



Trading FX Hub.

Trading Plan

We all know that psychology plays a fundamental role in your trading performance. Having a well-written trading strategy doesn't guarantee profitable results, but with the right trading psychology you are able to stack the odds in your favor.

In this section, you will find a list of questions that you need to go through every morning before you start your trading day. This trading plan will help you assess whether you are mentally prepared to start trading or you need to take a break from the market.

Make it a habit to go through this trading plan each morning so that you develop a systematic approach in your trading. Remember that if you fail to plan, you plan to fail!

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Section 1: Mental Preparation

- Are you feeling well? – If not then **DO NOT** trade.
- Did you get enough sleep? – If not then **DO NOT** trade.
- Is your mind clear of worry? – If not then **DO NOT** trade.
- Believe in yourself and tell yourself that today will be a good day.
- Review your trades from the previous day. Always keep a trading journal and a watch-list.
- If you are experiencing a poor run of form then consider lowering your trading size (lot size) until you get a feeling for how you are trading today.

When answering these questions, be honest with yourself. You don't need to pretend you are okay when you are not! **Better not trading for the day than losing hard earned money.**

The next section guides you through your market preparation.

Section 2: Market Preparation

- Check for major financial, economic and political headlines. Use websites like [investing.com](https://www.investing.com) or [forexlive.com](https://www.forexlive.com).
- What economic figures are released today and at what time?
- What announcements have been released? are they better or worse than expected?
- Is there any currency-specific news that may affect the value of the currency pair you want to trade?
- Create a watch list of currency pairs that you will watch and potentially trade including big movers from the previous day and pairs which are expected to move today.

– Where did the U.S. Dollar Index (DXY), the Dow, the S&P500, the Hang Seng and the Nikkei (N225) close? Identify the overall trend.

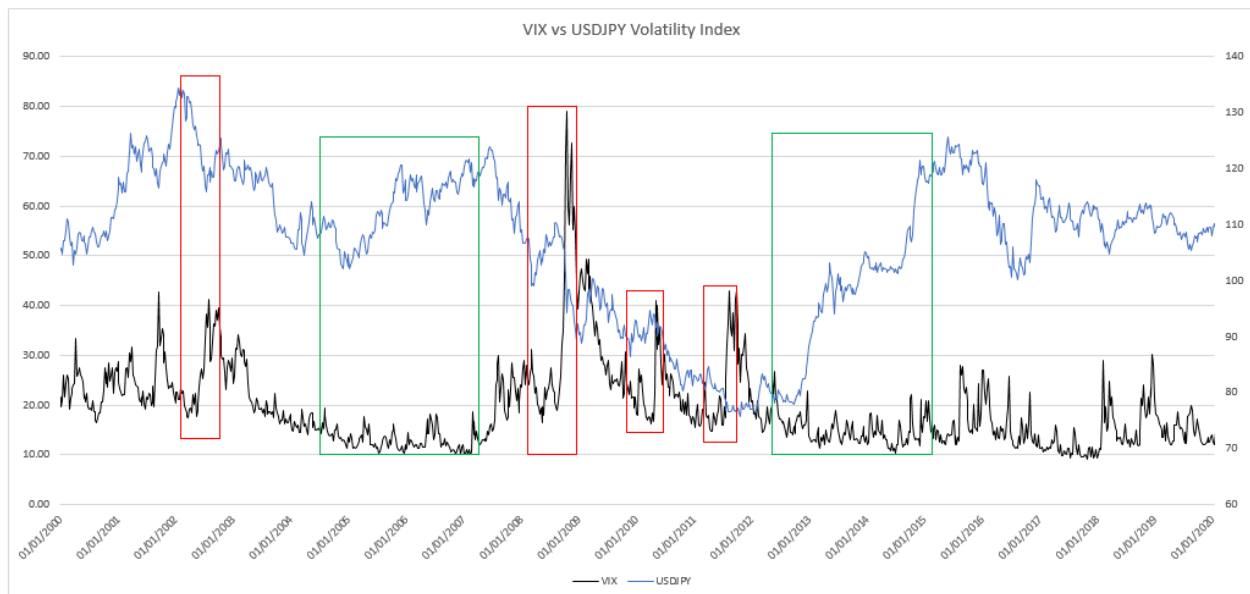
- When DXY goes up (down), USD goes up (down),
- When N225 goes up (down), JPY goes down (up) and USD goes up (down),
- When DXY goes up (down), US30Y goes down (up),
- When USD goes up > Commodity prices go down > Interest Rates goes down > Bonds go up > Stocks up,
- When USD goes down > Commodity prices go up > Interest Rates goes up > Bonds go down > Stocks down,

– Check the Shift in Forex Market using the VIX:

- Volatility increases = Buy JPY and CHF (Sell all pairs with JPY and CHF as quote currency)
- Volatility decreases = Sell JPY and CHF (Buy all pairs with JPY and CHF as quote currency)

