is a long term trading method based on the direction of the EUR/CHF.

Many think that all we do is buy the EUR/CHF and that we are not hedging at all. But what if I was to tell you that it is really a combination of doing both. In my view, one of the major benefits of trading the hedge is the fact that it tends to buffer the extremes in price movement. Under certain market conditions, the hedge can actually out perform a trade of just the EUR/CHF alone.

We don’t just buy the hedge, we also short it. If the EUR/CHF is moving down, a hedge going long will lose, which really isn’t a big deal as you are executing multiple positions. It’s okay to have a few working positions that are losing if you know what you are doing. I will explain this in greater detail later on.

## VI. Trading the system.

This system is fairly easy to trade once you understand the concept. We trade both the EUR/USD and the USD/CHF according to the direction of the EUR/CHF. And since this is a hedge play, there is no need to set any stops because the hedge will help cut our loss if our prediction is inaccurate.

If the trend is up and we choose to buy, there is still a very good chance that we may be entering that position too late. Entering a position late is common which is why we cost average our trades. If the trade moves against you after a day or two, cost averaging down is a great method to use if you are trading in the right direction. But even if you are wrong, you can still hold on to that position as long as you need to as long as you can afford to hold onto it.

We never enter a trade with one total lump sum. We execute our trades in sections so that we can take advantage of a simple but very effective method. Cost averaging is nothing new. It is a common technique used by floor traders, but it cannot be used effectively unless you have the flexibility of buying power.

Let's say that you wanted to trade a total of 4% of your capital. If you risked the total 4%, you would have no room left to cost average down without increasing your risk. But, if we executed our trades in half percentages, we could execute a total of 8 positions. The more positions you have available to trade, the more flexibility you have for decreasing your risk and increasing your profit gains. It's important to have flexibility in case your trade goes sour. It's the simple concept called diversification.

I often get asked, "why not just directional trade using these methods?" Obviously, you can if that is your thing. But consider trading the hedge for a while as this method buffers the extreme highs and lows of the market. It gives you the opportunity to gain experience and learn how to deal with a variety of market conditions. Once you are adept with a wide variety of market conditions, you are better equipped to become a better directional trader if that is what you wish to do. This method teaches you how to avoid greedy trading. The biggest problem I see with so many struggling traders is that they are trading with so much risk that they can't make a decision if their trade goes bad. It's all about keeping a level head by not risking more than you can afford and keeping your account flexible.

