

# **Forex Trading Built To Last**

## **Book 1: Metanoia (Paradigm Shift) V 1.0**

**Henry Wirawan, MBA  
Copyright OctaCapital.Net 2015**



**FOREX TRAINING, FUND MANAGEMENT & CONSULTATION**

# DEDICATION

I dedicate this book to my parents and my sister. Without them, I will never in the Forex Trading business.

I also dedicate this book to my wife and my two sons. Without them, I will never write this book and teach Forex Trading.

# TOC

1. Disclaimer.
2. Foreword.
  - 2.1. First Thing First.
  - 2.2. OctaCapital has 4 books:
  - 2.3. OctaCapital profile.
  - 2.4. Rules.
3. The Buddha.
4. Why I write this free E-book.
5. Why 95% of traders fail and what they should do then?
6. Steps becoming a successful Forex Trader:
  - 6.1. Follow rules of the game.
  - 6.2. Change your paradigms.
    - 6.2.1. Forex Trading Risks.
    - 6.2.2. Why do you want to trade? What is your ultimate goal?
    - 6.2.3. What kind of trader lifestyle.
    - 6.2.4. Forex trading – business vs. gambling.
    - 6.2.5. Forex trading – business owner vs. job owner.
    - 6.2.6. Why do you trade Forex, not other products?
    - 6.2.7. What is your income expectation.
    - 6.2.8. Prediction – Holy Grail – 100% winning ratio.
    - 6.2.9. Balance vs. Equity.
    - 6.2.10. Margin Trading – Leverage – Stop or Cut Loss.
      - 6.2.10.1. Broker Leverage.
      - 6.2.10.2. True Leverage.
      - 6.2.10.3. Proper Leverage.
    - 6.2.11. Risk – reward – probability.
    - 6.2.12. Trading Costs.
    - 6.2.13. Capital Management & Free Capital Method.
    - 6.2.14. Mentality.
      - 6.2.14.1. Iron Gut and Tiger Claw.
      - 6.2.14.2. Discipline.
      - 6.2.14.3. Patience.
      - 6.2.14.4. Greed and fear.
      - 6.2.14.5. Self Destruction.
    - 6.2.15. What skills and attitudes are needed to be successful trader?
    - 6.2.16. Trading Profit-Loss Formula.
  - 6.3. Study and master Forex Trading knowledge and elements.
  - 6.4. Prepare the trading requirements.
  - 6.5. Develop your Trading Plan.
  - 6.6. Practice with demo until you have consistent profit.
  - 6.7. Trading plan execution.
  - 6.8. Record Keeping.
  - 6.9. Evaluate your plan and adapt as necessary.
  - 6.10. Always think and prepare for the worst scenario.
7. What to do next?

- 8. Training Program.
- 9. Money Manager Program.
- 10. Free Consultation Program.
- 11. FAQ

# 1. DISCLAIMER

Trading in the off exchange retail foreign currency market is one of the riskiest forms of investment available in the financial markets and suitable for sophisticated individuals and institutions. The possibility exists that you could sustain a substantial loss of funds that can exceed your investment and therefore you should not invest money that you cannot afford to lose. Nothing in this presentation is a recommendation to buy or sell currencies and OctaCapital is not liable for any loss or damage.

By viewing any material or using the information within this site / e-book, you agree that it is a general educational material and you will not hold OctaCapital or any of its members responsible for any loss or damages resulting from the content provided here.

The products and services referenced at this site are for educational purpose only, and are not intended to replace individual research or licensed investment advice. This website is neither a solicitation nor an offer to buy/sell futures, options or currencies.

The past performances of any trading system or methodology is not necessarily indicative of future results.

## 2. FOREWORD

### 2.1. First Thing First.

- ◆ Please forgive my English, as English is my second language.
- ◆ I am not a writer either; however I will try to write as straightforwardly as possible, and to give you the gist, so that you will not waste your time reading my book.
- ◆ There are other traders with their own styles and principles. I respect them. What I am going to say, explain and teach you is my way of trading, my understanding, my knowledge, my opinions and my experience. DO NOT use what I tell you as a generalization of Forex trading, because my way is not the common way that has been thought so far. I do not think my way can be applied 100% to other trading system. You need to know my principles first and then you know how to apply them to other trading systems.

### 2.2 OctaCapital has 4 books:

1. Forex Trading Built to Last : Metanoia (Paradigm Shift).  
This is the most important book, which you are reading right now. It explains why 95% traders fail and what they should do in order to be successful. It lays foundations and principles which can not be found elsewhere. Most of the principles are never thought before elsewhere. They are unique to OctaCapital.
2. Forex Basic.  
It explains general Forex knowledge that is commonly found.
3. Forex Advanced.  
It explains Forex knowledge and the know how that are beyond Forex Basic. It is the way of OctaCapital trading Forex.
4. OctaCapital Trading Systems.  
They are OctaCapital ready to use trading plans and systems.

### 2.3. OctaCapital Profile.

OctaCapital is a company established by Henry Wirawan, MBA which focuses on four things:

1. Trades its own capital in Forex Market.
2. Manages client's investment in Forex Market.
3. Trains students to become a low risk and yet profitable Forex Traders.
4. Gives free consultation to and help people who have problem with their Forex Trading.

What makes OctaCapital special:

- ◆ Put **safety first**, thus using low risk trading system yet profitable enough so that the trading system will last forever.
- ◆ **100% winning ratio**. This 100% winning ratio can be achieved by using low leverage (less than 1:10), no prediction and no stop loss.
- ◆ **Do not predict** in order to make profit. **Everything is planned in advance**; how much capital is required, what leverage will be used, what pairs to trade and why, what price are going to be bought and sold, what is your target profit, etc. Since everything is planned in advance, there is no longer need to make an analysis, get confused and

make a decision every time when entering or exiting a trade.

- ◆ Make profit **regardless of market movement**.
- ◆ **Does not use Fundamental and Technical analysis**. Trading is based on **Price Level and Proper Leverage** used.
- ◆ **Does not use any stop losses** (please read why I do not use any stop losses in my free e-book “ OctaCapital Forex Trading Built To Last, book 1: Metanoia).
- ◆ **Stress free** because it is a 100% winning rate and using a low leverage trading system.
- ◆ Approach trading Forex as a **business**, not as a gambling and speculating.
- ◆ **Makes money work for you** instead of the other way around. Therefore OctaCapital trading system is a **passive income generator** and will free your time to do everything you like.
- ◆ Use a **very simple and clear** trading system so that everybody can trade. It is so simple so that the trading system is not demanding and tiring therefore everybody can still trade until they are old. It is very clear so that everybody can trade without guessing case by case and without hesitation.

Henry Wirawan's profile:

- ◆ Bachelor of Business Administration majoring in Accounting from University of Surabaya, Indonesia (1989).
- ◆ Certificate Program in Administration and Management from University of Washington, USA (1996).
- ◆ Master of Business Administration majoring in Business Operation from Seattle University, USA (1998).
- ◆ MCSE (Microsoft Certified System Engineer) (1999).
- ◆ Took an option trading class and a Forex trading class.
- ◆ Literally read and skim hundreds of trading books and videos.
- ◆ Literally spent thousands of hours reading threads from Forex forums.
- ◆ Still own and running family business which was established in 1972 by his father.
- ◆ Years of trading experience. Start trading from 2005 until now.

## 2.4. Rules

- ◆ There are other traders with their own styles and principles. I respect them; please respect mine as well. If I am wrong please do show me, and if possible give a solution; I will be very grateful.
- ◆ You can write anything you like. If it is constructive I will respond happily. If it is not, I will just ignore it.
- ◆ Please forgive my slow response. My priorities are (1) Me and my family (2) My clients and my students (3) My other businesses (4) The rest.
- ◆ Please do not ask me how I trade. I have given freely all my basic foundations of my systems. With these you can create your own system, however it takes years to perfect it. You need to be my student if you want me to teach you the shortcut.

### **3. THE BUDHA**

Do not believe in traditions because they have been handed down for many generations.

Do not believe in anything because it is spoken and rumored by many.

Do not believe in anything simply because it is found written in your books.

Do not believe in anything merely on the authority of your teachers and elders.

But after observation and analysis, when you find that anything agrees with reason...then  
accept it and live up to it.

-The Buddha-



## 4. WHY I WRITE THIS FREE E-BOOK?

- At first I have begun writing this book as a legacy for my children so that they will have an alternative source of income when they grow up. This book was intended to be their manual of Forex Trading business. But along the way I decided to give this part of my trading books freely to others. I have learned so much from others and I decided to give back something for them.
- To tell you my story so that you do not follow my path. Like most of you, I watch movies, and I see that stock traders are rich people and have a nice and fun lifestyle. So I draw a conclusion, if you want to be rich and have an easy and fun lifestyle then be a stock trader. Then one day I saw an advertisement about option trading in my newspaper. It was a free preview seminar. I thought it was a call from “above” and my destiny has finally come. Immediately I called and registered my name to attend the free seminar. The speaker was very convincing and what can I say, a very top grade sales person. He talked about how you can make money and tons of money you will make; and above all he told that you will be invincible, you will never lose trading, because of the exotic option system that will cover every movement of the price. Oh boy, I paid for the full seminar. Luckily, I did not plunge real money for life trading. I bought a lot of option trading books, investment books and any trading related books. I read and skim all of them. The more I read the more skeptical I was. Where is the invincible trading system my speaker had promised?

Along the way, I had made a friend. He has been trading option and he told me you can not make money trading option; you will lose in the end trading option. He suggested me to trade Forex because it is “easier” to make money. He just said that, no further explanations why to trade Forex instead of others.

I went back to square one again. I bought a lot of Forex Trading books, CD seminars. I spent thousand of hours on every Forex Forum I could found. I was looking for a Holy Grail system or indicator, which I never found in the end. After studying all of the materials, I started developing my own system and traded live. I opened a USD 150 account for trading nano lot. After some time I did make money and suddenly the profit was wiped out. I did not know why I lost my shirt at that time. Later I realized that it was because I trade too much and over leveraging.

After losing my first account, and having studied more, I developed my new system and started my second account. I opened USD 300 trading micro lot. It was a good trading system. For just 3 months I turned that USD 300 into USD 500. But it was a hell of a lifestyle and later I found that my system was very dangerous because of the high leverage I used. I had 2 computer monitors, one laptop opened at the same time and one PDA. I monitored multiple time frames at the same time, from daily, 4 hours, one hour and minute's time frames. I spent a lot of time in front of the monitors and I woke up a lot at night and checked my open trades. I could not leave my laptop and my PDA at home; they were always with me whenever and wherever I go. I frequently checked my trade and ignored my family. The stress level was very high. And then I realized that this was not the

way of a trader depicted by Hollywood movies. It was just a JOB and HELL. I had to work and to monitor all my trades all the time in order to make money. There must be something wrong with my system, even though I was profitable with the system.

I went again to Forex forum to look for a Forex trading teacher. I found one and that one is regarded as a good teacher by the communities. I took the online class and studied all of the materials. When I finished the program, I was lucky enough not to start trading with real money with my mentor's system. It was 2008-2009 economic crises at that time. If I had followed his system and traded with real money I would have lost my account. I was very stressful and desperate; any trading systems even with reputable Forex mentor's system failed. I was thinking to quit trading at all.

After stopped trading for weeks, I regained my fighting spirit again. I thought and analyzed over and over again why all the systems that I had tried did not work. I erased all the indicators and try to make out of a system from a naked chart. I started thinking from the basic, step by step and layer by layer. I break down every elements of Forex trading. I started thinking with the end in mind. What is my ultimate goal? What do I want from a trading system?

When I set my trading system criteria, I came out with four goals for my trading system at that time, which are:

1. Safe and profitable that last forever regardless of the market condition.
2. Simple and clear that you can trade without guessing case by case and hesitation.
3. Winning all the time
4. Not based on prediction.

At first it looked like an impossible mission to achieve. After stressful and countless trial and error, I found out that the solution is very simple. The secret is to use no or low leverage and not to use any stop losses at all. Finally, I have created a trading system that is safe, simple, without prediction and always win; and it will give a consistent profit and will last as long as the Forex market will be.

I bet you will not believe me at first. Just read on, I will explain every element and the reasons behind them. Just as the Buddha said, do not believe in anything, you need to observe and analyze by yourself, if you agree then you can believe it. Cheers.

- You see that I started everything wrongly. I had spent thousand of dollars buying books and taking mentorship programs and had spent countless hours on trading forums, and it took me five years just to open my mind about Forex trading, another couple of years to create and improve my system. Please do not follow my path. My path can be avoided; I would like to let you know that I can teach you the shortcut to be a successful Forex trader. By reading my free e-book, you will know and understand my trading systems, my principles and my perspectives. And if you have known my way of approaching the market and started to believe me, hopefully you will become my students and my clients. Extra income from teaching and fund managing will be very nice. Even though I have a profitable system, my capital is limited. I can not increase my return substantially without increasing my

capital. And I don't think that I can go to a bank asking for a loan. The bank will kick me out if I ask the loan for Forex Trading capital.

- I want to show you that:
  - ◆ There are still hopes to make money consistently in trading Forex.
  - ◆ You do not need to be a rocket scientist to be successful Forex trader. Anybody can do it even high school students.
  - ◆ There is really a trading system that will never lose.
  - ◆ You do not need to predict in order to be profitable.
  - ◆ The system that I will teach you is very simple, stress free and not demanding physically (only 5-15 minutes a day and it do not need to be everyday).
  - ◆ And because of that, the skill that I teach you can be used for a lifetime even you get older and weaker.
  - ◆ The system that I teach you is very simple and clear so that you do not need to guess and make decision for every upcoming trade opportunities.
  - ◆ The system that I teach you will become a passive income generator.
  - ◆ The system that I teach you will make money work for you instead of the other way around.
  - ◆ The system that I teach you will free your time so that you can pursue other interests, hobbies or other business opportunities.
  - ◆ You can work anywhere with the system that I teach you.
  - ◆ There is a business that is very scalable.
  - ◆ There is a business that has no competitor.
  - ◆ There is a business that is so simple that you can do it by yourself.

## 5. WHY 95% OF TRADERS FAIL AND WHAT THEY SHOULD DO THEN?

Just try to search any Forex Trading systems. Most of them will market their systems with:

- ◆ You can be rich with little money
- ◆ You can double your money in a short time.
- ◆ You can do that just by clicking the mouse.
- ◆ You will get fun and glamorous life.

If you ask yourself why do you enter Forex Trading at the first place? Most of you will answer with:

- ◆ I want to be rich with little money.
- ◆ I want to be rich in a short time.
- ◆ I can do it by just clicking the mouse and do not have to work hard.
- ◆ If I get rich I will have glamorous life.

You see that they have completely brainwashed you with the rosy life and how mega rich you will be if you trade Forex, and they also sell you the know how to get there. The correct analogy is to compare it with a casino. If you go to casinos, you will see fun everywhere, you feel that you will be lucky that night and win a lot of money. Before you enter the casino gate you will pass through small shops, and guess what they sell. They sell books, lots of books of how to gamble. Do you think casinos do not do that on purpose? Do you think after reading those books you will win? It is better to lose money betting in the casino than trading Forex. At least you will get the fun losing money in the casino.

If you buy Forex Trading books, trading seminars, trading systems, trading signals, trading robots, black boxes, etc most of them will teach you:

- ◆ To set a high return target by using very high leverage (usually more than 1:100).
- ◆ How to predict using fundamental, technical analysis, magical indicators or black box systems.
- ◆ How to cut loss if the prediction is wrong.
- ◆ How to manage capital in order to survive longer if the prediction is wrong. Usually they will tell you to risk 1-2% per trade.
- ◆ How to manage risk reward.
- ◆ To be discipline and have an iron gut and tiger claw mentality (always take the next trading opportunity regardless previous loss).

You should ask yourself if all traders start with the same knowledge then why 95% of them fail and only 5% succeed. What is wrong?

- ◆ Is there something wrong with the knowledge itself?
- ◆ Is it because of the teaching method?
- ◆ Is trading Forex not suitable for most people?
- ◆ Are 5% of those traders psychics and able to predict?

- ◆ Have 5% of those traders found a secret formula?
- ◆ Are there other reasons?

STOP for a moment. I want you to THINK first why 95% traders fail before continue reading.

High Return → High Leverage → Need Prediction →  
Tight Stop Loss → Win Some Lose Some → Finally Lose Everything

If your goal is to be rich with little money in a short time then the only way to get there is by using high leverage (I consider more than 10 times leverage is very dangerous). By using high leverage then you face tremendous risk that you will lose all of your capital soon or later. And if you use high leverage automatically you are forced to predict where the price is going to be and use tight stop loss to protect the remaining capital if your prediction is wrong. In the end you will win some and lose some. In other words you will use gambling mentality to trade Forex. These methods are taught by most books, seminars and gurus. I believe all of them will fail and the other 5% of traders who are successful do not use this approach.

I believe most of you are still in the vicious cycle of finding the holy grail of predicting. If one method of predicting fails you will start finding another one, and so on. You will swear and curse if your new predicting method fails. Yet you do not realize that what you seek is only one part of the big picture. And you have been wrong all of the time with all other parts without realizing them.

You will fail soon or later because:

- ◆ You have a wrong target because you set unreasonable target return. If you have a wrong goal then how can you achieve it?
- ◆ You use high leverage. By using high leverage you will face tremendous risk. High leverage is a time bomb. It will explode soon or later.
- ◆ You try to predict. The fact is nobody can predict the price movement in a short time period. By using a fundamental economic analysis you can predict the price movement for a longer term, and it usually more than 5 years time frame. But anything can happen and change the direction along the way.
- ◆ You use tight stop loss. By using tight stop loss you will have high probability that your stop loss will be hit.
- ◆ You will win some and lose some but in the end your capital will be depleted and gone because of the transaction costs. The price movement is always 50% up and 50% down. If you gamble with 50:50 odds, in the long term your capital will be the same with your starting capital. But Forex Trading is not a zero sum game, meaning that the winner will not take all. Your winning is always deducted by the transaction costs and your losing is always be added by transaction costs also. That's why in the end your capital will be depleted and gone.
- ◆ You will experience greed and fear, and you will not be able to control them. You will be afraid whether your next trade is a winner or not. You will be afraid that the price will make a u turn so that you take your profit too little. You will be greedy if your current trade is in the profit zone to compensate your previous lost.
- ◆ You will use gambling method to approach the market. But the casino is always winning

over gamblers.

A successful trader is not a trader who can make ridiculously high return for some time only but in the end he will be broke. What is your definition of a successful trader defines your goal and your perspectives. What is your goal and your perspectives define your methods to achieve them.

I will guide you to shift your goal and your perspectives. In the end I would like you to change your goal, perspectives and methods into this:

Proper Return → Proper Leverage → No Prediction → No Stop Loss → Win All the Time
--

If you set your target return reasonably then you are not forced to use high leverage. If you use no or low leverage then you have the freedom not to use stop loss at all. By having no stop loss at all, your trades will always be winners.

You will win soon or later because:

- ◆ You treat Forex trading as a business. You make a plan. You prepare your capital accordingly. You execute your plan. You will stay safe.
- ◆ You expect to grow our money in a steady manner for the long term.
- ◆ You set your target return reasonably.
- ◆ You always close your trade with profit.
- ◆ You will make profit regardless where the price going to be.
- ◆ You use no or low leverage.
- ◆ You do not have to use stop loss.
- ◆ You will manage risk, return and probability. Therefore greed and fear can be minimized to a very low level.

You see, by changing our perspectives we will totally change our approaches. If you compare those approaches, they are very different. It is like day and night.

## 6. STEPS BECOMING A SUCCESSFUL FOREX TRADER

I believe these are the necessary steps to take and to master in order to be a successful Forex trader and a business owner.

