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## **A Note from the Author**

Hey there – this is Harold Hsu from Forex System Profits, and I want to thank you for downloading this report today. You've just taken a very important step in your trading career, and I want to congratulate you on choosing to take action in improving your trading bottom line.

You see, many new traders just **talk** about wanting to learn more about Forex trading... But when the time comes for them to take action, they simply go "Nah... I'll do it tomorrow" or "I'll look into it next week", or give a hundred other excuses for waiting just a little bit longer before taking any action.

As you might guess, most of these people **never** actually get anything done! They'll just sit in front of the TV flipping channels every night, hoping that by some miracle, bucket loads of cash will fall straight onto their laps.

Forgive me for being blunt, but that's just wishful thinking!

Now, don't get me wrong – Forex trading CAN be very profitable. It just takes some initial effort to learn how to do it right, that's all.

So once again, give yourself a pat on the back! Keep on going and keep taking action. Don't lose your winning momentum!

## **Before We Begin...**

Okay listen... I'm not the kind of guy who likes to beat about the bush when trying to tell you something, especially when it's important. The material I reveal to you in this book has been presented in a manner as concise as possible – every point I mention is there for a good reason: I want to help you profit as much as possible from Forex trading. So please take what I have to say seriously and don't skip sections. ☺

I took a lot of time and effort to produce this report, so I'd really appreciate it if you could drop me a comment on what you think about this material... Help make it better!

Please send any questions/comments to:

[harold@forexsystemprofits.com](mailto:harold@forexsystemprofits.com)

...I'd really like to find out what you think about this report!

...and now if you're ready to begin, grab a drink, have a comfortable seat, and please enjoy the read...

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# Chapter 1

## Know Your Market



## **Section 1 – Why Forex?**

Until recently, Forex trading was available only to the large institutional traders and money-centre banks. But today, thanks to the development of online trading platforms, this lucrative market is now available for individual retail traders like you and me.

The Forex market is **by far** the largest, most liquid and exciting market to trade in the World!

In fact...

**\$3.2 trillion are traded in the Forex market Every Day**

That's 3,200,000,000,000 daily reasons to be interested in trading Forex...

It's more than 100 times larger than the trading volume of the New York Stock Exchange!

Now I don't know about you... but I'd sure as heck like a piece of this pie!

### **The global market that (almost) never closes**

The Forex market is open literally 24 hours a day, and only closes during weekends.

And that's great news for retail traders like you and me! We can now choose to trade at any time of the day. If you have a day job for example, you can always trade in the evenings after work. No other financial market can give you this much flexibility.

The market opens each day in Sydney, and moves across the globe to Tokyo, then London and New York. It's connected globally, and traders from all over the world trade alongside each other in this same market.

## **High Leverage**

The Forex market also allows for high-leveraged trading. This means that you can trade with large amounts of currency by using only a fraction of the amount.

With 100:1 leverage for example, you can trade up to \$100,000 in the market by only putting up \$1,000 of your own money.

What do you think about that? And with so many brokers offering high leverage today, many new traders can start trading with as little as **\$200!**

## **Would you like to join in the “fun” ?**

With such attractive characteristics, it's no wonder that floods of new traders enter the Forex market every day. It's easy to set up a new trading account, and you can literally start trading in only a few hours. If you haven't already, you might be thinking of opening a trading account yourself!

## **But hold on for a minute...**

At this point I have something to confess...

You see, I haven't been completely truthful to you... I haven't been telling you the whole story...

I hope you're not offended... But what I've been telling you so far is only **half** the truth...

For the other half of the story (and a more realistic understanding of the Forex market), please read on...



## **Section 2 - The dark side of the truth**

In the previous section of this chapter, I've told you about all the "great" things in the Forex market. Those are the same characteristics that many Forex websites and brokers use to advertise for more business.

"Make \$500 in one hour!" they shout out to you.

"Trade with \$100,000 using only \$1,000!" they cheer.

Well, I'm going to put myself on their hit list here... but it's time you knew the truth about how the Forex market really works... and trust me, things aren't as rosy as they seem.

But before I jump into the details, you'll first need to know that...

### **More than 90% of Forex traders lose money**

Please, always remember this.

Among all the Forex traders in the World, only less than 10% of them actually make money.

That's quite a staggering percentage, don't you think?

Out of every ten traders, nine lose.

Even a game of pure chance should result in 50% winners and 50% losers...

So something must be very wrong for the 10% of traders to **consistently** win the other 90%, don't you think?

**And now, for the first time...**

**I'm spilling the beans...**

I'm probably going to get a lot of flack from the trading community for revealing all of this information... but here goes anyway...

First of all, you must realize that...

## **There are no rules in the Forex Market**

Many new traders think the Forex market is just like any other financial market... but unfortunately that's not the case. The Forex market is actually quite different...