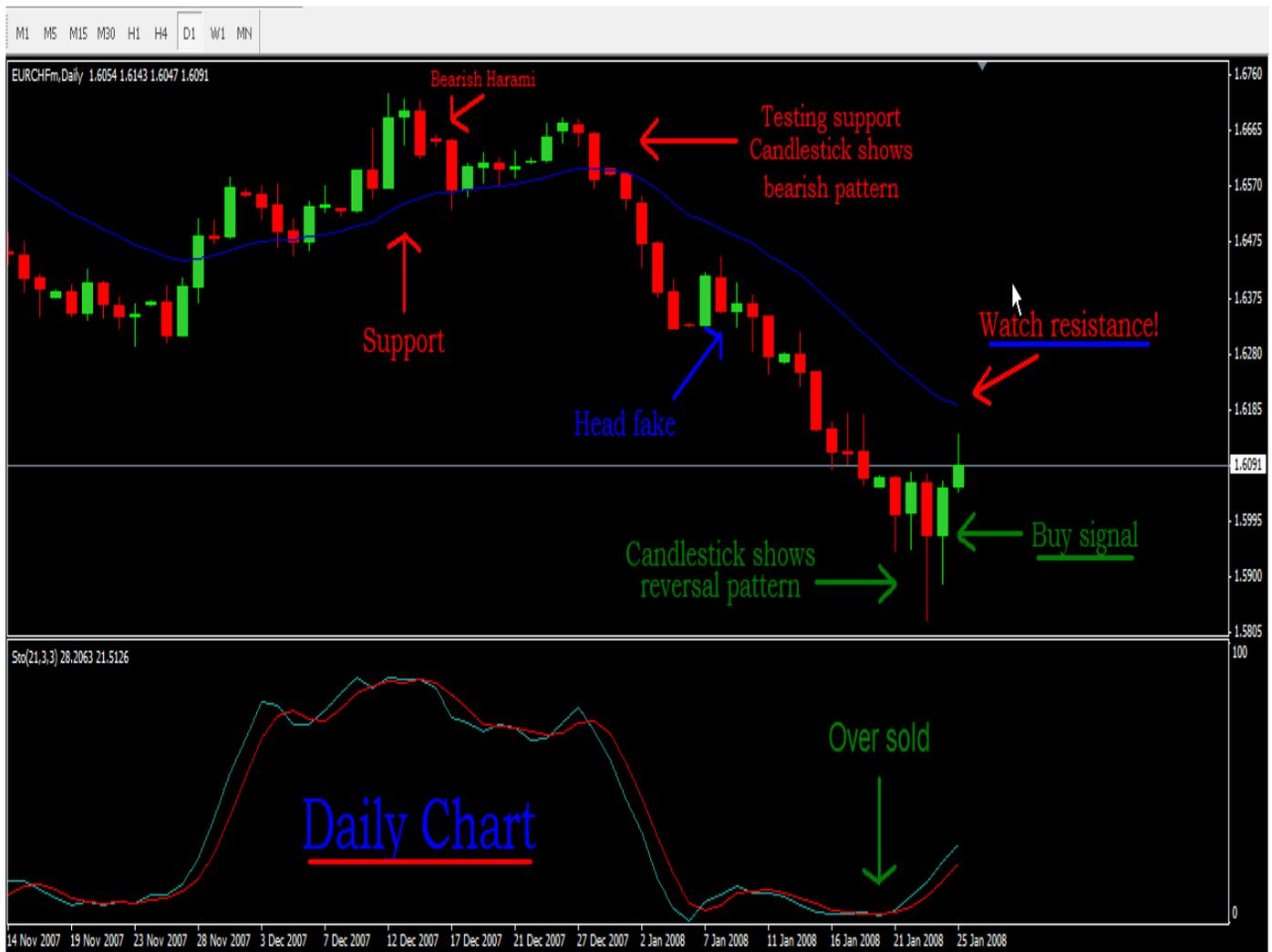
Now let's prepare to execute a trade. To start with, we will open a mini "demo" account with interbankfx with \$10,000 in capital. I prefer a mini account set to 200:1 or 400:1. Consider trading a demo account for at least a couple of weeks before you go live. When you feel ready to go live, consider starting slow with maybe \$2,000. I don't recommend starting right out of the gate with 50k. Start slow with maybe \$2,000, and after a month or so, you can always deposit more. The market isn't going anywhere, you have plenty of time to profit from it.

Before we execute a trade, Let's open up a daily chart and a weekly chart of the EUR/CHF currency pair. On the next page you can see that I have inserted a slow stochastic, and bollinger bands set at default. Keep in mind that any indicator is going to be lagging, so I find that keeping things simple is best. Price action (candlesticks), and support/resistance are the most common methods used as they are the only indicators that are not lagging. Volume is another non-lagging indicator, but I prefer not to use it, but that's up to you.

The main reason I use a stochastic for is to confirm that a currency is overbought or oversold to anticipate a possible price reversal but I also use it to confirm direction. I use a 20 period EMA to help me predict support and resistance. You will notice on the daily chart (next page) that the price tends to bounce off of it. Moving averages react almost like a magnet. It can be positive or negative. A moving average will always draw price back and it will always push it away, but the question is when.

Candlestick patterns are extremely important to learn. Major price reversals can be predicted by watching the patterns of candlesticks. They are very powerful weapons to be armed with. Free resources available to learn candlesticks at [www.4xtribune.com](http://www.4xtribune.com) .

Below is a daily chart and on page 14 is a weekly chart. The lowest time period I would ever recommend is a 4 hour chart which I do use, but I prefer the daily, weekly, and the monthly charts.



According to this chart there is a lot going on here, but we are going to concentrate on the bullish reversal at the bottom right. What I am showing here is really nothing new. The stochastic shows that the market is possibly oversold and to watch for a reversal. This could be temporary or it could be longer term. Watch support and resistance!

On the bottom right portion of the chart, take a look at the 4 lowest lows candles. Those are 4 hammer/hanging man type candles which show signs of a reversal. Going long is probably a good option at this point but you must keep your eye on the EMA or something to help you see support and resistance. Support/resistance can be determined a few ways that are more accurate, but I find that using a 20 period EMA helps to keep things simple.

The technical play I am sharing with you is very basic. You can get as deep as you want to but it's not necessary to make things complicated. If you learn nothing else, it is essential to learn candlestick patterns!