- 6.1. Follow rules of the game.
- 6.2. Change your paradigms.
- 6.3. Study and master Forex Trading knowledge and elements.
- 6.4. Prepare the trading requirements.
- 6.5. Develop your Trading Plan.
- 6.6. Practice with demo until you have consistent profit.
- 6.7. Trading plan execution.
- 6.8. Record keeping.
- 6.9. Evaluate your plan and adapt as necessary.
- 6.10. Always think and prepare for the worst scenario.

### 6.1. Follow rules of the game.

Forex Trading environment is a very cruel place. I will give you three rules to equip yourself in order to survive and enjoy this business. Feel free to add your own rules once you have mastered my mentorship program and have more experiences.

- ◆ Do not trust anybody as the Buddha said. Do not trust your teacher, your friend, and not even your family or relatives. I have witnessed the cruelty of this business. Because of unethical Fund Manager practices, my friend lost USD 5,000 in one week, another friend lost \$USD 100,000 in 3 months, and some other scary stories. And guess who the fund managers are? Who can easily separate you from your hard earned money? Mostly not a stranger, but a person who is close to you. You will never know what their intention or motivation is.
- ◆ Always think and prepare for the worst case scenario and know the consequences.
  - Whether it is a good or bad intention, you will not know what the intention of your teacher, friend, relative or family is. But you certainly know what and how much you are going to lose if something bad happen. Are you prepared to lose that amount of money? Can you afford it?
  - Bad thing happens all the time. If there is a very slim probability that “X” will happen, even the odd is 1:1,000,000,000,000, then it will definitely happen; it is just a matter of time. You should always consider the worst part, and you should always be prepared and afford for the worst consequences.
- ◆ Do not enter this business without money you can afford to lose. Forex trading is a very risky business. A lot of variables involved, and most of them are out of your control. Once you enter this business, you are already risking **100% and can be even more** of your investment ; your broker can go bankrupt, sudden change of regulation, computer glitch, software glitch, human error, and so many lists that something wrong could happen.

## 6.2. Change your paradigms.

I have told you why you need to change your perspective in chapter 5, “Why 95% of traders fail and what they should do then?”. I can not stress enough that by changing your paradigm is the key to your success.

There are sixteen important perspectives that you need to change regarding Forex Trading. I will talk in details about them after this section.

- 6.2.1. Forex Trading Risks.
- 6.2.2. Why do you want to trade? What is your ultimate goal?
- 6.2.3. What kind of trader lifestyle.
- 6.2.4. Forex trading – business vs. gambling.
- 6.2.5. Forex trading – business owner vs. job owner.
- 6.2.6. Why do you trade Forex, not other products?
- 6.2.7. What is your income expectation.
- 6.2.8. Prediction – Holy Grail – 100% winning ratio.
- 6.2.9. Balance vs. Equity.
- 6.2.10. Margin Trading – Leverage – Stop or Cut Loss.
- 6.2.11. Risk – reward – probability.
- 6.2.12. Trading Costs.
- 6.2.13. Capital Management & Free Capital Method.
- 6.2.14. Mentality.
- 6.2.15. What skills and attitudes are needed to be successful trader?
- 6.2.16. Trading Profit-Loss Formula.

Below are very crucial paradigms:

FROM	→	TO
Gambling and Job Mentality	→	Business owner mentality
Very high profit target	→	Reasonable target profit
Use high leverage	→	Use proper leverage
Try to predict price movement	→	Make profit without prediction
Use stop loss	→	Without stop loss at all
Win some - lose some	→	Always win

### 6.2.1. Forex Trading Risks

#### **THIS SECTION IS VERY IMPORTANT!!**

I will not sugar coated nor try to hide the good and the bad of Forex Trading. Please read carefully this section so that you will know in advance what kind of risks you will face when you trade Forex. It is very important that you think all of the possible risks that might occur, and then you manage, minimize or eliminate those risks. Open your mind and see it clearly that



Forex Trading is not as rosy as it is advertised by brokerages, forex gurus and money managers. All the risks that I will mention below are real; they happened before and they will happen again; and you should not underestimate them.

Forex Trading is very dangerous!, especially for newbies. The moment you enter Forex trading business, you are already **risking 100% of your capital, not 1% or 2% of your capital. And even you can end up losing more than your investment!**. There are a lot of risks associated with Forex Trading which are **beyond your control**. Therefore, always use capital that you can afford to lose and always prepare for the worst.

It is my duty as a teacher and as a fund manager to remind my students and my clients over and over again that the risks are real and never to be underestimated.

These are the important factors of Forex Trading and the risks associated with them:

- ◆ The product itself, which are the currencies and the countries behind the currencies.
  - Trade major currencies only. If you trade major currencies, such as USD, Pound sterling, Japanese Yen, etc then you will trade developed and stable countries' currencies which are much safer than if you trade not major currencies such as Indonesian Rupiah. In 1998, there was a political unrest which made 1 USD = Rp 2,000 devalued into Rp 20,000 (1000% depreciation).
  - If you compare between trading currencies and trading individual company stocks; individual company stocks can go to zero if the company goes bankrupt, in contrary, currency of a developed country is very unlikely to become zero. Furthermore, the government of the country will make an attempt to make the value of its currency within range, the currency can not be too low or too high otherwise the economy will be messed.
  - If you are a long term trader, especially a carry trade trader, you need to be careful about the change of regulations and interest rates. When swap rate becomes negative, it will eat your profit little by little and suddenly you will realize that there is a big dent in account balance. Do not underestimate the power of swap rate, and especially if you trade with high leverage.
  - Do not think that Financial Ministry of a country is full of smart people. There is always stupid people everywhere even in the highest place. If you recall the very idiotic decision taken by the Swiss Government (SNB 15-1-15), when the SNB suddenly removed the EUR-CHF floor just a few days after announcing that the Swiss Government will uphold the floor. Many traders and brokerages suffered big losses. Some brokerages went bankrupt. Always remember that moment.

That black Thursday (SNB 15-1-15) proves that:

- Even Forex Market is **not as liquid** as it claimed. EUR-CHF dropped about 4,300 pips within minutes. Nobody wanted to buy your EUR-CHF positions; liquidity provider freezed trading; you could not either buy, sell or close new or current positions. You mostly ended up with negative

balances if you used leverage more than 1:4.

- Stop loss is not guaranteed to be executed.
- Even margin call can not save your account balance. You may ended up with negative balance.
- Unthinkable can happen. Black swan is everywhere and appears more frequently.
- You can lose more than your initial investment!

#### ◆ Trading Systems.

Most trading systems can be divided into two big groups:

- Systems that try to predict price direction, either by fundamental analysis or technical analysis. Most of them use risk-reward ratio technique. If the prediction was a mistake then they cut loss. They are proud to be scalpers, swing traders, momentum traders, and fundamentalists.
- The other ones that have realized that prediction is useless or only little use for them to make money. In order to compensate lacking of accurate prediction, they use martingale, hedging, averaging, carry trade, grid and money management technique.

Each trading system or technique has its own weaknesses and strengths. You need to find out what they are. But no matter what your trading system or technique is, it all depends on the leverage of your trading system or technique uses. If you use leverage more than 1:10, you are certainly doomed to fail, because:

- Forex Market can be illiquid, so that your stop loss can not be executed and not even margin call can save your account.
- By using leverage more than 1:10 you are forced to predict where the price is going to be. But the fact is, nobody can predict where the price is going to be in the short term.
- When you are forced to predict, than you are also forced to use stop loss in order to stop further loss when your prediction is wrong. As you know that stop loss is not guaranteed to be executed. What happens when your stop loss is not executed? You will suffer huge amount of loss.

#### ◆ Trading Platforms and Equipments.

- Accidents. You can make mistakes putting orders, for example: you intend to buy 0.01 lot, but you accidentally buy 1 lot, or you intend to buy but you click sell instead.
- Technical error such as lost internet connection while running trading robots.
- Power lost.
- Your computer or smart phone is stolen or hacked.
- Your kids mess up your computer or smart phone and trade your account without

your knowledge.

- Your EA-s or robots have bugs without your knowledge.

♦ Capital.

- How much money should you use for your trading?
- Forex Trading is very dangerous. A lot of things are beyond your control. It is not wise to plunge all of your capital into Forex Trading alone. Always diversify your income source. My advice is max 30% of all of your capital and use capital that you can afford to lose.
- If you do not have enough capital in your account balance (or use high leverage), one strong move against your position such as what happened in 2008 economic crisis and 2015 SNB will wipe your account entirely, and it is possible that you will end up with negative balance.
- Additional fund takes unusually long to be deposited therefore you get margin call.
- Your opening account balance currency is subject to that currency inflation.

♦ Brokerage.

- These are the minimum requirements of a brokerage: segregated, registered and protected with Investor Compensation Fund such as FSCS, ICF or Finma. If you use a brokerage which have those three requirements, when something bad happen, 95% chance you will get all or some of your money back. But if your brokerage does not have those three requirements, 99% chance you will lose all of your money.
- Segregated account. Do you think it is bullet proof? Do you think your brokerage will follow strictly the rules to segregate? Do you know what segregated account really means?
- Registered brokerage. Some brokerages will guarantee your fund up to certain amount of money under Investor Compensation Scheme. But, the first rule of Forex Trading commanded that you should not trust anybody. If something bad happen, you are at the mercy of the government of your brokerage. There will always be a loophole that can be exploited against you.
- If you choose a correct and registered brokerage, your money and your trading is fairly safe. Just like a casino, it is very unlikely that a casino goes bankrupt, unless they do something stupid. However stupidity does exist somehow. Therefore you always diversify your brokerages to minimize your risks.
- Your brokerage runs away with your money or goes bankrupt.
- Your brokerage suddenly change the leverage into much smaller leverage. It means that you suddenly has much smaller capital to withstand the price swing.
- Your brokerage has the right to close all of your positions under certain circumstances.
- Your brokerage trading server experience glitches so that your stop loss or limit order is not executed appropriately.

◆ Yourself:

- You are the most important factor to be successful in this business. People spend a lot of money, time, and effort to go to school and college to get a degree. Do you remember how much sacrifices did you make to go through school? How long does it take for you to finish your school and college in order to be qualified for a professional career? Yet, when trading Forex, a lot of people are not willing to spend money and effort to get the knowledge. They are used to free stuff, they rely on signal providers, black box systems, robots, trading gurus, etc. They just simply don't bother to study and think by themselves. They can not be blamed entirely, Forex trading marketing ploy makes trading Forex as an easy get rich formula within a click of your mouse. People just get the impressions that they just need to open a trading account, do buy and sell and get rich within months. The fact is Forex trading is not just as easy as buying and selling currencies. Please invest in yourself, go and spend some money to get the knowledge and the education. I believe Forex Trading is a valuable skill to have.
- Your perception about Forex Trading. If your perception about trading Forex is about the same as everybody else. You are doomed to fail. No matter how hard you try, if you do not change your perception, you will never succeed in this business.
- You get tired and in a bad mood so that you make mistake in making decision or executing trades.
- Greed. As a human, you will have greed. You will tend to make a shortcut. Please don't, please stick to your plan!
- Family pressure. You will hardly catch up with your standard of living, meaning that you and your family are always want more. The pressure to make more income is real. The easiest and the fastest way to increase your profit is by increasing your leverage and or increasing your capital. It will be very dangerous if you increase your leverage beyond your calculated plan. And it is dangerous if you put big portion of your capital in trading Forex alone.
- At some point in your trading journey you will have a burnout feeling. This is the most dangerous time, you will have a tendency to deviate from your plan and take unnecessary risk taking a shortcut to make big money. You will overtrade and overleveraged. Be aware over this situation, I have warned you.
- Trading is a lonely business. You do everything by yourself, you do not need any employees, you do not need your wife or your husband, and you can decide everything by yourself. Your fate is in your hand. Most of you can not consult with somebody else, therefore making a mistake is easier.
- If something wrong happen then it is solely your fault. Do not blame anybody or anything else. If you are falling down, learn from it, wake up and continue your journey.
- Pressure from inside and outside will break or make you. Master yourself, then you will become a successful trader.

◆ Other risks associated with Forex Trading:

- Your fund manager cheats you.
- Unethical Forex Guru.
- Unethical Trading System creators or and sellers.
- And so many other things that are beyond your control.

I will discuss in more details about this section in my mentorship program:

- ◆ How to manage, minimize and eliminate all risks associated with Forex Trading mentioned above.
- ◆ Strengths, weaknesses and associated risks of Trading Systems (prediction and non prediction trading systems).
- ◆ Strengths, weaknesses and associated risks of each trading techniques (martingale, hedging, averaging, carry trade, grid and money management technique).

### 6.2.2. Why do you want to trade? What is your ultimate goal?

What are your reasons to trade? Why do you want to be in this business? Is it because you want to be rich? Is it because for easy money and fun lifestyle as described by Hollywood movies? You need to answer these questions before you decide enter Forex trading business or other businesses. How can you achieve something if you do not know what your target is and what you want to be?

Study the business opportunity, future prospect, potential income, weaknesses, risk, lifestyle, requirements, and other business opportunities, etc

Your ultimate goal should be your financial freedom. One good way to achieve financial freedom is to own a business that generates passive income. You do not want to have a business that is very dependable on you, physically and mentally.

Trading Forex could be a passive income business; however it depends on how you approach the market and what your trading system is.

These are my reasons why do I want to be in this Forex Trading business:

- ◆ I will acquire **a skill that can be used for a lifetime** even when I get older and weaker. My trading systems are not demanding physically. It only takes 5-15 minutes a day – and it must not be everyday to monitor the market, therefore I do not need to eyeball the market for a long time like many other trading systems. My trading system is not demanding mentally because my trading system is so simple, clear, and everything has been planned before, such as what kind of pairs to trade and what price to enter and exit. Therefore I do not need to analyze each upcoming trading opportunity. I will give you the extreme opposite example; when you have a scalping system, you need to eyeball the market for hours, you need to think and make decision for every trade opportunity and you have to make it very fast; stress level is very high. You will be very exhausted physically and mentally. You can endure this when you are young, but how long can you stand?
- ◆ Have a business that is so **simple** that I can do it by my self so that I will not get headache with my suppliers, customers, employees, inventories and etc. Trading Forex is a lone ranger business. I plan everything by my self; I do daily operation by my self. I have no employees and I am the boss. The only vendor you

need to take care is your broker. You do need to take care of your inventories (trading positions), because some times, there will be trading platform glitches, the price gets spike up or down and takes your limit order or your target profit. I have experienced these glitches a couple of times, and fortunately my broker fixed them.

- ◆ Have a business that has ***no competitors*** literally.  
Since Forex market is very huge, you can buy and sell as much as you like; there are always buyers and sellers ready to take your positions (except when there is an anomaly like what happened on SNB movement on 15-1-15).
- ◆ Have a business that is ***not very affected by any market conditions***.  
It is because I have created my trading system so that can it be applied to any market condition regardless of bull, bear or ranging market condition.
- ◆ Have a business that is ***very scalable***.  
There are no other businesses I have found so far that is as flexible as Forex trading in terms of capital investment. You can start as low as USD 100 and you can upscale your capital as much as you like. You can match your capital with the contract offered by your broker, if you have very little capital, you can trade nano or micro lot, and if you get bigger capital you can trade mini or standard lot.  
Forex market turnover is very big; it is three times bigger than all stock markets in the world combined. Therefore you can buy and sell as much as you like; the sky is your limit.
- ◆ Have a ***passive income generator*** and have a business that makes ***money work for me*** instead of the other way around.  
You will have a passive income business or not is depend on what kind your trading system is. If your trading system requires you to eyeball the market for a very long hours, or even you need to monitor or make a decision on a daily basis, than your system will not be a passive income generator business. What happen if you get sick? You can not go to work and you will not get any income.

I will take scalping trading system for an example. If you scalp the market, than you need to eyeball the price movement, you need to make a decision whether to enter the market or not every time a trading opportunity comes, you need to make your decision very fast because target profit and your stop loss is very tight and you do not want to miss the opportunity. This scalping system will make you work for the money. You, instead of the money, that has to work in order to get your income.

Let's compare it with my trading system. With my trading system, I have planned everything in advanced; how much capital is required, what pairs I am going to trade, what price level I am going to enter and exit. It is possible that I just put limit orders and just do nothing for weeks. Limit orders will take care of the trading. If your limit order has been taken then you just wait for your positions to reach their targets; the money is the one who is working to make money for you.

- ◆ Have a business that **will free my time** so that I can pursue other interests, hobbies or other business opportunities.  
My daily operational task is *to monitor* my limit orders since I do not analyze the market and make a decision for every upcoming trade opportunity anymore. If my limit order is taken, I just wait the target profit to be reached; and if my target profit has been reached, than I just simply repeat the limit order. My daily operational task is just as simple as that. I only need 5 to 15 minutes a day and I do not need to do it everyday to monitor my trade. Therefore, I will free my time to do anything I like or to find other and do other business opportunities.
- ◆ Have a business that **can be managed anywhere** as long as there is a phone connection or internet connection.  
Everything is easy now; internet connection and phone line are everywhere. Laptop and smart phone can make you virtually trade anywhere you like. But be careful, you do not want your trading system to be attached to one place, because such as you need multiple monitors to monitor the market, you need specific hardware which is not portable, or other reasons that make you trade in one specified place.
- ◆ Low tuition fee.  
If you have the correct mentor, your **tuition fee will be very low** compare to if you go to college. You can easily pay tens of thousands dollars for college tuition, and what will you get in the end? You still need to find a job. I do not say that education is not important, I just want to stress that learning Forex Trading is very cheap and very rewarding. You can also practice with virtual money with the same condition as real trading as long as you like until you are confident to trade with real money.  
But if you learn from wrong resources, your tuition will be very high. You will waste your money and your time. Remember when I said that my friend lost USD 100,000 in three months. It is a very high tuition fee just to know that Forex Market is a dangerous place and you can not trust anybody.

### 6.2.3. What kind of trader lifestyle.

The stereotypes of a Forex or Stock traders are rich people, gamblers, easy come and go money, high adrenaline job, glamorous entertainment, etc. You have been fed and promised such a lavish lifestyle by Hollywood movies, trading education media, and other resources. They will promise you high return in a short time with no or little effort.

Once you enter this kind of business and lose a lot of money, then you will wake up and realize that the dream that has been promised by them and the reality is totally different.

You will learn that 95% of traders will lose money, and the other 5% has worked very hard and has spent a lot of money to learn to be a successful trader, and even they do so, it is not guaranteed they will be the elite 5% of traders who are successful and rich.

In my opinion, trading Forex or Stock is just the same with other businesses. You need to learn how to run the business; you need to be persistent, patient and diligent; you need to save money and learn how to re invest your saving.

Your path to financial freedom is long and hard. I can teach you the shortcut of the “how to

trade” but, you still will take the long road and hard work for the rest, such as the learning process, the experience, the wisdom, and many others.

My mentorship and my trading system will not promise you a get rich and easy scheme. I will not promise you that you will double your money in months or so. You will earn your reasonable profit, spend and save some, and re invest the rest of your profit. You will do this process millions of time and financial freedom will be yours definitely.

I have told you the steps necessary to be a successful trader. And now I will tell you what my trading system lifestyle is, what will your daily operational jobs will be:

In the beginning you will plan your trade. You will do this only once. You will choose what pairs you will trade, what is the capital requirement, what price levels you are going to enter or exit, you will prepare daily operational check lists, journals or book keepings, etc.

Then your daily jobs will be:

- ◆ Put limit orders based on your plan and monitor those limit orders.
- ◆ If your limit order or orders have been taken, you will monitor whether that specific limit order has reached its target profit or not; if yes than you just put another limit order; if not yet, then you just wait and monitor it for the next day or days until the target profit is reached.
- ◆ If there is a profit, than you need to decide whether you will withdraw the profit or re invest it.
- ◆ Watch other pairs and other instruments to look for new investment opportunity. When I said “new investment”, it is not just a one time trade opportunity. A new investment will require you to make a new plan and put new capital.