You see... In many aspects of our lives, there are rules that we stick to for our own protection.

We're not allowed to cross the street when the pedestrian light turns red.

When driving, there are "Stop" signs to warn us of incoming cars.

Everywhere we go there are warning signs to help protect us.

But not in the Forex market.

The stock and futures markets have official organizations that regulate the trading activities in those markets.

But not in the Forex market.

To date, there's no single governing authority that regulates Forex trading activities.

This is also to say that if you've been treated unfairly, or somehow cheated of your money while trading Forex, there's **no** official agency you can turn to for help.

In Forex trading, you're pretty much on your own. It's like the wild west... there are no rules.

And that's one of the reasons why the Forex market is so famous for producing losing traders... It's a dangerous market to trade in.

Let's now look at the other reasons why people often lose money in Forex:

**Lack of market understanding:** Many retail traders don't really understand the forces that move currency markets, or the manner in which the markets move. They also don't truly understand how brokers and leverage really work, and end up trading with a high chance of losing.

**Confusing trading with gambling:** Losing traders often don't distinguish between trading and gambling. They think it's a 50-50 chance for the market to move up or down, and think of trading as a short-cut to making tons of money overnight.

**Lack of a good trading system:** People who lose money trading often don't know the right time to trade, the right amount to trade, or the right direction to trade in.

**Lack of discipline:** Any trader can take the best trading system in the World and still lose money with it if he doesn't stick to the rules of the system. Emotions play a big part in trading, and traders who can't keep them under control lose money.

Can you now see why there are **so** many losing traders in Forex? It's pretty scary when you think about it... the odds are heavily against retail traders.

## **But there's hope!**

I hope what I've told you so far doesn't turn you away from Forex trading, because... Remember how only 10% of traders are profitable, while the other 90% lose money? This also means that out of every ten traders, one of them is making money **from** the other nine! And that's a lot of money for that one trader to make!

It definitely pays to learn how to trade the right way.

Do you also remember that I congratulated you (at the beginning of this report) for downloading this material?

I congratulated you because 90% of new traders out there wouldn't have taken action like you did... And those are the traders that'll trade blindly without understanding the true risks when trading Forex. That's how they lose money – by all the above reasons I've just talked about. They just don't know about these risks!

And **now** that you're aware of these risks, you're way ahead of those other traders! Soon enough, you'll be making money **from** them! So keep learning, and keep taking action... the rewards will be more than worth it.

In the next chapter, I'm going to reveal to you the one aspect about Forex trading that the winning traders know... that the losers still don't understand...

It's the one key factor that causes traders to lose... even before they place their first trade!

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## **Chapter 2**

# **The Secret to Consistent Profits**



## **Section 1 – The Profit Paradox**

As you already know, there are many reasons why people lose money in Forex trading.

But my opinion, this is the single biggest reason why there are so many losers in the market:

### **Losing traders focus too much on making money**

I know this probably sounds odd to you at first – after all, we're all in the market to make money, right? And if our goal is to make money, shouldn't we spend most of our time learning better techniques to trade more profitably?

This is probably one of the biggest misconceptions in the World of Forex trading, because it seems so "logical".

The truth however, is not so straight forward...

You see, winning traders don't treat "making money" as their top priority at all...

### **Winning traders focus on avoiding losses and money management**

There's a small but very important difference here... while many losing traders are obsessed with finding the "best" trading techniques for making money, the winning traders prefer to focus their energy on managing their downside risks and avoiding losses!

Now don't get me wrong – winning traders **do** develop their own profitable trading systems and techniques... but they only do this after they have a solid money management plan in place. It's more important for them to manage their risks rather than to find ways to predict the market.

## **Don't predict... Manage!**

So why do winning traders focus more on managing their risk?

The short answer is because winners know what they can't know about the market.

Confused?

Let me explain what I mean...

Losing traders look at their charts and **think** they know what they're seeing in the currency markets. They **think** they understand what the charts are telling them.

But in reality, they're just **guessing**. They hear what they **want** to hear, not what the market is really telling them. And that's why these traders get punished by the market in the end. They don't have the correct perspective about the market to trade properly!

**“Harold, what's this perspective you're talking about ?”**

### **Section 2 – Seducing Lady Forex**

Believe it or not, the currency market is actually very much like a fine woman (if I may use that analogy). It's very attractive, but also dangerous. Every trader tries to pursue this sophisticated “woman”, but be warned: If you don't treat her right she'll turn around and break your heart (and wallet!)

To win her favour, you'll first need to understand her. Like a woman, the market has "emotions". Sometimes she's excited, and sometimes she's calm. Quite often, she says the opposite of what she feels, and when you don't pay enough attention to her, she'll make you pay dearly when you trade. Most of the time, she's also unpredictable.

But if you take the time to listen and understand the market, and you react according to the signals she gives you, you'll be handsomely rewarded.