The four candlesticks we were talking about created this pattern on the weekly chart. This pattern is called a “long lower shadow pattern” (form of doji) which indicates a strong reversal. This candle is pretty radical and is very rare to see this strong on the weekly chart. Hedging currencies will give you confidence to not only get into this trade but it will help you stay in the trade. If it’s nothing but a fluke, the hedge will allow you to hold onto that position for a very long time.

A great fundamental indicator for determining the direction of the EUR/CHF cross is to keep an eye out on the U.S. markets. As a rule, the EUR/CHF currency follows the performance of the U.S. economy. See page 30.

**The spreadsheet below is a guide to help you understand how many lots to buy for each currency combination. But please remember, it is a guide only, not a recommendation. The amount of lots you purchase is entirely up to you.**

## A. How to use the spreadsheet.

I have listed four categories for purchasing lots. They are labeled as mild, minimal, aggressive, and risky. Choose one of these categories that suits your toleration of risk and “consider” buying the number of lots listed, matched with the account balance you have. According to each category, the more risk you trade the less you can cost average. The mild category trades up to 12 combinations, the minimal trades up to 8 combinations, the aggressive trades up to 6, while the risky category is designed for only 5. The more combinations you trade and cost average, the more flexible your account will be.

# Warning, very important!

I cannot stress this enough! Make sure that you are allocating correctly! I have had people write bad reviews about this system because they didn't follow directions. The spreadsheet is allocated according to a mini account with interbankfx. 0.01 lots will only make 1 cent per pip. If you are using a standard account, 0.01 lots will equal 10 cents per pip which means you will be trading with 10X the amount of risk and you will over leverage your account.

## B. Allocating your lots

If your personal capitol is different than what is listed such as maybe \$6000, add the amount of lots listed under \$1,000 + \$5,000. **Example: (according to the minimal category)**  $0.15 + 0.75 = 0.90$ . Or if it is \$17,000, add \$1,000 + \$1,000 + \$5,000 + \$10,000. **Example:**  $0.15 + 0.15 + 0.75 + 1.50 = 2.55$

# Spread sheet.

**Interbankfx.com**  
**“Mini account”**  
**Leverage 200:1**

**Those who wish to trade at 400:1,  
please use the following link.**

[https://www2.interbankfx.com/ibs/live\\_account.php?group=FR-IBFX](https://www2.interbankfx.com/ibs/live_account.php?group=FR-IBFX)

**EUR/USD and USD/CHF hedge.**

## Important!

**“Lots are allocated according to \$100 lots (penny lots, micro mini’s)**

**If your broker does not allow you to trade with (100) sized lots, but you are trading a meta trader platform, simply move your decimal 1 space to the left. For example: 1.00 lots on a mini account is equal to 0.10 lots on a standard account. This is extremely important. If you do not adjust your lot sizes accordingly, you could easily over-leverage your account. Please re-read the warning statement on the previous page.**

**Allocated according to a Mini Account (interbankfx)**

Risk Category: “**Mild**” (12 combinations)

<b>Account balance</b>	<b>EUR/USD</b>	<b>USD/CHF</b>
\$250	lots to buy 0.03	lots to buy 0.03
\$1,000	lots to buy 0.10	lots to buy 0.10
\$5,000	lots to buy 0.50	lots to buy 0.50
\$10,000	lots to buy 1.00	lots to buy 1.00

Risk Category: “**Minimal**” (8 combinations)

<b>Account balance</b>	<b>EUR/USD</b>	<b>USD/CHF</b>
\$250	lots to buy 0.04	lots to buy 0.04
\$1,000	lots to buy 0.15	lots to buy 0.15
\$5,000	lots to buy 0.75	lots to buy 0.75
\$10,000	lots to buy 1.50	lots to buy 1.50

Risk Category: “**Aggressive**” (6 combinations)

<b>Account balance</b>	<b>EUR/USD</b>	<b>USD/CHF</b>
\$250	lots to buy 0.05	lots to buy 0.05
\$1,000	lots to buy 0.20	lots to buy 0.20
\$5,000	lots to buy 1.00	lots to buy 1.00
\$10,000	lots to buy 2.00	lots to buy 2.00

**For those who wish to trade with more risk, see below but consider why I call it the risky category.**

Risk Category: “**Risky**” (5 combinations) **Use caution!**

<b>Account balance:</b>	<b>EUR/USD</b>	<b>USD/CHF</b>
<b>\$250</b>	<b>lots to buy 0.06</b>	<b>lots to buy 0.06</b>
<b>\$1,000</b>	<b>lots to buy 0.24</b>	<b>lots to buy 0.24</b>
<b>\$5,000</b>	<b>lots to buy 1.20</b>	<b>lots to buy 1.20</b>
<b>\$10,000</b>	<b>lots to buy 2.40</b>	<b>lots to buy 2.40</b>