That’s it. It is so simple and clear. You do not need to do a new analysis and a new decision every day. That is why it is only takes 5 to 15 minutes a day.

By realizing that Trading Forex is not a get rich quick and easy scheme, you will change the way you approach the market. You will be more patient in studying the how to, you will be realistically setting your target return, and you will respect your earned money, spend it and re invest it wisely.

#### **6.2.4. Forex trading – business vs. gambling.**

Ask yourself, what you think about Forex Trading, do you perceive it as a business or gambling and why. It is hard to differentiate between trading and gambling; many Forex traders said they are doing business but they actually approach it as gambling, and they do not realize it.

Be honest to yourself. What you perceived of trading Forex is very important. It will be the foundation of how you will approach the market and create your own trading system. You will have a completely different trading system if you trade Forex trading as a businessman or as gambler.

To me **trading is a business**. Let me tell you the main differences between business and gambling.



<b>Gambling</b>	<b>Business</b>
Expect to double your money in a short time	Expect to grow your money in a steady and long term perspective
You have to predict the outcome in order to win	Whatever the outcome is, you plan to maximize profit out of it
Lose some win some regularly	Always strive to sell with profit, very rare to cut loss.

**Expect to double your money in a short time vs. Expect to grow your money in a steady and long term perspective.**

There is no real business in this world that will give you 10% return in a month unless you highly speculate and gamble.

**You have to predict the outcome in order to win vs. Whatever the outcome is, you plan to maximize profit out of it.**

When you sell your merchandise or service, you will never predict which price your customer is going to pay. You set your price; I want to buy at this price and I want to sell it with x% of profit. If the price is too high for your customer, you cut your profit or wait to sell it later at the correct price until it is sold. But never sell at a loss, until special condition warrants you to sell at a loss. And you do it very rarely.

**Lose some win some regularly vs. Always strive to sell with profit, very rare to cut loss.**

When you have a business you will not sell your merchandise at loss regularly! No businesses will survive if they have this practice.

If you have a hotel business, do you cut and sell unoccupied rooms? When you have a farm, do you cut and sell your chickens that have not spawn eggs?

If there is a trading guru that claims he regards Forex Trading as a business but his trading system has a characteristic of win some and lose some, then he is completely wrong. Either he does not know what a “business” is or he is just stating it without foundation.

Set your mind that:

- ◆ You are going to grow your money in a steady and long term perspective.
- ◆ You will not try to predict the direction of the price will be in order to make money.
- ◆ You always seek to close your sells with profit.

Then you will have a trading system that will last for a very long time and profitable.

#### **6.2.5. Forex trading – business owner vs. job owner.**

If your business is very dependable on you both mentally and physically, then you own a job, not a business. A good business should be able to make its own profit without too much depending on you both mentally and physically.

Here are some symptoms to tell you that you own a Forex Trading job:

- ◆ You need to make an analysis and a decision whether to enter or to exit the market every time.
- ◆ You need to monitor the market every time or for a very long time.

- ◆ You carry and check your laptop, tablet and smart phones anywhere anytime ;-)

Change your perspective and you will have a completely different trading system. Say to yourself that what you want is not another job but a business. Create a trading system which:

- ◆ Can generate passive income. Money is the one working to make income, not you.
- ◆ Can give free time for you to do whatever you like and to pursue other businesses.
- ◆ Is simple to do, so that it will become a lifetime business skill that you can do it even you get older and weaker. Day trading especially scalping is very demanding. You need to monitor multi time frame for many hours daily. It is very stressful, and it is sucking your soul out of your body. You need to be physically healthy to stay focus. Can you still do it when you are 60 or 70 years old? I have been in these situations before, and I could not stand more than 6 months.

#### **6.2.6. Why do you trade Forex, not other products?**

Have you ever think why do you trade Forex, not stock, not option or the others? Have you compared them?

If you talk about Forex Trading, most people will compare it with Stock Trading and Option trading. I am not going to talk much about this; I will tell you the main reasons I trade Forex instead of the others.

I do not trade Stocks and Options because:

- ◆ I have to do extensive research in order to choose which stock or option I am going to buy. If you do not want the hassle of researching and analyzing, you can trade Indexes, such as S&P 500. Compare to Forex, you only have a bunch of pairs to choose to trade. I do not need extensive research; I just choose currencies pairs among developed countries.
- ◆ Good stocks or options are expensive. Compare to Forex, you will have several lot size to choose, nano, micro, mini and standard lot. And you can match your capital with your trading size lots.
- ◆ Individual stocks are very dangerous. Individual stock can lose all of its value. Recall AIG, the biggest insurance company in the world. The stock went down from USD 90 into USD 2, luckily AIG was bailed out and not bankrupt. You would be better trade Indexes if you want to trade Stock or Options. You leave stocks trading to more savvy traders, who have the resources, knowledge, and skills to analyze companies' economic conditions. Compare to Forex, it is next to impossible that a currency of a developed country lost most its value or all of its value, unless there is something radical happens, such as nuclear war, or so.
- ◆ If you trade stocks or options, there are certain trading hours, if you live in a different time zone, then probably you have wake up in the night to monitor the markets. Compare to 24 hours a day from Monday to Friday for Forex trading hour; therefore you can monitor the market in your convenient time.
- ◆ If you buy put options, it is comparatively the same with you buy or sell a Forex pair with high leverage and you are forced to put stop loss on your trade. Worse of that, you have a time limit on your trade. There is an expiration date on option trade that you have to close your position regardless you win or loss. You of course can close your position before the expiration date regardless win or lose, but the main thing is if you use stop

loss and time limit, the trade is already set against you in the beginning. Compare to Forex, you can choose your own leverage, you are free not to use stop loss; and if you trade with positive swaps, time is your friend, not your enemy.

- ◆ There is limitation on short selling.

These are some reasons why I trade Forex:

- ◆ Currency can not become zero unlike individual stocks,
- ◆ You will get nice interest income if you do the correct purchasing and using correct leverage.
- ◆ Forex is a very big market and very liquid. It is 3 times of stocks all over the world combined.
- ◆ 24h trading time.
- ◆ Low startup capital and scalable.
- ◆ Currency value tends to move within specific range. It is because a country tends to intervene when its currency gets too expensive or too cheap.

#### 6.2.7. What is your income expectation.

This is the golden rule of investment and speculative business:

**High profit = high risk;  
The higher your return expectation the higher the risk will be.**

We have been brainwashed to set our profit return so high. Many trading gurus and fund managers claim that they can give you profit at least 5-10% a month. So we also set our goal according to what they say. If my neighbor can make 10% a month, then I should be able to make more than that. We do not stop and think whether it is possible or not. We do not think how they generate that kind of return and how big the risk is. We do not think what is supposed to be a reasonable target return.

Be very careful and be skeptical if somebody is offering you his trading system, trading signal, trading indicator, trading robot, or trading black box and claiming that their system are be able to predict more than 50% or make a double digit return a month. Let's do some math.

If an average person can save and start trading with USD 35,000, with 10% return a month he can make about USD 1,000,000 in just three years and in five years he can make USD 10 millions. Do you think he wants to sell you his secret? I don't think so.

Year	Month	ROI/month	Profit	Balance
	0			35,000
	1	10%	3,500	38,500
	2	10%	3,850	42,350
	3	10%	4,235	46,585
	4	10%	4,659	51,244
	5	10%	5,124	56,368
	6	10%	5,637	62,005

	7	10%	6,200	68,205
	8	10%	6,821	75,026
	9	10%	7,503	82,528
	10	10%	8,253	90,781
	11	10%	9,078	99,859
1	12	10%	9,986	109,845
	1	10%	10,984	120,829
	2	10%	12,083	132,912
	3	10%	13,291	146,204
	4	10%	14,620	160,824
	5	10%	16,082	176,906
	6	10%	17,691	194,597
	7	10%	19,460	214,057
	8	10%	21,406	235,462
	9	10%	23,546	259,009
	10	10%	25,901	284,910
	11	10%	28,491	313,401
2	12	10%	31,340	344,741
	1	10%	34,474	379,215
	2	10%	37,921	417,136
	3	10%	41,714	458,850
	4	10%	45,885	504,735
	5	10%	50,473	555,208
	6	10%	55,521	610,729
	7	10%	61,073	671,802
	8	10%	67,180	738,982
	9	10%	73,898	812,880
	10	10%	81,288	894,168
	11	10%	89,417	983,585
3	12	10%	98,359	1,081,944
	1	10%	108,194	1,190,138
	2	10%	119,014	1,309,152
	3	10%	130,915	1,440,067
	4	10%	144,007	1,584,074
	5	10%	158,407	1,742,481
	6	10%	174,248	1,916,729
	7	10%	191,673	2,108,402
	8	10%	210,840	2,319,243
	9	10%	231,924	2,551,167
	10	10%	255,117	2,806,284
	11	10%	280,628	3,086,912
4	12	10%	308,691	3,395,603
	1	10%	339,560	3,735,164
	2	10%	373,516	4,108,680
	3	10%	410,868	4,519,548
	4	10%	451,955	4,971,503

5	10%	497,150	5,468,653
6	10%	546,865	6,015,518
7	10%	601,552	6,617,070
8	10%	661,707	7,278,777
9	10%	727,878	8,006,655
10	10%	800,665	8,807,320
11	10%	880,732	9,688,052
5	12	10%	968,805
			10,656,857

In trading Forex, the only way to generate high return is to use high leverage. If you set your profit return so high, then you are forced to use high leverage trading system; and believe me, you will not last long in this business.

Change your target return, and change your mind set into this:

**I will try to maximize my profit and stay safe.**

Then, you will have a new totally different trading system. You will approach the market with caution; you will put safety first, and the profit will follow automatically.

So, what is a reasonable return then? In order to answer this, you need a benchmark. You need to compare with other business opportunities. If the max profit return you can come out with your very safe Forex Trading system is less than other business opportunities, then you should consider to stop trading Forex and to pursue other businesses instead.

If we talk about profit return, usually we will talk about ROI for one year (Return on Investment). I am going to use ROI to compare the return of Forex Trading business with other businesses' return. Let me explain what ROI is and how to calculate it.

According to this site, <http://www.investopedia.com/terms/r/returnoninvestment.asp>, ROI is "A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio" and the formula is  $ROI = (\text{Gain from Investment} - \text{Cost of Investment}) / \text{Cost of Investment}$ . Beware for a business owner; if you own a store or a warehouse property, you need to add this also to your Cost of Investment. Basically, it is all your cost, capital and other investment you put to run the business; that is the Cost of Investment.

For example, you are a business owner, after deducting all business cost, you get \$50,000 net profit for that year, your capital investment is \$1,000,000 (\$400,000 store real estate, \$500,000 inventory, and \$100,000 for misc.); then your ROI for that year is 5% (\$50,000/\$1,000,000).

Let see what other opportunities' ROI are:

- ◆ Saving account or Bank Deposit. Nowadays (2014) you are lucky to get 1%-3% interest rate a year. In Indonesia interest rate is about 8% (2014), but after deducting tax and other fees, you will get about 5% a year interest rate.

- ◆ Big and establish businesses will be very grateful to achieve 5-10% ROI a year.
- ◆ Business Franchise will give you around 15% ROI a year.
- ◆ Real estate has an average 6%-10% ROI a year.
- ◆ Over the past 50 years S&P will give you 9.5% ROI a year.

You see that you have several choices to put your investment, and most of them are below 10% ROI per year, so why do you have to put a very high target and unrealistic ROI for yourself in trading Forex?

**Your first Target Profit of 10% ROI a year is enough.** Not 10% ROI per month, not 10% in days. If you change your perception that 10% ROI a year is enough, it will ultimately change how you trade; you will trade with low leverage, low risk and will get a consistent result. I don't say that you can not achieve more than 10%; yes you can, but prove it to yourself first that you can make a consistent 10% ROI a year, then after you have enough experience you can get more by using proper leverage.

With 10% ROI per year, you also have beaten the inflation rate. Average Inflation rate for USA and UK is 2-5% a year; for Indonesia is 5-10%. For Indonesian, you need to know that since your account balance is in other currencies, you are subject to that currency inflation. If you invest in Rupiahs, then your ROI should be 15%-20% a year to beat the inflation and still have excess money to save.

Good resources can be found in these sites:

<http://beginnersinvest.about.com/od/beginnerscorner/a/What-Is-Considered-A-Good-Rate-Of-Return-On-Your-Investments.htm>

<http://www.bi.go.id/web/id/Moneter/Inflasi/Data+Inflasi/>

<http://www.bi.go.id/web/id/Moneter/Inflasi/Bank+Indonesia+dan+Inflasi/penetapan.htm>

<http://www.bps.go.id/aboutus.php?inflasi=1>

<http://www.usinflationcalculator.com/inflation/historical-inflation-rates/>

<http://usinflation.org/us-inflation-rate/>

<http://www.rateinflation.com/inflation-rate/uk-historical-inflation-rate>

<http://www.whatsthecost.com/historic.cpi.aspx>

You will have two kind of targets in a trading system. One is Target Profit per trade and the other one is Target Profit for a year, which is ROI a year.

Your **Target Profit per trade** should be large enough to offset the transaction costs (I will talk more about transaction costs later). When you design your trading system, try to set your target profit as big as possible so that your transaction cost will be a small portion of it. Every pair has its own characteristic; back test and find your Target Profit sweet spot is. If your Target Profit is too big, then it will be more difficult and need longer time to achieve; if it is too small, then you will not maximize your return.

In summary, new traders should always try to achieve 10% ROI a year first. The more experiences and the more confident they get, and then they can set a higher ROI target.

My multiple trading systems can be your benchmark:

- ◆ Very safe trading system that uses leverage 1:1 – 1:3 which generates an average 15-

20% ROI a year. If it is a good year, more than 40% ROI is possible.

- ◆ Medium risk trading system that uses leverage less than 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 100% ROI is possible.

**OctaCapital Forex Trading system is all about a very safe trading system. When you have a large amount of money to invest, you will need a trading system that is very safe and will generate steady income. Not a roller coaster trading system!**

#### **6.2.8. Prediction – Holy Grail – 100% winning ratio**

There are two big classes how to analyze or to predict price movement:

##### **(1) Fundamental Analysis.**

You need to study economic; you need to know that country's condition inside out and you need to study multidimensional aspects affecting the economic of a country. There are so many things to analyze and to do in order to predict. Do you think you can beat an Economic Professor in predicting the economic outcome? If you want to trade with fundamental analysis you'd better find a good Economic Professor or an Economic Analyst. Or your bank is a good start to find a good article about economic condition of a country.

But the big question is can you use this prediction to trade and to make money? Maybe, if your trading horizon is 10 years long or longer. But most of us can not afford more than one year of trading time frame. Anything can happen in between. And you can not maximize your return using 10 years time frame.

##### **(2) Technical Analysis**

Most traders start by studying basic charting, trend line or trend channel, support and resistance, then they learn basic patterns, such as head and shoulder, double top or bottom and candlesticks patterns. And then they feel they are not good enough to predict accurately, therefore they begin their journey to find the Holistic indicator. Finally their trading chart is full with indicators. When the judgment day comes, they don't know what to do, because their indicators are contradicting each others. Most indicators are calculated based on previous data. Those data are history. None of those historical data will affect the outcome of the future price will be, especially in the short term period.

Make peace with the market. You have to accept that there are only two possibilities of the price direction, either up or down, and they equally have a 50-50 chance. If you flip a coin, it will have 50% head and 50% tail. If you flip a coin and it turned up 7 times head straight, it does not mean that for the eight time you flip the coin, the probability of tail will goes up to 80%. The probability is still 50% up and 50% down regardless of the previous outcomes.

You have to accept also that nobody can predict the direction of the price within short time frame (less than 1 year). There are so much noises and unknown events that can change the direction overnight.

Some traders will argue, that they can predict more than 50% accurately. Yes, I believe them. It took years to develop trading instincts; you need to eyeball the chart for many hours everyday; you need to have steel nerves and iron gut to discipline yourself to enter a trade after subsequent losing trades. 95% of traders and I don't have the luxury to eyeball the market everyday. 95% of traders and I can not discipline our self to keep entering the trade after subsequent losses. And most importantly, I do not want to trade like that. I want a system that is simple, and still can make profit whether the price is going up or down. YES, it is possible and real.

Some traders already realized that they can not predict the price direction, so that they start using other trading systems, such as grid trading and averaging. With these systems you just buy or sell at predetermined price levels. But many traders abuse these systems by using high leverage; one strong trend will wipe all the capital.

If you use this method:

1. Prediction.
2. Cut loss when your prediction is wrong.
3. Risking 1% or 2% of your capital per trade.
4. Using true leverage more than 1:10.

You are doomed from the beginning, losing all of your account is just a matter of time. If 95% traders use that method fail, why do you keep using that method? You need to think out of the box.

By using this method, your entry and exit are very important. You can not afford to make a mistake, your margin of mistake is very small. In my opinion entry is not important, because nobody can predict where the price is going to be in the short term. The most important thing is your exit; what will you do if the price is going against you.

These are the most common reactions when the price is against your trade:

- ◆ Cut loss.
- ◆ Do nothing and prey because you do not know what to do.

But there are other options to choose if the price is against your trade:

- ◆ Do nothing because you believe that your position can hold the worst swing.
- ◆ Hedging.
- ◆ Averaging.
- ◆ Martingale.

You need to consider the uncommon ways for your exit, especially if the price is against you. This is one of the important keys to be successful.

I will talk in more details later in my mentorship program about trading techniques. I will talk the strengths and weakness of each technique and how to apply them. I will talk about hedging technique which you will not find elsewhere. I will talk how to hedge and how to open the hedge safely and uncomplicatedly. I only apply the hedging technique in my medium risk trading system. By combining several exit techniques and hedging, I can boost my ROI while stay relatively safe.

Stop looking for mighty indicators, robots, or systems that try to predict. Develop your own



system that can make money regardless the direction of the price. You do not need to predict in order to make a profit. Make your system to be 100% wins. I'm not saying to make a 100% profit, but make your system to make every trade is a winner. Is it possible? Is there a Holy Grail in trading? YES, I'll show you my win/loss ratio report from my life account in 2010.

Total Trades:	21	Short Positions (won %):	1 (100.00%)	Long Positions (won %):	20 (100.00%)
		Profit Trades (% of total):	21 (100.00%)	Loss trades (% of total):	0 (0.00%)

Most of you will be skeptical. It is up to you if you want to believe it or not. I put this report here not to show off. I am not bragging that I made 1000% profit that year but I only made 13% profit return for that year. I just want to show you that 100% guaranteed winning rate can be achieved if you are willing to seek for it. The **secret** is so simple: **use no or low leverage and do not use stop loss at all**. I will explain more about leverage and stop loss later.

Here is the update of my win/loss ratio report from my life account in 2014.

Total Trades:	72	Short Positions (won %):	0 (0.00%)	Long Positions (won %):	72 (100.00%)
		Profit Trades (% of total):	72 (100.00%)	Loss trades (% of total):	0 (0.00%)

#### In summary:

- ◆ There are only two possibilities where the price going to be, up or down. And the odd is equally the same, 50:50.
- ◆ In short time period, nobody can predict the price movement.
- ◆ If nobody can predict the price movement, then stop trying to predict the price movement.
- ◆ Then, you need to find a trading system that makes money regardless of the price going to be.
- ◆ Your trading system goal is 100% winning rate.
- ◆ Entry is not important. But exit is very important, how do you exit when the price is against you determines your success.