For example, if a woman leans close to you, and plays with your hair, it might be a good idea to lean in for a kiss. 😊

But if she sits away from you with arms crossed and eyes rolling, it's probably a good idea to stay away, at least for now. If you **misinterpret** her signals and try for a kiss at this time, you'll probably end up with a tight slap across the face. ☹

**" Harold, what the heck are you talking about ?**

**What's Forex trading got to do with meeting women ?! "**

Haha... I humbly apologize – I guess had a little too much fun with that analogy 😊😊  
But the point I want to make is that you must understand and correctly interpret the market signals, before you'll know the correct actions to take. Often, the market will give unclear signals... and winning traders are not afraid to admit they're not sure about where the market is headed. The losing traders will **think** they see a buy/sell signal, and will place a trade with a high probability of losing.

To be consistently profitable, you'll need to take the perspective that the market is an accumulation of sophisticated (and often conflicting) signals and emotions. The market does **not** often give simple, clear-cut "buy now" or "sell now" signals. It's not always easily predictable.



It's more an art than a science to interpret the market, just like how there's no mathematical formula for anyone to learn how to pick up a woman (or man). You'll just have to play by ear, and learn from experience to be able to properly interpret market signals.

Does this make sense?

**"All right Harold, I hear ya.**

**So how do I begin to understand the Forex market?"**

Although there are many things you can learn about the Forex market, there are generally two things you'll first need to know:

**1.** The structure of the market

**2.** The nature of the market

To understand the structure of the market, you'll need to know:

■ **Who the market participants are**

Market participants are either your friend or your foe. They can either help you make money, or cause you to lose money. Understanding who these traders are will help you become a more profitable trader by trading on the same side as the stronger traders.

■ **The respective strength of these participants**

Once you're aware of your potential trading "friends and foes", you'll also need to know the strength of each group of traders. Trade alongside the stronger group and you'll be making money soon enough.

### ■ **When your “friends” are trading**

Who your trading “friends” are, depends on when you trade. Different people trade at different times; so you’ll need to have an idea of which group is strongest at the time you’re trading.

### ■ **How & Why your “friends” are trading**

This will help you trade in the same direction as your trading “friends” and also for estimating good stops and profit targets.

## **Time for a recap**

Before we continue, let’s take a quick recap on what we’ve covered so far...

You now know:

- Forex is a highly attractive market where almost anyone can trade in
- There are flocks of new traders entering the market every day
- More than 90% of traders lose money
- There are no rules in the Forex market
- The common reasons for losing money:
  - Lack of market understanding
  - Confusing trading with gambling
  - Lack of a good trading system
  - Lack of discipline
- The main underlying factor that causes most traders to lose:
  - Focusing too much on predicting the market
- Risk management is the most important aspect of profitable trading
- To successfully manage risk, you’ll first need to:
  - Understand the market
    - The structure of the market
    - The nature of the market
  - Interpret market signals correctly

Phew! We've managed to cover quite a bit...

Let's next talk about how you can be a profitable trader for yourself!

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## **Chapter 3**

### **Becoming the 10%**



In this last chapter, I'm going to give you a head start in sky-rocketing your trading career by giving you an introduction to the structure of the Forex market...

We'll explore these questions about the market:

- Who are the market participants?
- What are their relative strengths?
- How & Why do they trade?
- When do they trade?

**To answer these questions, let's take a look at each of the market participants, and their typical characteristics:**

#### ■ Central Banks

These include the Federal Reserve (Fed), Bank of England (BOE), Bank of Japan (BOJ), Swiss National Bank (SNB), and the European Central Bank (ECB).

There are as many central banks as there are currencies, but these are the central banks of the major currencies: US dollar, British pound, Japanese yen, Swiss Franc and the Euro, respectively.

Central banks are one of the strongest "individual players" in Forex. They trade with the resources of their respective countries, which usually amounts to much more than any individual trader can trade with.

However, unlike most other traders in the market, central banks generally don't trade for profit (i.e. speculation). The aim of central banks is to provide stability in their own currency, and to protect their economic interests. They do this by directly buying or selling their currency in the Forex market, which then affects the exchange rate of the currency. This is often called central bank intervention because the central bank trades in the opposite direction of the trend.

Central bank intervention is usually carried out repeatedly over a period of weeks, or sometimes even months. They tend to take action at critical chart points, where they can best influence the price of their currency with the least amount of trading resources.

Although a central bank has substantial resources to affect exchange rates in the short-term, in the long-term it cannot keep fighting the market... even central banks have limited resources!

### ■ Export & Import Businesses

These are firms and multinational corporations that export and import goods and services.

Typically, these corporations take part in the Forex market solely for their business needs. They either pay their suppliers in one currency, accept payment from customers in another currency, or do both. In other words, similar to the Central Banks, these market participants don't trade Forex for profit purposes.