**For those who wish to trade even more conservatively than the mild category, simply cut the mild category lot sizes in half to trade up to 24 combinations. This strategy is great for large portfolio’s. Conservative traders are successful traders!**

Earlier on page 13 and 14 we determined that the EUR/CHF is moving north, so we are going to execute our first trade based on that assessment. Once again, we will be trading a mini account with \$10,000 in capital, and will be trading the minimal category to start with. If you are a beginner this may be a category that you may want to consider. There is a reason why I call the risky category “risky.” If you have no experience trading, do not use the risky category! I myself do not like to trade the risky category because of the lack of flexibility.

According to the minimal category we are going to buy 1.50 mini lots of the EUR/USD and 1.50 mini lots of the USD/CHF. Below is a screen shot of what your platform should look like after you have executed your trades.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
74844895	2008.01.28 05:07	buy	1.50	eurusdm	1.4679	0.0000	0.0000	1.4676	0.00	0.00	-4.50
74844957	2008.01.28 05:07	buy	1.50	usdchfm	1.0941	0.0000	0.0000	1.0937	0.00	0.00	-5.49
Balance: 10 000.00 Equity: 9 990.01 Margin: 75.00 Free margin: 9 915.01 Margin level: 13320.01%											-9.99

To the left up above you can see that the our balance is \$10,000 and to the right it shows our spread cost. I call these two orders a combination trade. According to the “minimal” category, we can cost average this account 7 times with a total 8 combination trades.

As I am writing this book, I am trading this account as it happens. Now I’m really not sure what is going to happen overnight nor. All I want to see is some movement in the market so that I can determine what to do next. I always make my decision after the New York session has slowed down. You don’t need to be in a hurry to do this. You can wait a few hours after the N.Y session if you need to as the market isn’t going anywhere. Some people like to trade right as the next daily bar has opened (7:00 p.m. eastern). As of now however, I am going to leave these trades alone and allow them to work overnight, so I am going to shut my computer down until morning. By the way, I executed these trades late in the evening, eastern time.

# Next day.

Below is a screen shot of the trades still working some time around 11:10 a.m. eastern time. You can see that the hedge went into profit so there would be no need to cost average.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
74844895	2008.01.28 05:07	buy	1.50	eurusdm	1.4679	0.0000	0.0000	1.4785	0.00	0.00	159.00
74844957	2008.01.28 05:07	buy	1.50	usdchfm	1.0941	0.0000	0.0000	1.0890	0.00	0.00	-70.25
Balance: 10 000.00 Equity: 10 088.75 Margin: 75.00 Free margin: 10 013.75 Margin level: 13451.67%											88.75

After the trend plays out, I like to take my profit and run. Not everyone likes this approach but this is what works for me. However, it is completely up to your own discretion if you choose to allow your trade to work. As for me, I'm going to close this out and add it to my balance. **Important!** If you ever decide to close a trade, make sure that you close both the losing side and the winning side of the hedge.

Below you can see that I have closed out my trades and now we have a total of \$10,090.25. The trade moved in our favor just a little bit after the first screen shot listed above was taken..

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
Balance: 10 090.25 Equity: 10 090.25 Free margin: 10 090.25											0.00

So now that we have made money, where do we go from here? First, let's look at the daily chart once again.



According to the daily chart, price is about to test the EMA. It is possible that price may bounce off of the EMA and test the previous lows. I don't want to risk much but I don't want to miss an opportunity either, so this time we will execute a buy order according to the "mild" category.

According to the mild category we are to allocate our lot sizes to 1.00 mini lot each. Below is a screen shot of the new working trades that were executed. Once again, we will allow these trades to work over night.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
75006069	2008.01.28 17:02	buy	1.00	eurusdm	1.4790	0.0000	0.0000	1.4788	0.00	0.00	-2.00
75006078	2008.01.28 17:02	buy	1.00	usdchfm	1.0883	0.0000	0.0000	1.0879	0.00	0.00	-3.68
Balance: 10 090.25 Equity: 10 084.57 Margin: 50.00 Free margin: 10 034.57 Margin level: 20169.14%											-5.68

75006069	2008.01.28 17:02	buy	1.00	eurusdm	1.4790	0.0000	0.0000	2008.01.29 15:04	1.4760	-0.35	-30.00
75006078	2008.01.28 17:02	buy	1.00	usdchfm	1.0883	0.0000	0.0000	2008.01.29 15:04	1.0931	0.75	43.91

I closed this trade a little premature as the price of the EUR/CHF was bouncing off of the EMA. But you can see that the prediction was accurate and not only did we lock in overall profit but we also made a little interest of 40 cents. Interest isn't much but sometimes it is a nice little bonus.