This is very important:

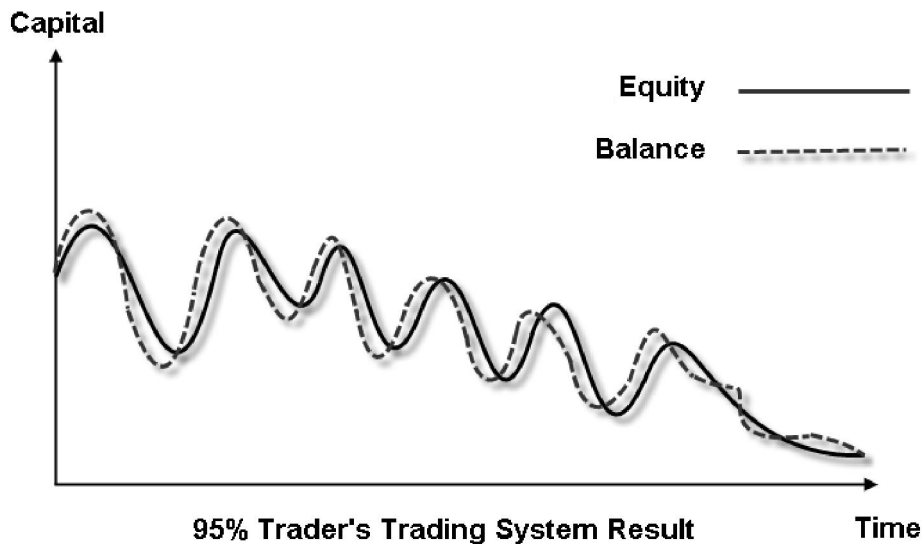
- ❖ **Develop a trading system that makes money regardless of the price movement.**
- ❖ **Make your trading system wins all the time.**
- ❖ **100% winning ratio can only be achieved if you use no or low leverage and no stop loss.**

#### 6.2.9. Balance vs. Equity

Equity is the amount of money you **would have** after adding floating profit or floating loss when you close all trades.

Balance is the amount of money you have right now after adding profit and loss from closed trade.

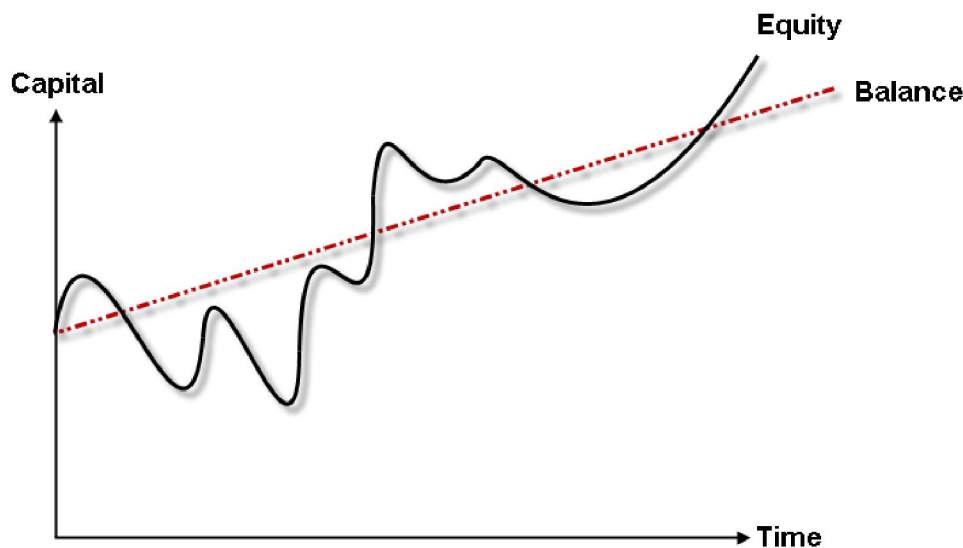
Below you will see the comparison of typical traders who win some and lose some with OctaCapital traders who seek to win all the time. Balance-equity chart will depict it clearly.



From the “95% Trader’s Trading System Result” chart above, you see that the movement of equity and balance are almost the same. The reason is that traders try to predict the direction of the price. When they get wrong, they cut their loss and close their trade. And when they get right, they book their profit and close their trade also. Therefore the movement of balance and equity are identical.

You will see that the movement of balance and equity are always up and down because they will win some and they will lose some. But the trend movement of balance and equity are definitely going down. And they will keep going down until all capital depleted; the process can be fast or it can be slow depending on your risk ratio. The higher your risk the faster your capital will be depleted and vice versa. But in the end you always lose.

If you gamble with 50:50 odds and **the winner takes all**, statistically you will end up with the same capital in the long run. But since Forex Trading is **not a zero sum game (contrary to common beliefs)**, regardless you win or lose, your result will always be deducted or added by transaction costs. That is why the trend movement of balance and equity will always go down until you lose all of your capital.



**Octacapital Trading System Result**

In comparison with my system, the OctaCapital trading system which seeks 100% winning rate, your balance and equity will always grow. It is because that you do not have any loss that will be deducted from your balance and your profit is bigger than your transaction costs. Your equity will swing up and down but you always close your trade with profit. You will be confident that your balance will be able to compensate the swing because you use no leverage and you do not use stop loss at all. However, if you use proper leverage, you are also confident that your balance will be able to compensate the equity swing. And it is because you have calculated in advance the capital required in order to use the proper leverage.

**In summary:**

- ◆ Always seek for 100% winning rate system.
- ◆ Forex Trading is not a zero sum game; meaning that your balance will always be deducted by transaction costs regardless you win or lose.
- ◆ If you use 100% winning rate trading system with proper leverage, your balance and equity will grow positively in a steady manner.
- ◆ If you use prediction based trading system, soon or later your balance will become less and less until your capital is completely gone.

**6.2.10. Margin Trading – Leverage – Stop or Cut Loss.**

This section is very important. I'm sure that you will never get this from other books or resources; and I'm also sure that nobody has ever thought you this before. Read this section over and over again until you fully understand.

Leverage is the number one killer of 95% traders. But a lot of people even don't know what leverage or margin trading is. A lot of traders do not know that they have the freedom not to use leverage at all, and actually they can set their own leverage level by themselves.

Please read and repeat this many times over. This is very important. Since I invented it, I would like to call it **whenry's law of trading leverage** (pronounced double u Henry). This is my legacy for you all, I will make history and be famous guys ;-)

**Every trading system that uses leverage,  
no matter how low or how high the leverage  
is bound to lose money soon or later,  
either some or all of your capital.  
The only way to avoid this is  
not to use any leverage and stop loss at all.**

This is the fact; you can not run from it. If you trade Forex, indexes, or futures, **the only way not to lose money is not to use any leverage and stop loss at all.**

The problem if you use no leverage at all is that you will get a low return. If I use my trading system without leverage at all, on average I can get 5-10% ROI a year.

Risk tolerance is subjective to every trader. Some traders have a high tolerance of risk and some prefer low risk. You can set your own risk level by setting your leverage.

Always remember that:

**High profit = high risk;  
The higher your return expectation the higher the risk will be.**

You need to find the balance between risk and profit return according to your risk tolerance.

The most important thing is:

**How to use proper leverage,  
manage risk-reward-probability to stay safe  
and maximize your return.**

OK, let's get technical. Let me show you what leverage is, how many types of leverage are there, how to calculate true leverage and how to use proper leverage.

According to Investopedia (<http://www.investopedia.com/terms/l/leverage.asp>) leverage is:

"1. The use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment."

"2. The amount of debt used to finance a firm's assets. A firm with significantly more debt than equity is considered to be highly leveraged."

I would like to make it simple: Leverage is **"to get more with the same effort or less"**.

In my opinion, there are three kinds of leverage:

1. Broker Leverage.
2. True Leverage.
3. Proper Leverage.

When you first open a trading account, your broker will offer you what leverage you want to use; 1:50, 1:100, 1:500, or even 1:1000. I'd like to call this "**Broker Leverage**". Broker leverage is different from your actual leverage when you trade. I'd like to call your actual leverage "**True Leverage**".

### 1. Broker Leverage.

Broker leverage represents margin level percentage that you have to maintain before you are subject to **margin call**. Margin is the amount of necessary money needed to place/maintain a position. Most brokers will ask you to maintain at least 100% margin level, below this point you will get a margin call. When a margin call occurs, all open positions are subject to liquidation at the prevailing market prices without prior notice to customer.

The formula:

$\text{Margin Level} = \frac{\text{Total Open Positions} \times 100,000 \times \text{Leverage offered} \times \text{Base Currency Value to USD}}{\text{USD}}$
---

100,000 is value of a standard contract size.

If you have an option to choose your Broker Leverage, always ask for the **highest leverage** your broker can offer. Beware if you trade non USD base currency because your margin level will change all the time according to the market value of your base currency to the USD. I will tell you why with this example.

You open an account with USD 8,000 and you get 1:500 leverage from your broker. You buy 2 standard lots and 3 mini lots GBP/JPY at 158.500 and the price of GBP/USD at that time is 1.6000. What is your margin level that needs to be maintained at the time you purchased?

Total Open Positions = 2 standard lots and 3 mini lots = 2.3

Then margin level = Total Open Positions x 100,000 x Leverage offered x Base Currency Value to USD.

Margin level = 2.3 x 100,000 x (1:500) x 1.6000

Margin level = 736 USD

If the next day the price of GBP/USD becomes 1.65000; then the margin level that you need to maintain is:

Margin level = 2.3 x 100,000 x (1:500) x 1.65000

Margin level = 759 USD

That's why you need to be aware that margin level is change all the time according to the market value of your base currency to the USD.

What happened if you open an account and get 1:50 leverage?

Margin level =  $2.3 \times 100,000 \times (1:50) \times 1.60000$

Margin level = 7,360 USD

You only have spare money of USD 740 (8000-7360) to hold if the price goes down against your buy positions. It is about 74 pips only (pip value is different among pairs). I will explain later how to calculate pip value in Forex Basic sections. To make the illustration simple, let's assume GBP/JPY pip value is USD 10 for 1 standard lot; therefore you will get 74 pips from USD 740 / 10 USD.

Let's compare with if you have 1:500 leverage. Your margin level will be USD 759. You have spare money of USD 7,241 (8000-759) or about 724 pips to hold your positions if the price goes against you. Therefore you have more money to maintain your position.

Margin level does no effect with your profit or loss! Regardless of the Broker Leverage you get, the pip value will always be the same. If you take profit for 100 pips, then you will get USD 1000 (USD10 pip value x 100 pips gain); it will be the same value if you take a 100 pip loss; you will lose USD 1000. But the most important difference is with 1:500 you have extra USD 7,241 to hold your positions and with 1:50 you only have USD 759. With the same capital you have more extra cash to maintain your position with higher Broker Leverage (remember leverage is to get more with the same or less effort). The more you have extra cash to maintain your position the better. Therefore, always ask for the highest leverage your broker can offer.

Brokers offer you a very high leverage because they hope you to trade with high leverage. The higher the true leverage you use, the riskier your trade is, the happier your broker will be.

Now, you understand what Broker Leverage is and how to use it favorably for you. Let's continue to True Leverage.

## 2. True Leverage.

True leverage is the leverage you use when you trade. It is not the same with the leverage that is offered by your broker.

Suppose you open an account and put USD 100,000 and you get 1:500 leverage. The question is if you buy 1 standard lot GBP/USD at price 1.50000, what is your leverage?

If you answer your leverage is 1:1, like most other traders' answer. You are WRONG. The correct answer is that your leverage (your true leverage) is 1 : 1.5.

**True leverage = Capital that supposed to be used / Capital you actually use**

If you open your MT4 and drag your mouse from price 0 to price 1.50000, there will be 15,000 pips. Pip value of GBP/USD standard lot is USD 10. Therefore:

Capital that supposed to be used:

$$= 15,000 \times \text{USD } 10$$

$$= \text{USD } 150,000$$

True leverage = Capital that supposed to be used / Capital you actually use

$$= \text{USD } 150,000 / \text{USD } 100,000$$

$$= 1.5$$

Another example: You have USD 100,000 with leverage 1:500; you buy 1 standard lot of AUD/JPY at 65.000. What is your true leverage?

From MT4 you will see that 65.000 equal 6500 pips, and 1 pip value of AUD/JPY is USD 10.9. Therefore:

Capital that supposed to be used:

$$= 6,500 \times \text{USD } 10.9$$

$$= \text{USD } 70,850$$

True leverage = Capital that supposed to be used / Capital you actually use

$$= \text{USD } 70,850 / \text{USD } 100,000$$

$$= 0.7$$

You suppose only need capital of USD 70,850 to buy 1 lot AUD/JPY at that price; therefore you have extra cash of USD 29,150 that has no use.

If you open an account with USD 70,850 and buy 1 lot AUD/JPY at that price, your true leverage is 1:1.

You see from these examples that your Broker Leverage has nothing to do with your true leverage.

Let's continue with AUD/JPY example. You buy 1 more lot at 75.000.

Capital that supposed to be used to buy 1 lot at 75.000 =

$$= 7,500 \times \text{USD } 10.9$$

$$= \text{USD } 81,750$$

True leverage = Total Capital that supposed to be used / Total Capital you actually use

$$= (\text{USD } 70,850 + \text{USD } 81,750) / \text{USD } 100,000$$

$$= 1.5$$

Simple method to convert price into pips:

For 5 digits price behind comma (non JPY cross); multiply the price with 10,000

For 3 digits price behind comma (JPY cross); multiply the price with 100

Example:

GBP/USD @ 1.54321 = 15,432 pips

AUD/JPY @ 65.222 = 6,522 pips

### 3. Proper Leverage.

Proper leverage is the true leverage that you use at specific level which is relatively safe (next to impossible to be hit). Proper leverage is strongly interconnected with stop loss (I will explain later this relationship in the risk-reward-probability section).

Each trader has a different proper leverage due to his tolerance to risk. I hope this analogy will help. If you listen to music, you have the choice to set the volume low, loud, or very loud. Your volume preference is different from me and the others. But if you pump the volume loud, your ears or your equipment can be damaged instantly or it may take sometimes for your ears to be damaged. For short term you may not realize that your listening capability has been deteriorate, until suddenly you can barely hear anything. If you play the music too soft, you can not enjoy it fully. You can not hear the background music, etc. You must set the volume to match your preference and your comfort zone, but never too loud.

This analogy is the same with trading. I like to repeat the whenry's law of trading leverage again that:

Every trading system that uses leverage, no matter how low or how high the leverage is bound to lose money soon or later, either some or all of your capital. This is the fact; you can not run from it. **The only way not to lose money is not to use any leverage and stop loss at all.**

You can use no leverage or very little average so that your risk is minimal or none, but your return will be low also. The higher the leverage you set, the higher the return you get and the higher the risk you face. The most important thing is how to set your **proper** leverage in your comfort zone, **manage** risk-reward-probability and **maximize** your return.

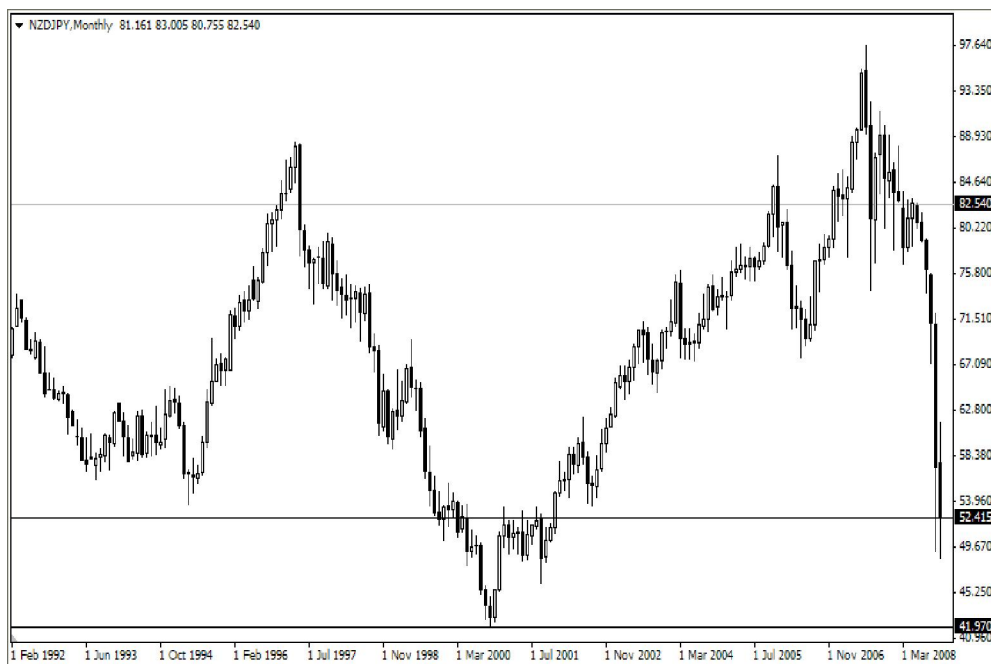
### **Stop Loss / Cut Loss**

Why do you use Stop Loss? Why do you put your Stop Loss there? Most traders will answer "to stop further loss and because my system requires risking only 1% of my capital per trade". If this is also your answer, you really need to think again and change your perspective about Stop Loss. Think deeply, why do you use Stop Loss? Why do you put your Stop Loss on that level? Do you know that stop loss **is not guaranteed to be executed**? And the most important thing, **do you really need Stop Loss?**

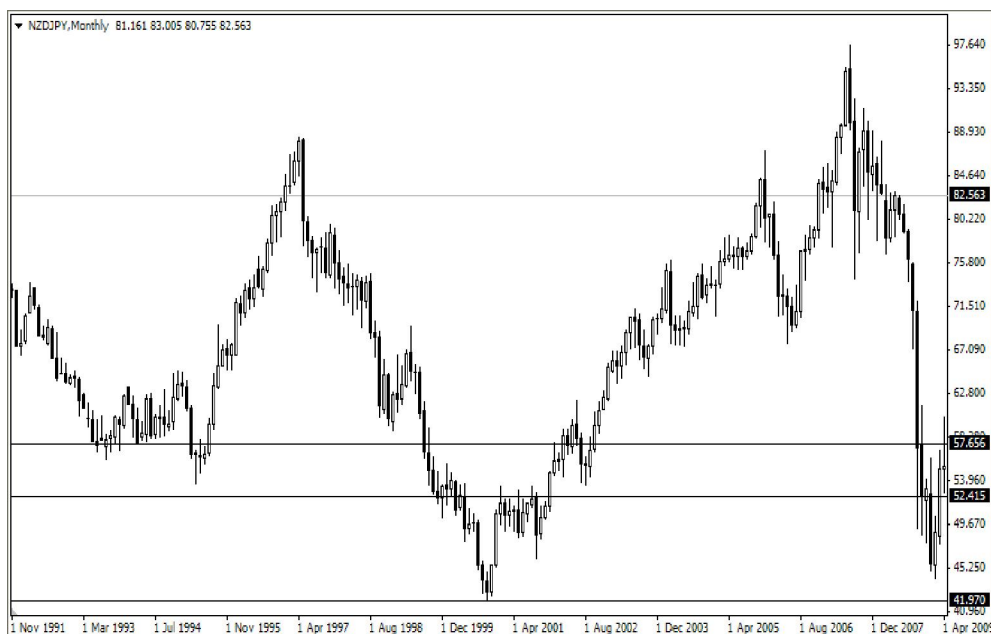
Trading Forex is different from trading individual stock. The value of individual stock can go to zero if the company goes bankrupt, but the value of a currency can not go to zero. This is why you use no Stop Loss and no leverage. But, the problem is if you use no leverage at all, your return will be small. If your risk tolerance is high enough, you can use leverage properly. Your proper leverage will automatically become your Stop Loss.

Example: Assume today is in October 2008, you browsed currencies pairs to seek for trading opportunities. You look at NZD/JPY and saw an opportunity; the price had drop so much; it is a very high probability that the price will go up. The price is 52.415 and you decide to buy 1 standard lot without leverage; therefore you deposit \$52,415. You are not a greedy person; you just want to make 10% return of it; so you set your Target Profit at 57.656 (524 pips).