And because these businesses don't trade for profit, they'll enter the market at any time their business requires them to obtain foreign (or local) currency.

These market participants are quite strong compared to individual retail traders, as they can exchange up to millions of dollars at a time.

### ■ Foreign Direct Investors

These market participants include individuals or large funds that make long-term investments in another country's assets.

These investors (as the name suggests) typically exchange currencies to purchase and **hold** the assets. They don't actively buy or sell currencies, but may substantially affect short-term exchange rates when they **do** trade. The strength of these investors varies according to the profile of the investor. The larger fund investors will have a bigger

impact on the exchange rate than individual investors, simply because they usually transact with a larger amount of money.

## ■ Speculators

These are the market participants that trade Forex for profit purposes.

They include:

- Investment banks
- Hedge funds
- Professional money managers
- Large corporations
- Retail traders (i.e. you and me)

Speculators are by far the largest group of traders in the Forex market. Most of the daily trading volume (up to roughly 95%) will come from this group.

And here's what this means:

**The direct goal of more than 95% of traders out there is to  
make money from retail traders like you**

If you've noticed, speculators include professionals who use advanced charting and technical tools, to increase the chances of making **you** lose money to them.

Not to mention that these are some of the smartest, most hardworking people you'll ever meet... it's no wonder so many retail traders are losing their money – they're losing to the big boys!

These professionals thoroughly understand the psychology of new traders. They know when inexperienced traders are feeling greedy, and when they're afraid of losing money. And they'll do their best to exploit the emotions of unwary retail traders.

They are the sharks of the market. They have the resources **and** the brains to "hunt" for your money... and you should be very careful when trading with them.

## Putting it all together

I hope you've had a good read so far... and now have a better understanding about the Forex market.

It's true that Forex trading CAN be very lucrative, because the winners make money from the other 90% of traders that lose... and that's a lot of money to make.

At the same time, you also now know why there are so many losing traders in the first place:

They don't understand the market, and they don't understand the true dangers of Forex trading. This report was written so that you **do** understand these dangers... so, good on you for taking the time to read it!

## Learning More

In this report, I've briefly introduced to you some of the many potential dangers of retail Forex trading... and I hope I've been able provide you with a more realistic sense of what it takes to become a profitable trader.

However, the material I've covered in this report is certainly **not** comprehensive...



I've explained the risks...

**But I haven't talked about how to avoid them**

**Or how to trade profitably!**

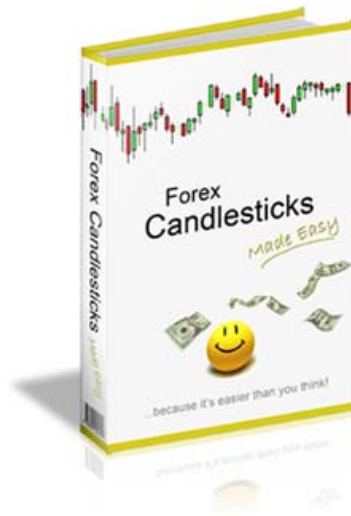
I haven't even mentioned:

- The nature of the Forex market
  - How the Forex market moves
  - Why it moves this way
- Brokers
- Leverage
- Fundamental analysis
- Technical analysis
- Candlestick analysis
- Trading systems
  - Scam trading "systems" vs True trading systems
- Personal trading psychology
- Trading discipline
- And much more...

As you can see... there are just too many topics to cover in a report as short as this...

And each one of these topics is crucial in improving your chances of becoming a profitable trader.

If you'd like to find out about profitable Forex trading, here's a great book to check out:



**Forex Candlesticks Made Easy** *by Christopher Lee*

This is one of the few rare books found online that shows you how to profit from the simple, but incredibly effective and accurate candlestick techniques that the book reveals.

There's absolutely no fluff inside, and Chris doesn't waste time telling you about the Forex market history etc. He goes straight to the explanation of how to properly interpret candlesticks (you won't believe how many traders don't get this right), and follows on to reveal 2 highly accurate candlestick patterns to trade with.

If you want to fully understand how to trade profitably without all the complicated technical jargon, this is in my opinion the single best resource you can get, no contest.

It has truly changed the way I trade for the better... You don't want to miss out on this!

Check it out at: <http://www.ForexCandlesticksMadeEasy.com>

## **That's all folks... Thanks for reading!**

Thank you for taking the time to read this report... I'd really appreciate it if you could do me a favour and drop me a comment about what you think of it...

You can send your comments to: [harold@forexsystemprofits.com](mailto:harold@forexsystemprofits.com)

Also, if you're not already a subscriber, go to <http://ForexSystemProfits.com> to get your free subscription. It's fast, and it's free!

Don't give up on learning more about Forex trading... you're already well on the right track to becoming a profitable trader!

All the best,

**HAROLD HSU**