Below you can see the price bouncing off of the EMA. I also changed the color of the EMA to red so that it is easier for you to see.



Below, you can see the total amount of trades and profit that we have closed out. The interest that we locked in is listed under swap (to the left of profit).

Order	Time /	Type	Size	Symbol	Price	S/L	T/P	Time	Price	Swap	Profit
74844816	2008.01.28 05:06	balance	Deposit								10 000.00
74844895	2008.01.28 05:07	buy	1.50	eurusdm	1.4679	0.0000	0.0000	2008.01.28 16:10	1.4786	0.00	160.50
74844957	2008.01.28 05:07	buy	1.50	usdchfm	1.0941	0.0000	0.0000	2008.01.28 16:10	1.0890	0.00	-70.25
75006069	2008.01.28 17:02	buy	1.00	eurusdm	1.4790	0.0000	0.0000	2008.01.29 15:04	1.4760	-0.35	-30.00
75006078	2008.01.28 17:02	buy	1.00	usdchfm	1.0883	0.0000	0.0000	2008.01.29 15:04	1.0931	0.75	43.91
Profit/Loss: 104.56 Credit: 0.00 Deposit: 10 000.00 Withdrawal: 0.00											10 104.56

We're going to go through a few more examples of how this works as I would like you to see an example of when we cost average our trades. But before we do I want to wait and see if the price breaks through the EMA. If it does, we will buy again. If it doesn't, we may short our trades or stay out for a bit. I'm going to wait until the open of the next daily bar.

## Open of next daily bar

Price is testing resistance and price did not break through the EMA. Also the new daily bar opened below the EMA, so it's most likely that the value of the EUR/CHF will drop, so I'm going to short our trades. When I short a hedge I like to trade a little more conservative because I don't like to pay out too many interest fees just in case I need to carry this trade for an extended period of time. So, once again I am going to use the mild category as a guide to allocate my lot sizes.



Because the price of the EUR/CHF has opened just below the EMA, I am going to sell 1.00 mini lot of the EUR/USD and 1.00 mini lot of the USD/CHF based upon the mild category. Below is another screen shot of those trades which were executed. Let's see what happens tomorrow.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
75314603	2008.01.30 00:25	sell	1.00	eurusdm	1.4761	0.0000	0.0000	1.4763	0.00	0.00	-2.00
75314607	2008.01.30 00:25	sell	1.00	usdchfm	1.0937	0.0000	0.0000	1.0941	0.00	0.00	-3.66
Balance: 10 104.56 Equity: 10 098.90 Margin: 50.00 Free margin: 10 048.90 Margin level: 20197.80%											-5.66

## Next day

Below you can see that the EUR/CHF fell about 45 pips overnight so our prediction was accurate. However, it bounced off of support just to rally back to our original entry point. The red dotted line is a midpoint support zone that I calculated on a pivot point calculator. As you can see, it intersected with the bottom trend line that I plotted almost perfectly.

The EUR/CHF cross will break out of this tight trading range probably tonight so I am going to go about my day until the open of the next daily bar. If price breaks support, the trade should continue to move in our favor. If price breaks resistance, it may be a good time to buy again.

For those who are interested in using pivot points, there is a free calculator available at [www.4xtribune.com](http://www.4xtribune.com) . Click on the pivot point calculator page.



# Next Daily open. Just after 7:00 p.m. eastern time.

Price finally broke through support as I suspected it would, and our hedge made a small amount of profit. The profit made wasn't much as we allocated our lots very low. Below the chart is a screen shot of the trades. The first screen shot was taken before I closed, and the second is the total amount of trades locked in.



Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
75314603	2008.01.30 00:25	sell	1.00	eurusdm	1.4761	0.0000	0.0000	1.4829	0.00	0.11	-68.00
75314607	2008.01.30 00:25	sell	1.00	usdchfm	1.0937	0.0000	0.0000	1.0844	0.00	-2.93	85.76
Balance: 10 104.56 Equity: 10 119.50 Margin: 50.00 Free margin: 10 069.50 Margin level: 20239.00%											14.94

Order	Time /	Type	Size	Symbol	Price	S/L	T/P	Time	Price	Swap	Profit
74844816	2008.01.28 05:06	balance	Deposit								10 000.00
74844895	2008.01.28 05:07	buy	1.50	eurusdm	1.4679	0.0000	0.0000	2008.01.28 16:10	1.4786	0.00	160.50
74844957	2008.01.28 05:07	buy	1.50	usdchfm	1.0941	0.0000	0.0000	2008.01.28 16:10	1.0890	0.00	-70.25
75006069	2008.01.28 17:02	buy	1.00	eurusdm	1.4790	0.0000	0.0000	2008.01.29 15:04	1.4760	-0.35	-30.00
75006078	2008.01.28 17:02	buy	1.00	usdchfm	1.0883	0.0000	0.0000	2008.01.29 15:04	1.0931	0.75	43.91
75314603	2008.01.30 00:25	sell	1.00	eurusdm	1.4761	0.0000	0.0000	2008.01.31 00:20	1.4831	0.11	-70.00
75314607	2008.01.30 00:25	sell	1.00	usdchfm	1.0937	0.0000	0.0000	2008.01.31 00:20	1.0845	-2.93	84.83
Profit/Loss: 116.57 Credit: 0.00 Deposit: 10 000.00 Withdrawal: 0.00											10 116.57

Now that you have an idea of how we trade the trilateral cross, let's take a look at what can happen if your trade goes against you. I'm going to purposely execute a losing trade to demonstrate what can be done.

Let's go ahead and buy 1.50 lots on each side of the hedge and hope it moves against us. Losing trades never concern me as long as my analysis is correct most of the time. Even if I execute a trade late, I can cost average my trades and make up the loss. Like I said before, 70% of trading is psychological. If you can trade without stress, (and without greed) you can be a successful trader.

Once again, below is a visual of our newly executed, working trades and we will allow these trades to work overnight.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
75589539	2008.01.31 00:56	buy	1.50	eurusdm	1.4833	0.0000	0.0000	1.4830	0.00	0.00	-4.50
75589555	2008.01.31 00:56	buy	1.50	usdchfm	1.0839	0.0000	0.0000	1.0836	0.00	0.00	-4.15
Balance: 10 116.57 Equity: 10 107.92 Margin: 75.00 Free margin: 10 032.92 Margin level: 13477.23%											-8.65

## Next day, 11:00 a.m. eastern time.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
75589539	2008.01.31 00:56	buy	1.50	eurusdm	1.4833	0.0000	0.0000	1.4806	0.00	0.00	-40.50
75589555	2008.01.31 00:56	buy	1.50	usdchfm	1.0839	0.0000	0.0000	1.0842	0.00	0.00	4.15
Balance: 10 116.57 Equity: 10 080.22 Margin: 75.00 Free margin: 10 005.22 Margin level: 13440.29%											-36.35

Our trade is now working against us. We can cost average our trades and add another combination if we believe that the EUR/CHF will continue it's bullish path. But I believe the EUR/CHF is going to continue to fall, so cost averaging is not a good idea at this time. However, if you ever feel as though you are going to miss an opportunity, you can lower your risk by cutting the mild category lot size in half to 0.50, or even a fourth to 0.25. First lets see what the chart is telling us.



The price of the EUR/CHF actually rallied for short time right after we executed and went into profit by about \$65.00. But then it bounced off of the Fibonacci mid-line (dotted line) and of course our trade went negative. I believe that the EUR/CHF could test the previous lows but let's go ahead and buy again and execute half a mini lot (0.50) on each side and see what happens.

**Just a note about cost averaging:** Depending upon the risk category you are trading, you can cost average until you are "fully loaded." Being fully loaded means that you have spent the total amount of combinations a category says you can trade. A combination trade is 1 hedge. For example: The minimal category gives you the flexibility to execute a total of 8 combinations. Make your decisions wisely and keep yourself from using up your combinations. If you can do this, you will do very well.

### New trade added

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Price	Commission	Swap	Profit
75589539	2008.01.31 00:56	buy	1.50	eurusdm	1.4833	0.0000	0.0000	1.4825	0.00	0.00	-12.00
75589555	2008.01.31 00:56	buy	1.50	usdchfm	1.0839	0.0000	0.0000	1.0836	0.00	0.00	-4.15
75809732	2008.01.31 16:26	buy	0.50	eurusdm	1.4824	0.0000	0.0000	1.4825	0.00	0.00	0.50
75809762	2008.01.31 16:26	buy	0.50	usdchfm	1.0843	0.0000	0.0000	1.0836	0.00	0.00	-3.23
Balance: 10 116.57 Equity: 10 097.69 Margin: 100.00 Free margin: 9 997.69 Margin level: 10097.69%											-18.88

While I was writing, our first trade rallied 10 pips so I executed our second trade a little late but it looks as if we may make some profit on this as the market seems pretty resilient today.