5 months later your Target Profit reached. You make \$5,241 in 5 months. Not bad at all. Most traders and companies will struggle just to make 10% ROI a year.

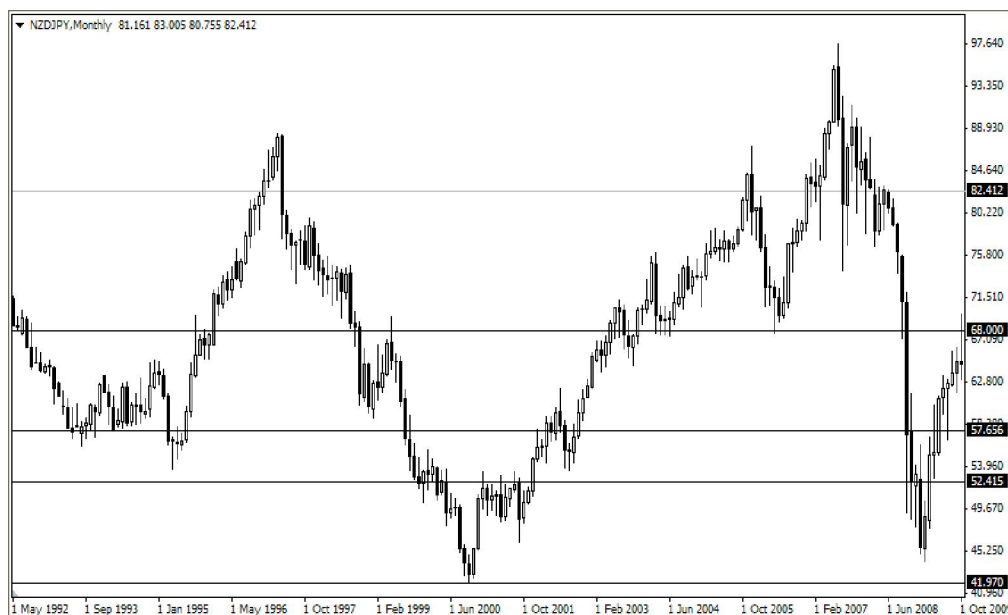


Since you are a smart trader; you read hundreds of Trading Forex books, you study economic; therefore you know that currencies tend to move inside a certain range because the value of currency can not be too low or too high so that it will affect the economic of that country; and you know how to take a calculated risk by using proper leverage, therefore you want more return.

But, unfortunately your risk tolerance is very low. You don't want your leverage to be higher

than 1:2. So, instead of using \$52,415 to buy 1 standard lot, you only deposit half of it, \$26,207.5. Your Target Profit reached and you gained \$5,241, 20% return. It is a very good result. You have doubled your return by just tweaking your leverage and stay safe. You become greedier. You think how you can maximize your return but still stay safe. You look at the chart and see that the lowest price in history of NZD/JPY is 41.970. You said to yourself, “How about to put my Stop Loss below that level where it is next to impossible to be taken”, and “How about if I put my Stop Loss at 31.970; it is a 1,000 pips buffer below the lowest price, and it is a very safe buffer”. So, you put \$20,445 as your deposit. Your true leverage will be 1:2.56 ( $2.56 = \$52,415 : \$20,445$ ). Your return will be 2.56 x higher; your return will be 25.6%.

You notice that your Target Profit is too low. You think that if you set your target at 68.000 around major resistance is quite possible and achievable.



You will gain \$15,585. If you use leverage of 1:2.56, your return will be 76% (\$15,585 : \$20,445)

This is how you use **proper leverage**, by **putting your Stop Loss at next to impossible level where probability of your Stop Loss being taken is zero or very low**.

#### In summary:

- ◆ There are three kinds of leverages:
  - Broker leverage – you always ask for the highest leverage your broker can offer.
  - True leverage – the actual leverage you use when you trade.
  - Proper leverage – the leverage you should use to maximize your return and stay safe.
- ◆ Stop loss is not guaranteed to be executed.
- ◆ In a very thin market (SNB 2015-1-15) stop loss can not save you, not even margin call.

You can end up with negative balance.

- ◆ You do not need Stop Loss in Forex because the value of a currency can not go to zero, unlike individual stocks.
- ◆ You do not need stop loss if you use low leverage.
- ◆ You will need a stop loss if you use high leverage.
- ◆ Your proper leverage level becomes your stop loss level. You need to set your proper leverage or stop loss level at a place where it is next to impossible to be hit. Other than this place, you do not need another stop loss.

#### 6.2.11. Risk – reward – probability

Let's talk about risk-reward. Most of Forex Trading gurus will tell you:

- ◆ To risk 1-2% of your capital per trade and,
- ◆ The risk reward ratio should be at least 1:1 or 1:2. More reward is better.

OK, let's analyze it:

- ◆ To risk 1-2% of your capital per trade.

You should ask how much the capital is. If your capital is USD 1000 and you trade 1 standard lot then you are already doomed from the beginning.

Let's do some math:

If you risk 1% of your capital, it means your stop loss will be also 1% of your capital.

Assume that you trade USD cross pair, then 1 pips equal USD 10.

If you trade 1 standard lot, then it means your stop loss will be 1 pip.

How can you survive then? If you say that this example is a bit too extreme; it is true; but sadly, it is real. A friend of mine swiped his credit card for USD 100 and traded a standard lot, the money was gone in minutes. And he swiped for 5 more times then he quitted; he lost USD 500 within hours.

If you have 1,000 USD balance and trade 1 mini lot and your risk 2% of your capital per trade; it means your risk is 20 USD or your stop loss is 20 pips. If you lose, the next trade you will have less than 20 pips stop loss, which is 19.6 pips; and your stop loss will become less and less for the subsequent loss. And the result is that your stop loss will be taken easier and easier! It does not make sense at all if you use this kind of risk management.

- ◆ The risk reward ratio should be at least 1:1 or 1:2. More reward is better.  
If you have risk reward ratio (in pips) of 25:25, 25:50, 50:50, 50:100, then your Stop Loss will be hit frequently before reaching your target because of Average True Range (ATR) most of currency pairs are above 100 pips per day. It used to be average 300 pips ATR / day for GBP/JPY, average 200 pips for EUR/JPY, around 100 pips ATR for most other pairs and less than 100 pips for EUR/GBP. Every pair has its own character; it has its own ATR; it tends to move a lot in certain market time; etc.

The probability of your Stop Loss being hit before reaching target profit is very high if  $\text{Stop Loss} < \text{ATR}$  and  $\text{Target Profit} > \text{ATR}$ . If your stop loss is being hit more often than

your target profit, your risk reward ratio will change. If you have a risk reward ratio of 1:1 before, in reality it may become 2:1 or 3:1 or even worse; if you have a risk reward ratio of 1:2, it may become 1:1 or 2:1. And before you realize it, you have lost substantial capital without knowing why. It is because you do not put “probability” in your equation. For example: you have a risk-reward ratio of 1:2, 25 pips Stop Loss and 50 pips target profit. In reality, on average your stop loss will be hit two times more often before your target profit is hit. Therefore, your risk reward will be 1:1 instead of 1:2.

Some traders put their Stop Loss > ATR to make the probability of their Stop Loss being hit lower. By making your Stop Loss bigger, you will need to make your Target Profit bigger also to maintain the risk-reward ratio of at least 1:1. High Target Profit is more difficult to achieve; market tend to reverse, swing up and down before reaching its target. Therefore by making your Stop Loss more difficult to be taken, you also make the probability of your Target Profit being hit lower.

There are two kinds of probabilities:

- Probability of where the price is going to be. Which is 50:50, 50% up and 50% down.
- Probability of your target profit or stop loss being hit. The probability is:
  - The smaller your target profit or stop loss is the higher the probability of your target profit or stop loss will be hit.
  - The bigger your target profit or stop loss is the smaller the probability of your target profit or stop loss will be hit.

I have not seen a single Forex Trading book or article so far that put Probability as part of the Risk – Reward analysis. Probability is the same important variable as Risk and Reward. Three of them will make a complete analysis, not Risk and Reward only. Most traders do not put Probability analysis; that is why they miss the big picture and that is why their Stop Loss got hit frequently.

So, the one million question is what is my risk reward should be.  
The answer is to:

<b>Put your trade risk free and you will have unlimited reward.</b>
---

You make your trade risk free is by using no leverage or proper leverage. By using no leverage or proper leverage you put your stop loss at the level which is next to impossible to be hit. If you have no loss at all then you will have unlimited reward.

OK, this is for fun but it is important. If you want to approach trading as a gamble, you need to study a lot about probability. When you talk about probability in trading, these things below are worth to be mentioned:

- The law of large numbers.
- Bayes' theorem.
- Gambler's Fallacy / Monte Carlo Fallacy.

- Martingale and anti-martingale.
- Murphy's law.

This topic is too big, I could write another book talking about probability alone. I will give you just the summary and my brief opinions about them and how to apply to Forex Trading:

- The law of large numbers talks about if you toss a fair coin about 1,000,000 times, the heads-to-tails ratio will be extremely close to 1:1. However, if the same coin is tossed only 10 times, the ratio will likely not be 1:1, and in fact might come out far different, say 3:7 or even 0:10.

Forex Trading Applications:

- If you feel that you have found a magic pattern that will give you high percentage of winning ratio, you might reconsider it carefully. You most probably fall into this law; your sampling is not big enough so that you will think than you have a high percentage of winning ratio.
- The probability of flipping a head after having already flipped 20 heads in a row is simply 50:50 (in a very big sample). This is an application of Bayes' theorem. Gambler's Fallacy / Monte Carlo Fallacy is the mistaken belief that, if something happens more frequently during some period, it will happen less frequently in the future, or vice versa.

Forex Trading Applications:

- When you see that price has going up for several times in a row, it is false to assume that next time the probability of the price going up will decrease. The probability is always the same, 50:50.
- The heads-to-tails ratio of a fair coin tossed in the long run is 50:50. The probability that you guess it correctly is 50% if you choose only head all the time. BUT if you go back and forth between head or tail, the probability that you will guess correctly will come down to 25%.

Forex Trading Applications:

- If you choose only one direction every time you enter the market, your probability of guessing the correct direction is 50:50. But the probability that you win that trade is less than 50:50 because of the transaction costs. I will give you example to make it easier to explain. If you have risk reward of 1:1, 10 pips stop loss and 10 pips target profit and you have 2 pips spread, you will have 50% chance to guess correctly where the price is going to be if you guess only one direction every time you trade. But since there is spread involved, you can not maintain 1:1 risk reward ratio of 10 pips SL and 10 TP. In actual the price will only moves 8 pips down and already takes you 10 pips SL. If your SL is less than your TP, your SL will be hit more frequently than your TP.
- If you go back and forth between up or down the price will be, then you

only have chance of 25% to guess correctly where the price is going to be. Since you only have 25% to be correct, your risk reward ratio should be at least 1:4 (because of the transaction costs I mentioned above). And if you have risk reward of 1:4, your TP is at least 4 times bigger than your SL. Since your TP is bigger at least your TP, your SL will be hit at least 4 times more frequently than your TP.

- Martingale is a gambler's strategy that the gambler double his bet after every loss, so that the first win would recover all previous losses plus win a profit equal to the original stake.

Anti martingale is a gambler's strategy that the gambler increases bets after wins, while reducing them after a loss. The **perception** is that the gambler will benefit from a winning streak and reducing losses while having a losing streak.

Murphy's law saying that anything that can go wrong, will go wrong.

Forex Trading Applications:

- The smallest contract so far is nano lot. Let see if you start martingale with 1 nano lot. TP and SL is 10 pips each. Your martingale sequences will be like this if you have lost 20 times consecutively: 1 2 4 8 16 32 64 128 256 512 1,024 2,048 4,096 8,192 16,384 32,768 65,536 131,072 262,144 524,288 1,048,576. If you have lost 19 times in a row, in your next trade you will double the last lost into 1,048,576 nano lot (~1,048 standard lot). If you still lose that trade, you will lose  $1,048 \times 10 \text{ pips} \times 10 \text{ USD} = 104,800 \text{ USD}$ .

If you design your martingale trading system to withstand 20 times consecutive lost, your risk reward is 1,048,576:1. You risk 104,800 USD just to get 1 cent. Do you think it is worth it?

What is the odd that you lose 20 times in a row? The probability is  $1:(2^{20})$ , which is 1: 1,048,576. Near impossible right? Now comes the Murphy's Law, if anything that can go wrong, will go wrong. Your martingale system will go bust eventually, it is only a matter of time.

- Anti martingale gambler has the **perception** that he will benefit from a winning streak and reducing losses while having a losing streak. But the perception is wrong because of Bayes' theorem and Gambler's Fallacy / mentioned above.

**In summary:**

- ♦ Forex Trading is very dangerous, especially for newbies.
- ♦ The moment you enter Forex trading business, you are already risking 100% of your capital and can be even more than your investment.
- ♦ Stop loss is not guaranteed to be executed. You can end up with negative balance

when you use leverage.

- ◆ Forex Trading is a very risky business. Many risk variables are beyond our control.
- ◆ Any risks regardless of how slim the probability is, will happen eventually. It is just a matter of time.
- ◆ Therefore always prepare for the worst. Know the worst consequences. And always use money that you can afford to lose.
- ◆ You have to use risk:reward:probability in your analysis.
- ◆ In short term, the probability of where the price is going to be is 50% up and 50% down.
- ◆ The smaller your target profit or stop loss is, the higher the probability of your target profit or stop loss will be hit.
- ◆ The bigger your target profit or stop loss is, the smaller the probability of your target profit or stop loss will be hit.
- ◆ Do not trade Forex using gambling system, you will never win in the long run.
- ◆ Do not use martingale and anti-martingale system. It is very dangerous and it is not worth it.
- ◆ Risk of trade can be eliminated by using no leverage and no stop loss at all.
- ◆ Make your trading system risk free and you will have unlimited reward.
- ◆ By using proper leverage you can manage your risk.
- ◆ Know all the risks involved in Forex trading. Minimize, diversify or eliminate them if possible.

#### 6.2.12. Trading Costs.

$\text{Trading Cost} = \text{Spread} + (\text{negative swap rate} \times \text{number of days of open position})$
---

If you are a day trader which closes every trade every day, then you can omit negative swap cost. Be careful to take notice what time your broker will charge swap. And on Wednesday your broker will charge swap rate three times as big as other days.

In this section I want you to be aware that trading cost is very important when you design your system.

**Spread.** Your broker will charge you spread every time you take a position either buy or sell. For example: If you are a scalper who takes 10 pips Target Profit and 10 pips Stop Loss and your broker charges you 2 pips for spread. Your trading cost will be 20% ( $20\% = 2 : 10 \times 100\%$ ).

Another example: If you have 25 pips Stop Loss, 50 pips Target Profit and 5 pips spread. Your transaction cost will be 10% ( $10\% = 5 : 50 \times 100\%$ ) **if you win**, but if you **lose** your transaction cost will be 20% ( $20\% = 5 : 25 \times 100\%$ ).

**Swap.** Swap is the interest you will get or you have to pay for overnight position. Whether you will be deducted or you will gain from swap depends on your position. You can get swap rate information from your MT4 trading platform. If you look at the table below, swap long is 4.6 points and swap short is -6.9 points. It means that if you open BUY one standard lot than you will gain 0.46 pips everyday and if you open SELL you will be deducted 0.69 pips everyday.

NZDJPY contract specification	
Spread	0
Digits	3
Stops level	70
Pendings are good till cancel	Yes
Contract size	100000
Profit calculation mode	Forex
Swap type	in points
Swap long	4.6
Swap short	-6.9
Margin calculation mode	Forex
Margin hedge	50000
Close	

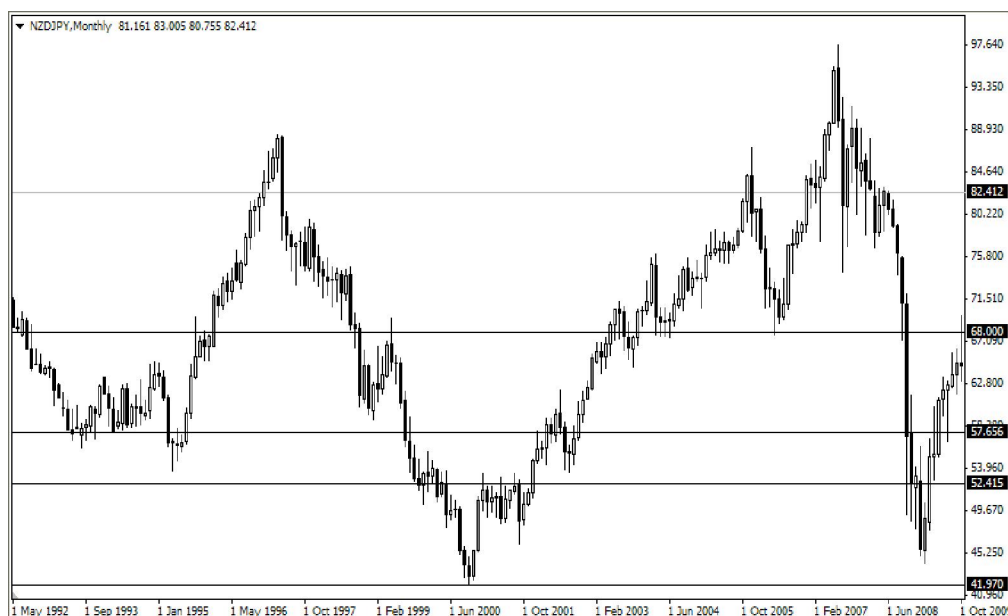
A lot of traders underestimate the power of swap. If you trade against swap, it will eat your profit slowly and it will bite a big chunk of your profit at the end, especially if you use high leverage. It will reward you nicely if you trade with the same direction of the swap.

Let's use NZD/JPY example from the leverage section.

You deposit \$20,445 and buy 1 standard lot NZD/JPY on Oct 2008 at 52.415. You set your Target Profit at 68.000 and it is achieved in Oct 2009. Swap long rate is 10.2 point (=1.02 pips) (Swap rate is used to be higher before the economic crisis) and swap short rate is 11 (=1.1 pips). Spread is 7 pips.

Since you deposit only \$20,445 to buy 1 standard lot NZD/JPY, your true leverage will be 1:2.56 ( $2.56 = \$52,415 : \$20,445$ ). You will gain \$15,585. If you use leverage of 1:2.56, your return will be 76% ( $\$15,585 : \$20,445$ )





Spread Cost without leverage will be \$70 (\$70 = 7 pips spread x pip value \$10 for standard lot). It is 0.45% of your gain ( $0.45\% = \$70 : \$15,585 \times 100\%$ )

Spread Cost with 1:2.56 leverage will be 1.15% of your capital ( $1.15\% = 0.45\% \times 2.56$ ). Notice that your spread cost is still the same \$70, but the proportion of the gain will be magnified with your leverage.

You are in the trade between Oct 2008 and Oct 2009; just assume it is 365 days. Swap gain without leverage will be \$3,723 ( $\$3,723 = \text{swap long } 1.02 \text{ pips per day} \times 365 \text{ days open trade} \times 1 \text{ lot} \times \$10 \text{ pip value}$ ). Your swap gain is 7.1% of your capital ( $7.1\% = \$3,723 : \$52,415 \times 100\%$ ).

Swap gain with 1:2.56 leverage will be 18.17% of your leveraged capital ( $181.7\% = 7.1\% \times 2.56$ ). Notice how much gain you will get from swap, especially if you use leverage. In this example you only use 2.56 leverage. Just imagine how big your cost would be if you trading against the swap. The cost would be more devastating if you use high leverage.

So instead of just get a 76% return, altogether you will get 94.18% ROI in a year. Very nice indeed. Pay attention that you only use 2.56 true leverage.

Some traders (scalpers) put their Target Profit and Stop Loss < ATR. By doing this you will make your broker a very happy and rich man. If you scalp 10:10 (10 pips Stop Loss and 10 pips Target Profit) and the spread are 2 pips. Your transaction cost will be 20% regardless you win or not. Some scalpers even go for 5:5; can you imagine that your transaction cost will be 40%. I don't think you can make money by scalping. Some traders will argue, but for sure, it is not a system for beginner.

#### **In summary:**

- ◆ It is very important to know what your transaction cost per trade is.

- ◆ Always make your transaction costs as low as possible. You do this by making your target profit high enough to offset your transaction cost.
- ◆ Transaction costs will always be deducted regardless you win the trade or not.
- ◆ Leverage will magnify your transaction costs.
- ◆ Scalpers have very high trading costs. 20%-40% transaction costs are common. Do not scalp because in the end you always lose because of the very high transaction costs.
- ◆ Do not underestimate the power of swap.
- ◆ If you are a long term trader then do not trade against swap.
- ◆ Make swap your friend not your enemy. You will get a nice return from swap alone.
- ◆ By making swap your friend then you are making friend with time also. The longer you are in a trade the more swap income you will get.

### **6.2.13. Capital Management & Free Capital Method**

Before you start trading, you have to have a plan. You need to know which pairs you are going to trade and why; what price you want to buy or sell; what price you want to take profit; and then you calculate your proper leverage. And finally from your plan you will know the required capital to trade those pairs before start trading.

From the NZD-JPY example above, I can say that I need capital of \$20,445 to trade 1 standard lot of NZD-JPY. I can give you that number because I have planned in advance that I want to buy at 52.415, my target profit at 68.000; and I will use leverage of 2.56 and my stop loss will be at 31.970. Since I use such a low leverage, I have an option to add more capital if the price were going to break my stop loss level. If I were to trade 3 standard lots, then my capital would have been 3 x of \$20,455.

You see that I have planned everything in advanced, every detail of the trade.

You need to divide your capital into multiple trading systems so that you can spread and minimize your risks. There are two OctaCapital trading systems and they are based on risk level:

- ◆ Very safe trading system that uses leverage 1:1 – 1:3 which generates an average 15-20% ROI a year. If it is a good year, more than 40% ROI is possible.
- ◆ Medium risk trading system that uses leverage less than 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 100% ROI is possible.

There are two ways to approach the market using my systems:

- ◆ Use only low leverage or medium leverage.
- ◆ Use both low and medium risk at the same time.

Either way, you will need to use both of the system in the end to maximize your profit and minimize your risk. And it is up to you which one you want to start with.

But I suggest that you start with low leverage first, because:

- ◆ If you are a new trader, or even an experienced one, you had better start with low leverage if you trade with a new system. You will have more margin of error and you will have plenty of time to master the system.

- ◆ Low leverage especially 1:1 is relatively risk free trade. From the 10% gain, you can set it as your next capital requirement for a high leverage system. By using high leverage such as 1:10 and with smaller capital, you will have the same return as using low leverage 1:1 and with bigger capital. But you will use free capital from your gain. I call this **Free Capital Method**.
- ◆ By churning out 10% return every year, and use it to trade with higher leverage, you will compound your return tremendously.
- ◆ Since you will use free capital for trading a high leverage system, your stress level will be very minimal.

Using high leverage first will have a higher stress level as consequences. But you need to trust your system, and you have to cut your loss when necessary. Failing to do so, will be disaster for you because you will not have any capital left to reenter the market.

You can use the gain from high leverage system and start trading with low leverage system. In the end you have to trade both systems to maximize return and minimize risk.

Forex trading is very dangerous. Anything can happen and a lot of variables are beyond your control. In my opinion it is better:

- ◆ Use only max 30% of all of your income into low risk trading system.
- ◆ If your low risk trading system generate average 15% ROI / year; then you use max 15% of that profit into medium risk trading system.

And you must not:

- ◆ Use capital that you can not afford to lose.

#### **In summary:**

- ◆ Always use capital that you can afford to lose.
- ◆ You have to plan everything before trading. Your initial capital is set according to your plan.
- ◆ Divide your capital into multiple trading systems to spread the risks.
- ◆ Use Free Capital Method to fund for riskier trading system.
- ◆ By using multiple trading systems that based on risks level, you will increase your return and minimize risk.
- ◆ In the end, you have to use low and high risk trading system altogether.

#### **6.2.14. Mentality**

Along your trading career you will face the greatest enemy of all, yourself! Know and become aware of yourself is one of the most important step to be a successful trader. I have shown you how to change your paradigm, and now I will show you the difference of mentality needed between my system and most trading systems.

- ◆ **Iron Gut and Tiger Claw.**

Nope, you do not need this with my system.

Have you ever felt uneasy, nervous, and uncertainty when you are about to enter a

trade? That feeling is a defense mechanism and it is very natural. It is a human nature to defend himself from any danger by generating an instinct regardless he is aware of the danger or not. Therefore your trading uneasiness signals that there is something wrong with your system. But, alas, most of trading systems requires you to have iron gut and tiger claw. Even though you have lost three times consecutively, you need to have an iron gut to enter the trade for the fourth time. You need a tiger claw to click the mouse and you need to be a robot without feeling executing your trades, etc.

How many of you start trading and loss your account because you did not stick to your stop loss and then you promise to yourself that you will stick to the system and cut your loss every time needed but you still loss your account in the end? Recall what you felt all those time. The uneasiness occurred because deep down you did not trust your system. You have blindly followed a fundamentally flawed system, your body signaled that there were something wrong, but you did not listen to you instinct. Next time you feel uneasiness, you stop trading and ask yourself why do you have this uneasiness feeling and find out before you continue trading.

With my system, especially with no or very low leverage, you will not have this uneasiness feeling. You know that you **will win every trade**; you know that the system makes sense; you know that your ROI target is achievable. Then you will naturally trust the system and follow it.

#### ◆ **Discipline**

It is hard to be discipline executing your trade if you don't trust your system. If you know the logic behind your system, you will believe and trust your system; then discipline to follow your system will be natural and easy. With my system, you will plan everything in advance; what pairs to trade and why, what is your target profit, what leverage will be used. Daily trading routines will be just monitoring and executing your plan. You do not make analysis, get confused and make a decision every time you want to enter a trade. Therefore it is much easier to be discipline.

#### ◆ **Patience**

Most trading systems will require you to have a very high patience level. You will need to be patience to wait for a good trade and to wait for the correct entry and exit time. Patience with this kind of system is very important; your entry and exit timing will determine your profit/loss for each trade. But be honest, most of us are not patience enough to wait for that time comes. Very often we get to the trade too early and take our profit less than our target. The reason is we are afraid that we are going to miss the opportunity and we are afraid that if we do not take the profit now the price will make a u turn and we will close the trade with a loss. Patience is very hard here because you are still in confusion.

Let's compare with my system. When we have planned everything in advance and you have known in advance what price you want to buy or sell and what is your target profit, then you just set limit orders. Your job is to **monitor** your trade. Patience is still needed but not as important as most trading systems.

◆ **Greed and fear**

With most trading systems the feeling of greed and fear is very high. You will be afraid to enter every trade, because you realize that you will not know the result and you don't have a complete trust of your system. You will be greedy to make up for your lost. You will be greedy because you do not know when to take profit and you do not know why you take that certain pips as your target profit. You will also be afraid to take higher profit because you have had many experiences that the price had been reverses and take your stop loss.

With my system, especially using no or very low leverage, you **will not have any fear at all**. Because you will know that you **will win every trade**. You understand that any trades that have not reached their target profit are just the trades that need to work harder before reaching their destination. And you also know that those trades are making more money for you from the daily swap. You have confident that your capital will stand against any drawdown regardless how big it is.

You can control your greed because you know why you take certain amount of target profit. You are not afraid anymore if your trade reverses back, because you will know it is just a matter of time before your trade reaching its target and in the mean time you will get profit from daily swap.

◆ **Self Destruction**

Trading is a lonely business. You can do everything by yourself, you do not need any employees, you do not need your wife or your husband, and you can decide everything by yourself. Your fate is in your hand. If something wrong happen then it is solely your fault. If you are falling down, learn from it, wake up and continue your journey.

Some point in your trading journey you will have a burnout feeling. This is the most dangerous time, you will have a tendency to deviate from your plan and take unnecessary risk cutting corner to make big money. You will overtrade and overleveraged. Be aware over this situation, I have warned you.

Pressure from inside and outside will break or make you. Master yourself, then you will become a successful trader.

◆ **Survival mode**

Trading Forex is a survival game. Safety First! You always have to think the worst case scenario; how to prepare, how to avoid or to minimize it. Do not trust any body and always prove it by yourself.

Remember that every aspect of Forex Trading has been rigged to break and take your money away.

**In summary:**

- ◆ If you have a trusted trading system, confident, patience and discipline will come

naturally when you execute your trade.

- ◆ If you experience uneasiness feeling, that is a signal there is something wrong with your system. Stop trading at all and evaluate your trading system until you find the solution.
- ◆ If you have a 100% winning trading system, your fear will be gone.
- ◆ You will face your greatest enemy of all, yourself. Know and become aware of yourself, your strengths and your weaknesses.
- ◆ I can't stress enough over and over again; Forex Trading is about survival and safety. Always be prepared for the worst, always know the consequences. If you take care of the risks, the profit will come by itself.

#### **6.2.15. What skills and attitudes are needed to be successful trader?**

It depends on what your trading system is. If your trading system is based on prediction of the price movement, then you had better know a lot of stuff and do a lot of research. You need to study economic, you need to research and follow geopolitical of countries. Everything is interconnected.

But I have told you to change your paradigm to base your trading system not on prediction. Your trading system has to make profit regardless of the price movement.

If you use my system, then the skills you need are very basic:

- ◆ Basic math, such as adding, subtracting, dividing and multiplying. Just simple math.
- ◆ Basic computer skills, such as operating windows, running applications, etc. You do not need programming skill.
- ◆ You do not need a complicated economic or business degree.

Along with those skills, you need attitudes:

- ◆ Eagerness to try and learn new stuffs.
- ◆ Skeptical about everything and try to prove it by yourself.
- ◆ Persistent and patience when learning.
- ◆ Always keep trying. If somehow, you are not suitable with my methods, please keep trying until you become a successful trader. I believe Forex Trading Skill is a very valuable skill to learn.

#### **6.2.16. Trading Profit-Loss Formula.**

I have told you all my basic principles of my trading system. Study them and change your perspectives of trading Forex. If you change your perspectives then you will automatically change how you approach the market. Let's put all together in designing your trading system.

These principles will be your guidance and your goals when designing your trading system:

- ◆ Safe and profitable that last forever regardless of the market condition.
- ◆ Simple and clear that you can trade without guessing case by case and hesitation.
- ◆ Winning all the time.
- ◆ Make profit regardless of market conditions.

- ◆ Not based on prediction.
- ◆ Not very demanding physically and mentally.
- ◆ Use proper leverage in order to maximize profit and stay safe.
- ◆ Spread risks by having multiple trading systems that are based on risks; low and medium risk trading systems.

These are underlying assumptions you need to make regarding Forex Market. You need these assumptions when designing your trading system.

- ◆ You can not predict the price movement. So stop to predict.
- ◆ Probability of price movement is 50:50; 50% price going up and 50% price going down.
- ◆ The smaller your Target Profit or Stop Loss, the higher the probability and the more frequent it will be hit; the bigger your Target Profit or Stop Loss, the less the probability and the less frequent it will be hit.
- ◆ Value of a currency can not go to zero.
- ◆ Price will move within certain range, because price of a currency can not be too high or too low. The government of a country will try to balance its currency value relative to other currencies value.
- ◆ Whatever goes up will go down, and vice versa.

If you compare with assumptions for 95% of traders:

- ◆ I can predict where the price is going to be by using fundamental or technical analysis. But the fact is nobody can predict where the price is going to be in the short term.
- ◆ If my prediction is wrong, I can stop further loss by using cut loss. But the fact is stop loss is not guaranteed to be executed. If there is a gap or extreme volatility your stop loss or margin call can not save you. You can ended up with negative balance.

So, if your underlying assumptions are all wrong from the beginning, how can you be successful?

Now, you need to break down and dissect every elements and variables of Forex Trading. Everything can be calculated in Forex.

$$\text{ROI} = (\text{Total Winning Trades} - \text{Total Losing Trades}) / \text{Initial Capital}$$

$$\text{Trading Profit or Loss per trade} = \text{Profit or Loss of Closed Trading} + \text{Profit or Loss from Swap} - \text{Trading Cost}$$

Profit of Closed Trading = Total Lots x Target Profit Points

Loss of Closed Trading = Total Lots x Stop Loss Points

Profit from Swap = Total Lots x Positive Swap Rate x number of Days of your open position.

Loss from Swap = Total Lots x Negative Swap Rate x number of Days of your open position.

Trading Cost = Total Lots x Spread Cost

True leverage = Capital that supposed to be used / Capital you actually use

ROI is influenced by leverage. The higher your leverage, the higher your ROI will be.

Total winning trades or total losing trades are influenced by probability of your Target Profit or Stop Loss being hit

When you breakdown those formulae above, you will get all the variables influencing Forex Trading:

1. ROI.
2. Total winning trades.
3. Total losing trades.
4. Trading profit per trade.
5. Trading loss per trade.
6. Probability of Target Profit or Stop Loss will be hit.
7. Target Profit.
8. Stop Loss.
9. Capital.
10. Pip value.
11. Leverage.
12. Total lots per trade.
13. Positive Swap Rate.
14. Negative Swap Rate.
15. Time (number of days of your open position).
16. Probability of price movement.
17. Risks.
18. Mentality and Attitude.

There are 18 variables of Forex Trading. You can add more by yourself. But no matter what you add, your **ultimate goal** is to **maximize your ROI and stay safe**. You need to tweak every variable to achieve **optimal balance** among variables.

I will discuss in more details how to optimize each element in my mentorship program.

### **6.3. Study and master Forex Trading knowledge and elements.**

Forex Trading is not as simple as buying and selling currencies, and it is very dangerous. Please study a lot and read everything you can. Master every elements of Forex Trading and manage all the risks. It is very rare that you will get knowledge and wisdom from free stuff. Buy books and pay for the tuition because Forex Trading is a valuable skill to have. Find a good and ethical mentor and you will learn a lot from his wisdom and experience. You can get knowledge from a book but you will only get his wisdom and experience from the mentor himself.

### **6.4. Prepare the trading requirements.**

- ◆ Trading Plan.
- ◆ Trading Journal.
- ◆ Capital.
- ◆ Brokerage.
- ◆ Trading Platform.
- ◆ Equipments.



- ◆ Yourself:
  - Do you already have the knowledge and experience to go life?
  - Have you prepared your mental to go life?

I will talk in details in my mentorship program about:

- ◆ How to use all the knowledge I have given and create your trading plan.
- ◆ How to achieve 100% winning rate.
- ◆ How to analyze, manage, minimize or eliminate risks.
- ◆ How to use OctaCapital trading systems.
- ◆ How to calculate capital requirement base on the trading plan.
- ◆ How to choose a brokerage that suitable for OctaCapital trading systems.
- ◆ How to choose an account currency to open your account balance. By choosing your opening account currency alone can boost your ROI about 5% for developed countries and about 10% for underdeveloped countries.
- ◆ How to prepare trading equipments. OctaCapital trading system does not require you to have fancy computer or smart phone. You do not need a Formula 1 computer and you also do not need multiple monitors.

### **6.5. Develop your Trading Plan.**

Before you trade, you must have a trading plan. You must plan everything in advance. You must know what trading system you will use, what is the risk, the strengths and weaknesses of that system. You must know what pairs are you going to trade and why. You must know why do you enter and exit a trade. In essence you must prepare every detail before you start trading.

### **6.6. Practice with demo until you have consistent profit.**

Demo trading is very important, because:

- ◆ You will know the risks, strengths and weakness of your trading system.
- ◆ You will get used to your trading system.
- ◆ You will get used to your trading platform.
- ◆ You can make mistakes and learn from them. You do not have the luxury to make a mistake when you trade life, especially if you use high leverage.
- ◆ It is your exam to prove that you can make a consistent profit. If you can not make a consistent profit in demo trading, do not expect that you will succeed in trading business.

I take notice that a lot of newbies will make profit in demo trading, the reasons are:

- ◆ In demo trading they will get sufficient capital. They can open their demo account with 100,000 USD capital; contrary to when they open their life trading accounts, most of newbies will open a trading account with under 1,000 USD capital.
- ◆ When the price is against them, most newbies will simply let the trade floating with loss. And guess what, the price will bounce back and end the trade with profit.
- ◆ The mentality is different from life trading. They do not have the burden of losing real

money when they demo trade.

So when you demo trade, make sure that:

- ◆ You strictly follow the trading system you intend to use in life trading.
- ◆ You use the capital that reflects your life trade will be.
- ◆ You make yourself believe that you do not demo trade but you do life trade.
- ◆ You demo trade at least for 3 – 6 months.
- ◆ You will not trade life if you do not make consistent profit in demo trading.

### **6.7. Trading plan execution.**

When you are really ready. It is time to put your hard work to trade life. Believe me, if you follow all of my directions, real life trading is almost the same with demo trading. Beware of all the risks that I have mentioned above. Be aware of yourself. Follow the news regarding Forex industry, not just the fundamental news. Always learn and improve yourself.

### **6.8. Record Keeping.**

Make your trading journal. Record everything in details. You will learn a lot from your trading journal.

### **6.9. Evaluate your plan and adapt as necessary.**

Forex market always changes. Evaluate your trading every month to learn from it and to prepare if you need to make some changes. Do not merry to your currency pairs because opportunities comes and goes. Always look to find new opportunities.

### **6.10. Always think and prepare for the worst scenario.**

Always trade with capital that you can afford to lose. And always remember that if anything can happen no matter how slim the odd is, it will happen eventually, therefore you should always think and prepare for the worst scenario.

## 7. WHAT TO DO NEXT?

My free e-book will always be free!. If you feel that my free e-book is very useful and you want to give something back to me as a token of appreciation, feel free to donate any amount you would like. I would really appreciate it. You can go to my web site <http://OctaCapital.net/payment/>

I have given you freely all of my trading principles. They are the building blocks developing my trading systems, OctaCapital trading systems. You can also use them as a guidance to build your own system. With all my trading principles that I have given you, you can find the way by yourself. But as you know that there are a lot of variables involving in trading Forex and you need to tweak them and find the optimum combination and balance. Therefore, it may take a lot of time and a lot of money achieving what I have accomplished, and there is also a probability that you will not achieve it without my help. Let me help you.

Let me be your mentor and I will:

- ◆ Teach you how to fish so you will not depend on me or other teachers.
- ◆ Guide you for one year or whatever it takes to make sure that you fully understand the knowledge and until you become a consistent profitable trader.
- ◆ Teach you how to make a business that gives you a passive income for a lifetime.

For those who are experiencing difficulties with their current trading, I will help you with free consultation. I will give you inputs and alternatives how to solve the problems but the decision is still in your hand. Hopefully I can make you out of your trouble.

If somehow you decide that Forex Trading is too much for you to learn, then you can trust your fund to be managed by me. I will give you a guarantee that if your ROI is less than 15% a year for OctaCapital very safe trading system or 30% for OctaCapital medium risk trading system, I will refund all of my performance fee for that whole year.

I am really sorry that I can not teach you or give you all of my stuffs freely. Because:

- ◆ I have spent a lot of time, effort and money to master this field.
- ◆ I have spent a lot of time, effort and money to write and to prepare this Forex Mentorship program.
- ◆ Even though I trade Forex for my self, my trading system is not a get rich quick scheme; therefore I need additional income from other sources. I can not raise capitals by loaning from the bank.
- ◆ Trading Forex, teaching Forex and managing fund are how I make a living.