## 20 to 30 minutes later



Surprisingly, our trades rallied immediately after we executed. Had we executed 1.50 lots instead of 0.50 we would be up 18 more dollars. But that's okay! Being a successful trader doesn't mean to rush and make a million overnight. It's all about taking slow consistent gains.

I decided to go ahead and lock these trades in. I am now flat in the market which means I have no working orders. Please see screen shots below.

Order	Time /	Type	Size	Symbol	Price	S / L	T / P	Time	Price	Swap	Profit
74844816	2008.01.28 05:06	balance	Deposit								10 000.00
74844895	2008.01.28 05:07	buy	1.50	eurusdm	1.4679	0.0000	0.0000	2008.01.28 16:10	1.4786	0.00	160.50
74844957	2008.01.28 05:07	buy	1.50	usdchfm	1.0941	0.0000	0.0000	2008.01.28 16:10	1.0890	0.00	-70.25
75006069	2008.01.28 17:02	buy	1.00	eurusdm	1.4790	0.0000	0.0000	2008.01.29 15:04	1.4760	-0.35	-30.00
75006078	2008.01.28 17:02	buy	1.00	usdchfm	1.0883	0.0000	0.0000	2008.01.29 15:04	1.0931	0.75	43.91
75314603	2008.01.30 00:25	sell	1.00	eurusdm	1.4761	0.0000	0.0000	2008.01.31 00:20	1.4831	0.11	-70.00
75314607	2008.01.30 00:25	sell	1.00	usdchfm	1.0937	0.0000	0.0000	2008.01.31 00:20	1.0845	-2.93	84.83
75809762	2008.01.31 16:26	buy	0.50	usdchfm	1.0843	0.0000	0.0000	2008.01.31 17:11	1.0841	0.00	-0.92
75809732	2008.01.31 16:26	buy	0.50	eurusdm	1.4824	0.0000	0.0000	2008.01.31 17:11	1.4841	0.00	8.50
75589555	2008.01.31 00:56	buy	1.50	usdchfm	1.0839	0.0000	0.0000	2008.01.31 17:11	1.0841	0.00	2.77
75589539	2008.01.31 00:56	buy	1.50	eurusdm	1.4833	0.0000	0.0000	2008.01.31 17:11	1.4841	0.00	12.00

Profit/Loss: 138.92 Credit: 0.00 Deposit: 10 000.00 Withdrawal: 0.00 10 138.92

Order /	Time	Type	Size	Symbol	Price	S / L	T / P	Price	Commission	Swap	Profit
Balance: 10 138.92 Equity: 10 138.92 Free margin: 10 138.92											0.00

# Chapter V.

## Why not just directional trade the EUR/CHF?

How you decide to trade is entirely up to you, but the hedge play was designed to address the psychological issues that most traders struggle with. Some investors prefer to directional trade over this type of technique and that's okay. Everyone is different and each individual needs to trade according to their own personality. However, the hedge play will protect you from greedy trading and unwanted stress.

The carry trade concept is nothing new. Traders have been using this kind of technique for a long time. But I believe that there is a big difference between most companies that trade this way and 4xworks. Most hedge plays based on correlations barely use charts at all which is the reason for their long term failure. But if you choose to directional trade, that is entirely up to your judgment. If you do so, keep your risk low and don't get into a hurry. If you are trading an account less than \$25,000, consider trading micro lots. Trying to make 50% gains a month will wipe you out in the long term. Take your time and enjoy the journey.