## 8. TRAINING PROGRAM



**Uber Humor**

2013, still no flying cars. Instead, blankets with sleeves.

### Content:

- ❖ Why do you want to become a Forex trader?
- ❖ Why do you need a mentor?
- ❖ Why do you learn from OctaCapital? What is the difference with other mentorship program?
- ❖ What will you achieve from OctaCapital mentorship program?
- ❖ Why it is very important that you have and master a very safe trading system (no or very low leverage trading system)?
- ❖ OctaCapital Forex trading system descriptions.
- ❖ How safe is OctaCapital low risk Forex trading system?
- ❖ Is there a guarantee?
- ❖ Lifetime Support.
- ❖ Is there a refund?
- ❖ Who can learn trading from OctaCapital?
- ❖ Requirements to learn trading from OctaCapital.
- ❖ Process of training.
- ❖ Syllabus.
- ❖ Training Contents.

- ❖ OctaCapital Rules.
- ❖ Price & Payment.

### ❖ **Why do you want to become a Forex trader?**

In general, there is a very good opportunity in doing business in this sector. The reasons are:

- Forex Market is very huge and liquid, it is three times as big as all of the stock markets combined.
- You can buy and sell instantly and you can buy and sell as much as you can.
- Have a business that has no competitors virtually.
- The market is open 24 hours for five days straight.
- It is very scalable; you can start as low as 100 USD and add capital as much as you can. The sky is your limit.
- The value of a currency never goes to zero.
- Multiple contract sizes that can be suited to your capital strength.
- Low barriers to entry, low capital to start, and low tuition fee.

And these are the main reasons why you want to be in the Forex Trading Business after taking OctaCapital mentorship program:

- Have a skill that can be used for a lifetime even you get older and weaker.
- Have a business that is so simple that you can do it by yourself so that you will not get headache with your suppliers, customers, employees, inventories and etc.
- Have a passive income generator.
- Have a business that will free your time so that you can pursue other interests, hobbies or other business opportunities.
- Have a business that can be managed anywhere as long as there is a phone connection or internet connection.

### ❖ **Why do you need a mentor?**

Forex Trading is a very dangerous place. The mortality rate is very high, up to 95% of traders lost their money. You need a mentor who has the knowledge, wisdom and experience in the Forex market and who is ethical and sincere to hold your hand while mastering Forex Trading until you become a successful trader.

I have given you freely all of my trading principles. They are the building blocks developing my trading systems, OctaCapital trading systems. You can use them as a guidance to build you own system. With all my trading principles that I have given you, you can find the way by yourself. But as you know that there are a lot of variables involving in trading Forex and you need to tweak them and find the optimum combination and balance. Therefore, it may take a lot of time and a lot of money achieving what I have accomplished, and there is also a probability that you will not achieve it without my help. Let me help you.

You can get knowledge from a book but you will only get wisdom and experience from the mentor himself.

Let me be your mentor and I will:

- Teach you how to fish so you will not depend on me or other teachers.
- Hold your hand and guide you for one year or whatever it takes to make sure that you fully understand the knowledge and until you become a consistent profitable trader.
- Teach you how to make a business that gives you a passive income for a lifetime.

❖ **Why do you learn from OctaCapital? What is the difference with other mentorship program?**

If you buy Forex trading books or e-books, take Forex Trading classes or seminars or go to Forex trading forums, most of them will teach you:

- To set a high return target by using very high leverage (usually more than 1:100).
- How to predict using fundamental analysis, technical analysis, magical indicators or black box system.
- How to cut loss if the prediction is wrong.
- How to manage capital in order to survive longer if the prediction is wrong. Usually they will tell you to risk 1-2% per trade.
- How to manage risk reward.
- To be discipline and have an iron gut mentality (always take the next trading opportunity regardless of previous loss).

My mentorship program is way too different from the others, just like day and night. I will teach you:

- How to trade in a very safe way by using low leverage (less than 1:5).
- How to achieve 100% winning ratio by using low leverage (less than 1:5).
- Multiple trading systems with different target returns that are based on risks (Low risk and medium risk trading systems)
- How to make profit without prediction.
- How and why to not use cut loss.
- How to manage your initial capital, how to re invest, how to diversify and how to manage risk.
- How to manage risk-reward-probability.
- How to acknowledge, manage, minimize and eliminate general risks associated with Forex Trading.
- How and why you will be a stress free trader and do not need iron gut mentality.

And more importantly that I will teach you:

- The good and the bad of Forex Trading business. I will not sugar coated the good part nor I will hide the truth about the bad part of Forex Trading Business. Therefore, in the end you can decide by yourself whether you want to pursue Forex Trading Business or not.
- Why and how you need to change your paradigms approaching Forex Market. Paradigm shift is the first step to be a successful trader.
- How to choose a good business opportunity. You will have a clear understanding

why you trade and why you choose Forex as your business.

- How to create a passive income system, not a trading system that will enslave you.
- How to calculate how much capital needed. And I also will teach you different kind of leverages and how to use proper leverage. Enough capital and proper leverage are the main keys to be in the Forex business for a very long time.
- Different kind of costs associated with Forex trading. You will know how much operating costs per trade will be.
- Different kind of risks involved, both risk directly related to trade Forex and indirectly.
- Trading elements and how to use each element to increase your return.
- How to fish; how to create your own system. I will teach you everything so that you can create your own trading system. And you will not be dependable on me.
- My trading system very simple and clear. It is like buying a franchise system. You will get a step by step manual and checklist.

These are the main differences between my mentorship program and others':

OCTACAPITAL	OTHERS
Safe – Low Risk – Low Leverage 100% winning ratio Very Simple System Create passive income Do not predict price movement Plan everything in advance Very low stress level Free time	High Risk – High Leverage Win some – Lose some/all Complicated System Just another job Try to predict price movement Make decision on case by case High stress level Need to monitor the market closely

#### ❖ What will you achieve from OctaCapital mentorship program?

These are your main goals if you take my mentorship program:

- A clear understanding why you enter Forex Trading business and what is your income expectation.
- Have a complete knowledge about Forex Trading so that you can create your own system and not dependable on your mentor or teacher.
- Have a ready to use a very safe and medium risk trading systems.
- Have a trading system that will achieve 100% winning rate.
- Have a skill that can be used for a lifetime even you get older and weaker.
- Have a business that is so simple that you can do it by yourself so that you will not get headache with your suppliers, customers, employees, inventories and etc.
- Have a business that has no competitors virtually.
- Have a business that is very scalable.
- Have a passive income generator.
- Have a business that makes money work for you instead of the other way around.
- Have a business that will free your time so that you can pursue other interests, hobbies or other business opportunities
- Have a business that can be managed anywhere as long as there is a phone

connection or internet connection.

❖ **Why it is very important that you have and master a very safe trading system (no or very low leverage trading system)?**

- If you trade with a large amount of capital, you will need a trading system that is very safe, robust, reliable and last forever. You do not want a trading system that will win some and lose some.
- If you use high leverage, you are forced to use stop loss. But stop loss is not guaranteed to be executed, even margin call can not save you from ending up with negative balance. You can lose more than your investment. This is very dangerous. You can have substantial debt to your broker (recall SNB 15-1-15). However, if use low leverage, your trading system will hold the wildest swing of price movement. You will not get margin call or end up with negative balance.
- With very low or no leverage, you will achieve 100% winning rate. But if you use high leverage, you will never achieve 100% winning rate.
- If you use low leverage, your margin of error is very high. But if you use high leverage, you have a sharp razor margin of error, a little mistake will cost you substantially.
- You will have a stress free trading lifestyle. I bet almost all of you with high leverage trading system will feel stress every time you enter a trade, because of not knowing the result of the trade will be.

When you have mastered a very safe trading system, you have a freedom to use a medium or high risk trading system. Your medium risk trading system will compliment your very safe trading system. This system will boost your income tremendously. But the source of capital for this system should be from the profit of the very safe trading system, not from your main capital. Otherwise you are in a very danger situation losing your main source of income. And also you will be much less stressful knowing that your capital is free capital acquired from a very safe trading system.

OctaCapital will teach you multiple trading systems that are based on risks. Moreover, OctaCapital will teach you how to analyze, manage, minimize and eliminate risks.

❖ **OctaCapital Forex trading system descriptions.**

- Safety First!
- With my system, you will plan everything in advance; how much capital is required, what leverage will be used, what pairs to trade and why, what price are you going to buy and sell, what is your target profit. etc. Since you have planned everything in advance, you no longer need to make analysis, get confused and make a decision every time you want to enter a trade. Daily trading routines will be just monitoring and executing your plan.
- It takes about five to fifteen minutes everyday to manage your trade. There is no specific hours to manage your trade and it does not to be everyday also.
- Safe and profitable that last forever regardless of the market condition.



- Multiple trading systems with different target returns that are based on risks.
  - Very safe trading system that uses leverage 1:1 – 1:3 which generates an average 15-20% ROI a year. If it is a good year, more than 40% ROI is possible.
  - Medium risk trading system that uses leverage less than 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 100% ROI is possible.
- Does not use Fundamental and Technical analysis. Trading is based on Price Level and Proper Leverage used.
- Does not use any robots, ea-s, black boxes, and signaling indicators.
- Trades manually.
- Does not use any stop losses (please read why I do not use any stop losses in my free e-book “ OctaCapital Forex Trading Built To Last, book 1: Metanoia).
- Does not predict price movement (not based on prediction).
- Make profit regardless of market movement.
- Simple and clear that you can trade without guessing case by case and hesitation.
- 100% winning rate will generate consistent profit.
- Use proper leverage in order to maximize profit and stay safe.
- Approach trading Forex as a business, not as a gambling and speculating.
- A long term business investment. BEP 4 – 10 years.
- Makes money work for you instead of the other way around.
- Not very demanding physically and mentally.
- Passive income business.
- Stress free because it is a 100% winning rate and using a low leverage trading system.

#### ❖ **How safe is OctaCapital low risk Forex trading system?**

- It will hold very wild price swing, thousands of pips.
- I started using this low risk trading system concept in 2007. It was a very raw concept at that time.
- This safe trading system has survived 2008 economic crisis.
- This safe trading system has also survived 2015 SNB crisis. I had a lot of open positions of Aud-Chf, Cad-Chf, Nzd-Chf, and Gbp-Usd at that time.

#### ❖ **Is there a guarantee?**

Yes. I will refund all of your tuition (minus the wire transfer / transaction fee) if you do not make any profit and if your balance is not increased within one year using OctaCapital trading systems.

But NO guarantee if :

- You do not follow my teaching exactly what I have told you.
- Your brokerage goes bankrupt or takes away your money and ran away.
- Unnatural extreme market condition happens, such as nuclear war that will wipe the entire currency from the market place. Black Thursday SNB is still covered by my

guarantee ;-)

- Accidents from your part happens. I can not guarantee that you are always perfect in executing a trade. In other words that you can make mistakes putting orders, for example: you intend to buy 0.01 lot, but you accidentally buy 1 lot.

#### ❖ **Lifetime Support.**

I will give you lifetime support:

- To make sure that you will master what I teach you.
- If you have any questions or problems with your life trading.

#### ❖ **Who can learn trading from OctaCapital?**

OctaCapital trading system does not use any fundamental and technical analysis such as specific economic indicators, candlesticks, chart patterns, ea, robots, signal generators, black box, etc. OctaCapital trading system is based on proper leverage and price level. It is very simple, therefore everybody can learn and master the system very easily. You will see below the requirement to master OctaCapital trading system is very basic.

#### ❖ **Requirements to learn trading from OctaCapital.**

- Basic math knowledge. You do not need to have rocket science calculation, just adding, subtracting, dividing, and multiplying will be suffice.
- Basic computer knowledge.
- Internet Connection.
- Email or other messaging programs such as Blackberry Messenger or Whatsup.
- Equipments: computer / laptop / smart phone.

#### ❖ **Process of training:**

- The mentorship will be conducted via email.
- Usually mentorship will last for 6-12 months. But I will make sure you will master what I teach you no matter how long it takes.
- I will give you materials to study for each section. You can set you own pace how fast you want to learn.
- I will give you some home works and questions for every section to make sure that you fully understand them.
- I will guide you in your demo trading.
- I will guide you in your life trading.

#### ❖ **Training Contents**

You will learn:

- Forex Basic.  
You will learn basic Forex Stuff, which is commonly taught by other sources.
- Metanoia / Paradigm shift.

You will learn why the common knowledge will not work and how to change your perspectives about Forex Trading in order to be a successful trader.

- Forex Advanced.  
It explains Forex knowledge and the know how that are beyond Forex Basic. It is the way of OctaCapital trading Forex.
- OctaCapital Trading Systems Plans and Executions.  
You will learn OctaCapital multiple trading systems. The logic, the application, and the execution.

Here is the Table of Contents of the training:

- Forex Basic.
  - ◆ What is Forex.
  - ◆ What is traded.
  - ◆ Market Hour.
  - ◆ Market size and liquidity.
  - ◆ Major currency & Exotic Pairs.
  - ◆ Ways to trade Forex.
  - ◆ Advantages of trading Forex over other instruments.
  - ◆ Market Players.
  - ◆ How to read a Forex quote.
  - ◆ How to read a Forex Chart.
  - ◆ Margin Trading, Leverage, Margin Call.
  - ◆ Swap / Rollover / Interest.
  - ◆ Account and equity.
  - ◆ Account types, Capital, Base currency account.
  - ◆ Pips / pipettes.
  - ◆ Contract size.
  - ◆ Trading Cost.
  - ◆ Order placing and closing.
  - ◆ Market Analysis Methods.
  - ◆ Trading Systems and Techniques.
  - ◆ Equipment.
  - ◆ Trading journal and accounting.
  - ◆ How to choose Forex Trainer.
  - ◆ How to choose Money Managers.
  - ◆ How to choose Brokers.
- Metanoia / Paradigm shift.
  - ◆ The Buddha.
  - ◆ Why 95% of traders fail and what they should do then?
  - ◆ Steps becoming a successful Forex Trader:
    - Follow rules of the game.
    - Change your paradigms.
      - Forex Trading Risks.

- Why do you want to trade? What is your ultimate goal?
  - What kind of trader lifestyle.
  - Forex trading – business vs. gambling.
  - Forex trading – business owner vs. job owner.
  - Why do you trade Forex, not other products?
  - What is your income expectation.
  - Prediction – Holy Grail – 100% winning ratio.
  - Balance vs. Equity.
  - Margin Trading – Leverage – Stop or Cut Loss.
    - Broker Leverage.
    - True Leverage.
    - Proper Leverage.
  - Risk – reward – probability.
  - Trading Costs.
  - Capital Management.
  - Mentality.
  - Trading Profit-Loss Formula.
  - Study and master Forex Trading knowledge and elements.
  - Prepare the trading requirements.
  - Develop your Trading Plan.
  - Practice with demo until you have consistent profit.
  - Trading plan execution.
  - Evaluate your plan and adapt as necessary.
- Forex Advanced.
    - ◆ Risk Management. How to evaluate, analyze, minimize and eliminate risks.
    - ◆ Capital Management. How to calculate capital requirements. How to divide capital for Low Risk and Medium risk trading systems.
    - ◆ Strengths and weaknesses of trading techniques and how to apply them.
    - ◆ How to create and analyze a trading system.
    - ◆ How to optimize elements or variables of Forex Trading.
  - OctaCapital Trading Systems Plans and Executions.
    - ◆ OctaCapital Trading Systems:
      - Very safe trading system that uses leverage 1:1 – 1:3 which generates an average 15-20% ROI a year. If it is a good year, more than 40% ROI is possible.
      - Medium risk trading system that uses leverage less than 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 100% ROI is possible.
    - ◆ Trading Systems Applications.
    - ◆ Ultimate guidance of OctaCapital trading systems.
    - ◆ OctaCapital trading systems principles.
    - ◆ OctaCapital trading systems underlying assumptions regarding Forex Market.
    - ◆ OctaCapital trading systems logics.

- ◆ OctaCapital trading systems techniques.
- ◆ Choice of currency pairs that are suitable for OctaCapital trading systems.

### ❖ **OctaCapital Syllabus**

- Month 1-3 Paradigm shifts and Forex Basic. You will learn:
  - ◆ Why 95% traders fail and what should you do to change that.
  - ◆ How your perspectives shape how you approach the market.
  - ◆ Important elements of Forex Trading.
  - ◆ Necessary steps to take to be a successful trader.
  - ◆ Forex basic knowledge and application.
  - ◆ Trading Requirements.
  - ◆ Develop trading systems and plans.
- Month 4-6 Demo Trading
  - ◆ Put your trading systems and plans into demo trading.
  - ◆ Choose broker and open demo account.
  - ◆ Record or journal keeping.
  - ◆ Evaluate trading plan and results of demo trading.
  - ◆ Adapt your plan if necessary.
- Month 7-12 Real Trading
  - ◆ Open a real trading account.
  - ◆ Real trading
  - ◆ Record or journal keeping.
  - ◆ Evaluate trading plan and results of real trading.
  - ◆ Adapt your plan if necessary.
  - ◆ Graduation.

### Syllabus brief explanation:

You will learn what kind of steps is necessary in order to be a successful trader. Once you have master the Forex trading skills, you can apply these skills for a lifetime. These are snapshots of the skills and steps necessary to be a successful trader.

- ◆ Follow rules of the game.
- ◆ Change your paradigms.
- ◆ Study and master Forex Trading knowledge and elements.
- ◆ Prepare the trading requirements.
- ◆ Develop your Trading Plan.
- ◆ Practice with demo until you have consistent profit.
- ◆ Trading plan execution.
- ◆ Record keeping.
- ◆ Evaluate your plan and adapt as necessary.
- ◆ Always think and prepare for the worst scenario.

Why 95% traders fail and what should you do then.

You will learn why 95% traders fail and what should you do then. You will learn new

perspectives of important elements of Forex Trading. Most of what you learn how to trade Forex from the other resources are wrong. That's why 95% of traders lost their money. In this section you will learn how to change what you have known so far into the correct mindsets. You will learn what necessary steps to take to be a successful trader.

#### Forex basic knowledge and application

You will learn general trading knowledge and how to apply them in your real trading situation.

#### Trading requirements

You will learn what basic skills and equipment you need to prepare.

#### Develop trading systems and plans

In this section you will learn how to develop trading system, which currency pairs to trade and the reasons, how to calculate capital needed and acceptable leverage, risk analysis, how to place and close orders, etc.

You will also learn why and how I get my trading systems. You will learn how to synthesize and mix all of trading elements and how to stack each element to your favor.

Every person has his or her own preferences. If you think my multiple trading systems are not suitable for you, than with the all the knowledge that I have taught you, you can create your own system and develop your own trading plan.

#### Practice with demo until you have consistent profit

One of the good things in starting Forex trading business is that you can practice with virtual money until you became a master without losing a penny when you fail practicing. Everything looks real, the price, the quote, the process are the same when you trade with real money. But the mentality will be different between trading with real money from trading with virtual money. That is why after you practice and proof your to self that you can make consistent profit, the next step is to start trading with real money but with very small amount of money. You trade micro or even nano lot first. Then, you can increase your capital anytime, any amount after you are comfortable. The market will always be there for you. Be patient.

#### Trading plan execution

You will implement what you have planned. You will learn how to make a standard operating procedure, checklists and notes to help you stay on course.

#### Record keeping

You will learn how and what are needed to be recorded. From your journal you will learn from the past and avoid mistakes for the future; you will know how your trading business is; you also will learn about yourself, your mentality. Journal will make you a better trader.

#### Evaluate your plan and adapt as necessary

Forex market will always change; the most influential factor is the economic condition of the country. An economic country condition will go through economic cycle where there will be an up and down. You will learn to how to look trading opportunities and know how to evaluate and change your plan.

Always think and prepare for the worst scenario

Forex trading is about survival first, make money second, and lastly make it last and becoming your source of passive income. You will require to change your mindset into always thinking the worst scenario. You will learn what kind of risks and threats associated with Forex trading and how to prevent and minimize them.

#### ❖ **OctaCapital Rules**

- OctaCapital will teach how to invest in a very safe way. However, any types of investments always have risks either predicted or unpredicted. Therefore, OctaCapital will not be responsible of any loss incurred.
- OctaCapital trading system is a long term investment (usually the BEP is 4-10 years. However BEP time can be shorter or longer depends on the market condition). It is similar to other typical business investments.
- Everything thought by OctaCapital can not be disclosed to any other persons.
- Any communications will be conducted by email or Blackberry Messenger or Whatsup Messenger. OctaCapital will try to answer within 2x24 working hours. In case of an emergency, you can call OctaCapital mobile phone.
- OctaCapital will not teach basic math and basic computer skills.

#### ❖ **Price & Payment**

<b>Online Training</b>	<b>Private Training</b>	<b>International/National Private Training</b>
<b>\$ 2,000 USD</b>	<b>\$ 10,000 USD</b>	<b>\$ 10,000 USD + Accommodation Fee</b>
- Communication via Email / Blackberry Messenger / Whatsup Messenger.	- Communication via Email / Blackberry Messenger / Whatsup Messenger. - Weekly meeting at Surabaya, Indonesia	- Communication via Email / Blackberry Messenger / Whatsup Messenger. - Daily meeting at Surabaya, Indonesia

#### **What will you get from Private Training**

- More personal mentorship.
- Weekly meeting at Surabaya, Indonesia
- Meeting will be conducted at students' choice of place.
- Close monitoring of progress and understanding.
- Close monitoring of demo and real life trading.

**International / National students private training**

- For students who live out of Surabaya that seek private training.
- More personal mentorship.
- Daily meeting at Surabaya, Indonesia
- Meeting will be conducted at students' choice of place.
- Close monitoring of progress and understanding.
- Close monitoring of demo and real life trading.
- International students required to finish all materials first to avoid overstay, so that daily meeting can be very efficient and avoid expensive accommodation fee.

**Payment Method**

- Paypal.
- Wire Transfer



## 9. MONEY MANAGER

### Content:

- ❖ Who and why needs Money Manager?
- ❖ Why choose OctaCapital as your Money Manager?
- ❖ Expected ROI.
- ❖ Trading Proposal of 2015.
- ❖ Guarantee.
- ❖ Fee.
- ❖ Inquiries.

### ❖ Who and why needs Money Manager?

Trading Forex is a very risky investment. I believe more than 90% traders fail. Therefore if you do not know how to trade Forex or have little experience, please do not trade with real money at all, you will lose all of your money! Leave the trading to professionals.

Other reasons that you should use professional Money Manager:

- People who do not have time to learn how to trade Forex.
- People who prefer Money Manager to manage their investment.
- People who prefer Money Manager that has more experience to manage their investment.

### ❖ Why choose OctaCapital as your Money Manager?

- Safety First!
- Use only reputable and registered Brokerages.
- Everything is planned in advance; how much capital is required, what leverage will be used, what pairs to trade and why, what price level are the buy and sell positions, what is the target profit. etc.
- Simple and clear system that every trade has been done without guessing case by case and hesitation.
- 100% winning rate. It is achieved by using low leverage (below 1:10), no prediction, and no stop loss.
- Stress free because it is a 100% winning rate and using a low leverage trading system.
- Does not use any stop losses (please read why I do not use any stop losses in my free e-book "OctaCapital Forex Trading Built To Last, book 1: Metanoia).
- Does not predict price movement / not based on prediction.
- Does not use Fundamental and Technical analysis. Trading is based on Price Level and Proper Leverage used.
- Does not use any robots, ea-s, black boxes, and signaling indicators.
- Make profit regardless of market movement.
- Trades manually.
- Use proper leverage in order to maximize profit and stay safe.
- Approach trading Forex as a business, not as a gambling and speculating.

- A long term business investment. BEP 4 – 10 years.
- Reasonable fee and ROI guarantee. No other Money Managers will guarantee ROI except OctaCapital.

❖ Expected ROI.

- Very safe trading system that uses leverage 1:1 – 1:3 which generates an average 15-20% ROI a year. If it is a good year, more than 40% ROI is possible.
- Medium risk trading system that uses leverage less than 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 100% ROI is possible.

❖ Trading Proposal of 2015.

- Very Safe Trading System
  - ◆ Expected ROI: 15-20% a year.
  - ◆ Second ROI target: 30% plus a year.
  - ◆ BEP: 5 – 10 years.
  - ◆ Leverage used: 1:1 – 1:3
- Medium Risk Trading System
  - ◆ Expected ROI: 30-40% a year.
  - ◆ Second ROI target: 50% plus a year.
  - ◆ BEP: 2 – 5 years.
  - ◆ Leverage used: less than 1:10

❖ Fee.

- Management fee : 0.1% / month
- Performance fee : 20% of closed profit. (High Watermark applied)
- Join / Exit fee : none

❖ Guarantee.

OctaCapital will guarantee that your ROI is at least 15% a year for OctaCapital very safe trading system (before deducting management fee and performance fee and after adding interest income). Otherwise, OctaCapital will return all of the performance fee for that period.

OctaCapital will guarantee that your ROI is at least 30% a year for OctaCapital medium trading system (before deducting management fee and performance fee and after adding interest income). Otherwise, OctaCapital will return all of the performance fee for that period.

❖ Inquiries

Please email [octacapital@gmail.com](mailto:octacapital@gmail.com)

## 10. FREE CONSULTATION

If you have any trouble or want to consult with your demo or live Forex Trading or trading system, just email me, I will give you free consultation. I will do my best to give you some advice to make you out of the trouble. The decision is still yours to make. However, I can not and will not guarantee the success, because the most Forex trading trouble comes from over leveraging, over trading and undercapitalized.

Please read Risk Warning / Disclaimer before contacting me.

Please email me information about:

- All of your trading positions (pairs, price level and number of lots).
- Your capital size.

Please do not ask me about:

- Basic Math.
- Basic Forex education.
- How do I trade Forex / what my Forex trading system is.
- Where the price is going to be.
- Trading signals.

Please forgive my slow response, because my priorities are:

- Me and my family.
- My clients and my students.
- My other businesses.
- The rest.

## 11. FAQ

- Is trading Forex safe?
- What is the success rate of this business?
- Is Forex Trading gambling?
- Why do I need to learn Forex Trading?
- Why do I need to learn Forex Trading from OctaCapital? What is the difference with other mentorship program?
- Why do I need a mentor?
- Why do I need to master a very low risk trading system?
- How safe is OctaCapital low risk Forex trading system?
- OctaCapital Forex trading system descriptions.
- What is OctaCapital ROI per year?
- Is there any guarantee?
- What are the steps becoming a successful Forex trader?
- Do use exotic indicators? Do use black box? Do you broadcast trading signal?
- Am I going to be dependable on OctaCapital after finishing mentorship?
- How much capital should I invest in Forex Trading?

- Is trading Forex safe?

Forex Trading is very dangerous!, especially for newbies. The moment you enter Forex trading business, you are already **risking 100% of your capital, not 1% or 2% of your capital. And even you can end up losing more than your investment!**. There are a lot of risks associated with Forex Trading which are **beyond your control**. OctaCapital mentorship program will teach you how to recognize, analyze, manage, minimize and eliminate those risks, so that the fatality rate can be kept very minimal.

- What is the success rate of this business?

Without the proper knowledge, the fatality rate is around 95%! But, if you take OctaCapital mentorship program and apply OctaCapital very safe trading system, you will never lose and make steady income. The only way you lose your account using OctaCapital very safe trading system is if your broker goes bankrupt and run away with your money.

- Is Forex Trading gambling?

It depends on how you approach the market. If you have to predict and use high leverage to make money then you are definitely gambling. But if you use no or low leverage and always close your trade with profit then you approach Forex trading as a business.

- Why do I need to learn Forex Trading?

These are the reasons why you need to learn Forex Trading: (it applies if you take OctaCapital

mentorship program but you will not achieve the same results with other trading systems)

- Forex Market is very huge and liquid, it is three times as big as all of the stock markets combined.
- You can buy and sell instantly and you can buy and sell as much as you can.
- The market is open 24 hours for five days straight.
- It is very scalable; you can start as low as 100 USD and add capital as much as you can. The sky is your limit.
- The value of a currency never goes to zero.
- Multiple contract sizes that can be suited to your capital strength.
- Low barriers to entry, low capital to start, and low tuition fee. Low tuition fee if you have the correct mentor, otherwise your tuition fee will be very high.
- You will acquire a skill that can be used for a lifetime even when you get older and weaker.
- Have a business that is so simple that I can do it by my self so that I will not get headache with my suppliers, customers, employees, inventories and etc.
- Have a business that has no competitors literally.
- Have a business that is not very affected by any market conditions.
- Have a business that is very scalable. You can start as low as 100 USD and add capital as much as you can. The sky is your limit
- Have a passive income generator and have a business that makes money work for you instead of the other way around.
- Have a business that will free your time so that you can pursue other interests, hobbies or other business opportunities.
- Have a business that can be managed anywhere as long as there is a phone connection or internet connection.

➤ Why do I need to learn Forex Trading from OctaCapital? What is the difference with other mentorship program?

If you buy Forex trading books or e-books, take Forex Trading classes or seminars or go to Forex trading forums, most of them will teach you:

- To set a high return target by using very high leverage (usually more than 1:100).
- How to predict using fundamental analysis, technical analysis, magical indicators or black box system.
- How to cut loss if the prediction is wrong.
- How to manage capital in order to survive longer if the prediction is wrong. Usually they will tell you to risk 1-2% per trade.
- How to manage risk reward.
- To be discipline and have an iron gut mentality (always take the next trading opportunity regardless of previous loss).

My mentorship program is way too different from the others, just like day and night. I will teach you:

- How to trade in a very safe way by using low leverage (less than 1:5).
- How to achieve 100% winning ratio by using low leverage (less than 1:5).

- Multiple trading systems with different target returns that are based on risks (Low risk, medium risk and high risk trading systems)
- How to make profit without prediction.
- How and why to not use cut loss.
- How to manage your initial capital, how to re invest, how to diversify and how to manage risk.
- How to manage risk-reward-probability.
- How to acknowledge, manage, minimize and eliminate general risks associated with Forex Trading.
- How and why you will be a stress free trader and do not need iron gut mentality.

And more importantly that I will teach you:

- The good and the bad of Forex Trading business. I will not sugar coated the good part nor I will hide the truth about the bad part of Forex Trading Business. Therefore, in the end you can decide by yourself whether you want to pursue Forex Trading Business or not.
- Why and how you need to change your paradigms approaching Forex Market. Paradigm shift is the first step to be a successful trader.
- How to choose a good business opportunity. You will have a clear understanding why you trade and why you choose Forex as your business.
- How to create a passive income system, not a trading system that will enslave you.
- How to calculate how much capital needed. And I also will teach you different kind of leverages and how to use proper leverage. Enough capital and proper leverage are the main keys to be in the Forex business for a very long time.
- Different kind of costs associated with Forex trading. You will know how much operating costs per trade will be.
- Different kind of risks involved, both risk directly related to trade Forex and indirectly.
- Trading elements and how to use each element to increase your return.
- How to fish; how to create your own system. I will teach you everything so that you can create your own trading system. And you will not be dependable on me.
- My trading system very simple and clear. It is like buying a franchise system. You will get a step by step manual and checklist.

These are the main differences between my mentorship program and others':

OCTACAPITAL	OTHERS
Safe – Low Risk – Low Leverage	High Risk – High Leverage
100% winning ratio	Win some – Lose some/all
Very Simple System	Complicated System
Create passive income	Just another job
Do not predict price movement	Try to predict price movement
Plan everything in advance	Make decision on case by case
Very low stress level	High stress level
Free time	Need to monitor the market closely

➤ Why do I need a mentor?

Forex Trading is a very dangerous place. The mortality rate is very high, up to 95% of traders lost their money. You need someone, a mentor who has the knowledge and experience in the Forex market and who is ethical and sincere to hold your hand while mastering Forex Trading until you become a successful trader.

I have given you freely all of my trading principles. They are the building blocks that I used to developing OctaCapital trading systems. You can use them as a guidance to build your own system and find the way by yourself. But as you know that there are a lot of variables involved in trading Forex and you need to tweak them and find the optimum combination and balance. Therefore, it may take a lot of time and a lot of money achieving what I have accomplished, and there is also a probability that you will not achieve it without my help. Let me help you.

Let me be your mentor and I will:

- Teach you how to fish so you will not depend on me or other teachers.
- Hold your hand and guide you for six months or whatever it takes to make sure that you fully understand the knowledge and until you become a consistent profitable trader.
- Teach you how to make a business that gives you a passive income for a lifetime.

➤ What will you achieve from OctaCapital mentorship program?

These are your main goals if you take my mentorship program:

- A clear understanding why you enter Forex Trading business and what is your income expectation.
- Have a complete knowledge about Forex Trading so that you can create your own system and not dependable on your mentor or teacher.
- Have a ready to use a very safe trading system.
- Have a trading system that will achieve 100% winning rate.
- Have a skill that can be used for a lifetime even you get older and weaker.
- Have a business that is so simple that you can do it by yourself so that you will not get headache with your suppliers, customers, employees, inventories and etc.
- Have a business that has no competitors virtually.
- Have a business that is very scalable.
- Have a passive income generator.
- Have a business that makes money work for you instead of the other way around.
- Have a business that will free your time so that you can pursue other interests, hobbies or other business opportunities
- Have a business that can be managed anywhere as long as there is a phone connection or internet connection.

➤ Why do I need to master a very low risk trading system?

- If you trade with a large amount of capital, you will need a trading system that is very safe, robust, reliable and last forever. You do not want a trading system that will win some and lose some.

- If you use high leverage, you are forced to use stop loss. But stop loss is not guaranteed to be executed, even margin call can not save you from ending up with negative balance. You can lose more than your investment. This is very dangerous. You can have substantial debt to your broker (recall SNB 15-1-15). However, if use low leverage, your trading system will hold the wildest swing of price movement. You will not get margin call or end up with negative balance.
- With very low or no leverage, you will achieve 100% winning rate. But if you use high leverage, you will never achieve 100% winning rate.
- If you use low leverage, your margin of error is very high. But if you use high leverage, you have a sharp razor margin of error, a little mistake will cost you substantially.
- You will have a stress free trading lifestyle. I bet almost all of you with high leverage trading system will feel stress every time you enter a trade, because of not knowing the result of the trade will be.

When you have mastered a very safe trading system, you have a freedom to use a medium or high risk trading system. Your medium risk trading system will compliment your very safe trading system. This system will boost your income tremendously. But the source of capital for this system should be from the profit of the very safe trading system, not from your main capital. Otherwise you are in a very danger situation losing your main source of income. And also you will be much less stressful knowing that your capital is free capital acquired from a very safe trading system.

OctaCapital will teach you multiple trading systems that are based on risks. Moreover, OctaCapital will teach you how to analyze, manage, minimize and eliminate risks.

- How safe is OctaCapital low risk Forex trading system?
  - It will hold very wild price swing, thousands of pips.
  - I started using this low risk trading system concept in 2007. It was a very raw concept at that time.
  - This safe trading system has survived 2008 economic crisis.
  - This safe trading system has also survived 2015 SNB crisis. I had a lot of open positions of Aud-Chf, Cad-Chf, Nzd-Chf, and Gbp-Usd at that time.
- OctaCapital Forex trading system descriptions.
  - Safety First!
  - With my system, you will plan everything in advance; how much capital is required, what leverage will be used, what pairs to trade and why, what price are you going to buy and sell, what is your target profit. etc. Since you have planned everything in advance, you no longer need to make analysis, get confused and make a decision every time you want to enter a trade. Daily trading routines will be just monitoring and executing your plan.
  - It takes about five to fifteen minutes everyday to manage your trade. There is no specific hours to manage your trade and it does not to be everyday also.
  - Safe and profitable that last forever regardless of the market condition.



- Multiple trading systems with different target returns that are based on risks.
  - Very safe trading system that uses leverage 1:1 – 1:3 which generates average 15-20% ROI a year. If it is a good year, more than 40% ROI is possible.
  - Medium risk trading system that uses leverage 1:3 – 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 60% ROI is possible.
- Does not use Fundamental and Technical analysis. Trading is based on Price Level and Proper Leverage used.
- Does not use any robots, ea-s, black boxes, and signaling indicators.
- Trades manually.
- Does not use any stop losses (please read why I do not use any stop losses in my free e-book “ OctaCapital Forex Trading Built To Last, book 1: Metanoia).
- Does not predict price movement (not based on prediction).
- Make profit regardless of market movement.
- Simple and clear that you can trade without guessing case by case and hesitation.
- 100% winning rate will generate consistent profit.
- Use proper leverage in order to maximize profit and stay safe.
- Approach trading Forex as a business, not as a gambling and speculating.
- A long term business investment. BEP 4 – 10 years.
- Makes money work for you instead of the other way around.
- Not very demanding physically and mentally.
- Passive income business.
- Stress free because it is a 100% winning rate and using a low leverage trading system.

➤ What is OctaCapital ROI per year?

- Very safe trading system that uses leverage 1:1 – 1:3 which generates average 15-20% ROI a year. If it is a good year, more than 40% ROI is possible.
- Medium risk trading system that uses leverage 1:3 – 1:10 which generates average 30-40% ROI a year. If it is a good year, more than 60% ROI is possible.

➤ Is there any guarantee?

Yes.

- I will refund all of your tuition if you do not make any profit and if your balance is not increased within one year using OctaCapital trading systems.
- I will refund all of my performance fee for Fund Manager program if ROI for one year period is less than 15% (using a very safe trading system).
- I will refund all of my performance fee for Fund Manager program if ROI for one year period is less than 30% (using a medium risk trading system).

But NO if :

- You do not follow my teaching exactly what I have told you.
- Your brokerage goes bankrupt or takes away your money and ran away.

- Unnatural extreme market condition happens, such as nuclear war that will wipe the entire currency from the market place. Black Thursday SNB is still covered by my guarantee ;-)
- Accidents from your part happens. I can not guarantee that you are always perfect in executing a trade. In other words that you can make mistakes putting orders, for example: you intend to buy 0.01 lot, but you accidentally buy 1 lot.

➤ What are the steps becoming a successful Forex trader?

These are snapshots of the skills and steps necessary to be a successful trader. Please download my free e-book for further explanations.

1. Follow rules of the game.
2. Change your paradigms.
3. Study and master Forex Trading knowledge and elements.
4. Prepare the trading requirements.
5. Develop your Trading Plan.
6. Practice with demo until you have consistent profit.
7. Trading plan execution.
8. Record keeping.
9. Evaluate your plan and adapt as necessary.
10. Always think and prepare for the worst scenario.

➤ Do use exotic indicators? Do use black box? Do you broadcast trading signal?

No

➤ Am I going to be dependable on OctaCapital after finishing mentorship?

No, because I will teach you all of the knowledge necessary so that you will have a complete understanding how Trading Forex works, therefore you can develop your own trading system. I will provide you ready to use trading systems that are based on risks. You can modify and develop your own system if you feel my systems are not suitable for you.

➤ How much capital should I invest in Forex Trading?

Since Trading Forex is very dangerous because a lot variables are beyond your control, it is wise to use only max 30% of all your **capital** into a very safe or a medium risk trading systems and max 10% of your **income** into a high risk trading system. And you must use only capital that you can afford to lose.