### Why we hedge!

- 1. Teaches discipline.**
- 2. You can take advantage of the hedge in case your analysis is wrong.**
- 3. Gives you confidence. 70% of trading is psychological.**
- 4. Less time involved. 5 to 30 minutes a day is all is needed.**
- 5. Refrains you from greedy trading.**
- 6. Allows you to make clearer decisions.**
- 7. Hedging is safer. Not necessarily safe, but safer.**

# Chapter VI.

## A few simple guidelines

- 1.) Consider making your analysis and executing your trades before the London open and allow the hedge to run until the end of the New York session. If you believe your trade will continue to make profit, you can keep the trade open. It's your choice.
- 2.) Consider trading the mild to minimal risk categories before deciding whether to increase risk . Trust me, it's okay to take your time!
- 3.) Make sure that your lot sizes executed going short are smaller than your lot sizes going long. Remember, if you need to hold on to a combination you will want to make more interest than what you are losing.
- 4.) Don't trade a news release unless you are willing to allow your spread cost to widen up to 40 pips.
- 6.) Be patient, don't get trigger happy, and never believe that you are bullet proof!
- 7.) The EUR/CHF is heavily correlated with the direction of the US indices. If there is bad news on Wall Street, you can bet that the EUR/CHF will fall with the sluggish economy. It's not a holy grail indicator, but the U.S. economy usually determines the direction of the EUR/CHF cross. A great television network to watch is CNBC.

# Frequently asked questions.

## **1.) When should I take my profit?**

The ideal time to take profit is just before the trend of the EUR/CHF reverses. Alternatively, I like to lock in my profit as soon as I see it right after the NY session slows down. I don't care if it's 5 dollars or 50 dollars. It really depends upon you, but I like to take my money and run because a profit is a profit.

## **2.) Is it better to offset the allocations?**

I get asked this quite often and the answer is yes, but I prefer to do it only on the downside. As you know the spreadsheet that I list in this book allocates the hedge by a 50/50 ratio, example: 1.00 EUR/USD and 1.00 USD/CHF. The reason I do this is to keep things simple as the two pairs we trade are so closely correlated. But If you choose to allocate more accurately according to the true value of the EUR/CHF cross, please read the following page for more details as there is a great new product now available for 4xworks customers. Highly recommended!

## **3.) Why not use the information listed for directional trading?**

You can, but once again the hedge is designed for your safety if the prediction is wrong. It helps eliminate the stress factor and the psychology of trading. Remember a high probability means "probably." A successful trader never sees how much he can win compared to how much he can lose.

## **4.) Are there other currency pairs to trade with this type of system?**

There are many cross pairs to trade which can be correlated, such as the GBP/CHF and the GBP/JPY. However, they are much riskier and they need to be allocated differently as some are drastically offset in their value. I like the EUR/CHF best as it is the most conservative of all the crosses. If you are ever fully loaded, and the market continues to move against you, your chances of survival are much, much greater than if you were fully loaded trading the others.

## **New EA and spreadsheet.**

There is a new product now available by a company called “4x-rox.” They have developed a spreadsheet that will allocate the currencies for you. According to my e-book the currencies will still work even though allocated half and half. But, since these pairs are correlated at 98%, they are still 2% off in value. Allocating 50/50 works well, but it’s not perfect. The 4x-rox Spreadsheet can show you how to allocate your trades based on real time values of the EUR/USD - USD/CHF and the pip value of the EUR/CHF.

Not only will the spreadsheet allocate the lot sizes more accurately, but the spreadsheet is hooked up to the live data feed from your metatrader platform. The spreadsheet is a great tool to help enhance your trading. Not only have they developed a great tool for helping you trade the 4xworks system, but they have also developed a great EA, or what is also called an expert advisor.

An EA is a software program in which a metatrader platform will execute and close your trades for you. 4x-rox developed a brilliant EA, based upon the powerful hedge play of 4xworks.com .

For more info on the 4x-rox EA and spreadsheet,  
please visit [www.4x-rox.com](http://www.4x-rox.com)

More great trading resources  
made available at [www.4xtribune.com](http://www.4xtribune.com)

# Chapter VII.

## Conclusion

**Technical analysis can be very tough for most people as there are so many “what if” factors. My newsletters will help alert you of potential direction changes in the market. I consult with other traders and we work hard to stay on top of any major changes in the market that would effect the future of this program.**

**So far I have not found a trading method that makes money as consistently as this one and I am confident that you can experience the same amount of success as I have. Keep in mind however that trading any market is risky business and know that there is no “holy grail” system. Anyone can lose, so be a wise and patient investor and avoid greed at all costs. Never compare yourself to another trader even if you are only capable of locking in 6% a month or even 3%. There is nothing wrong with profit no matter how small it is. Rome was not built in a day and neither is wealth. So be content in your trading and embrace the journey. Any questions regarding this system please feel free to shoot me an e-mail to [info@4xworks.com](mailto:info@4xworks.com) and I will try to help you as best as I can. Thank you and.....**

**Happy trading!**

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