Below is an example of how you can trade USDJPY using VIX:

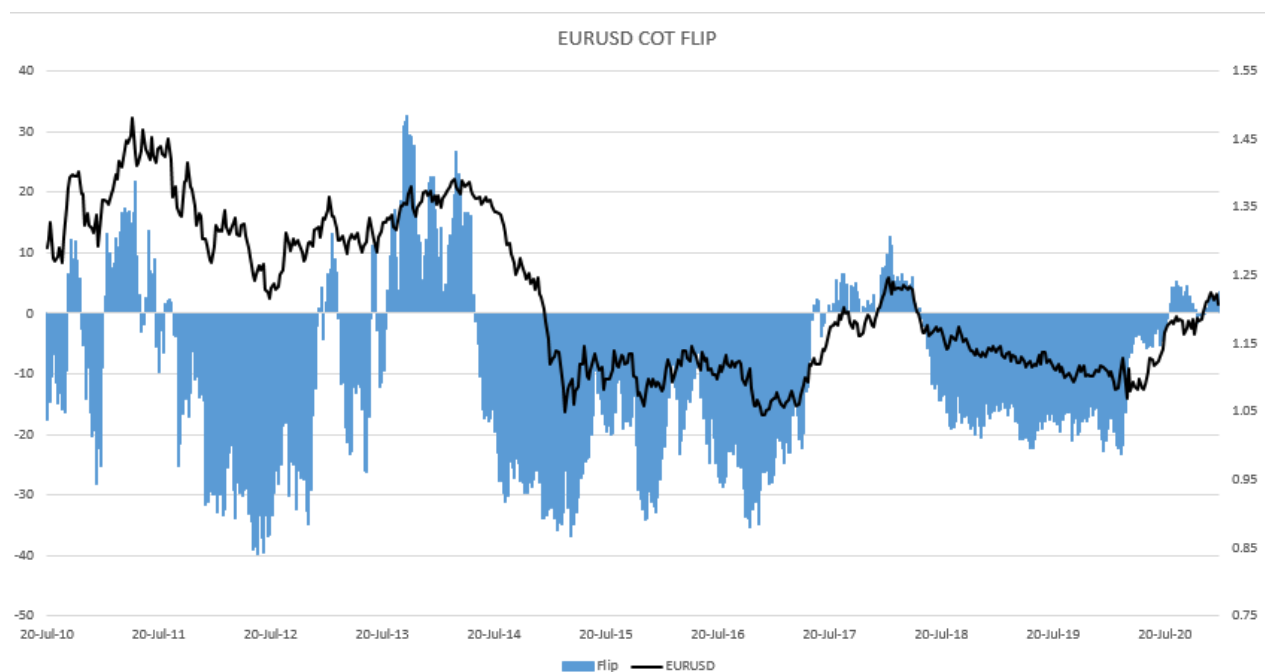
- When VIX spikes above 20, USDJPY goes down.
- When VIX drops down below 20, USDJPY goes up.



- Check the relative currency strengths:
 - To trade EUR/USD or USD/CHF, take a look at EUR/CHF,
 - To trade USD/CHF or USD/JPY, take a look at CHF/JPY,
 - To trade GBP/USD or USD/CHF, take a look at GBP/CHF,
 - To trade GBP/USD or USD/JPY, take a look at GBP/JPY.

- Check the COT Report to see smart money trading net longs and net shorts: [Tradingster.com](https://www.tradingster.com), [CFTC.gov](https://www.cftc.gov). Focus only on non-commercial long and short positions.

On this graph we have the Euro COT data plotted against the EURUSD:



As you can see, when the non-commercials are net long EURUSD goes up and when they are net short EURUSD goes down. The main thing to keep in mind when using COT data is to focus on the flip, which is the shift from net long to net short or net short to net long.

- What are the relevant trading ranges in your forex pairs? Use the ATR historical volatility analysis to gauge the range in pips to help you place educated stop loss orders.
- Are we in a market uptrend, downtrend or range in the short term, medium term and long term?
- Did the market close on highs or lows yesterday (suggesting intra-day strength or weakness) and watch where it opens today?
- Check pivot points. The pivot price is an approximation of yesterday's average trading price.
- Check supply and demand zones that are created/violated and confirmed.
- Check market correlation for potential divergence opportunities:

Gold:

- When Gold is UP: AUDUSD is UP, USD is DOWN, CHF is DOWN.
- When Gold is DOWN: AUDUSD is DOWN, USD is UP, CHF is UP.

TradingFXHub published on TradingView.com, June 29, 2021 18:06:32 UTC

FOREXCOM:XAUUSD, 1W 1763.21 ▼ -16.27 (-0.91%) O:1781.50 H:1785.79 L:1750.80 C:1763.24

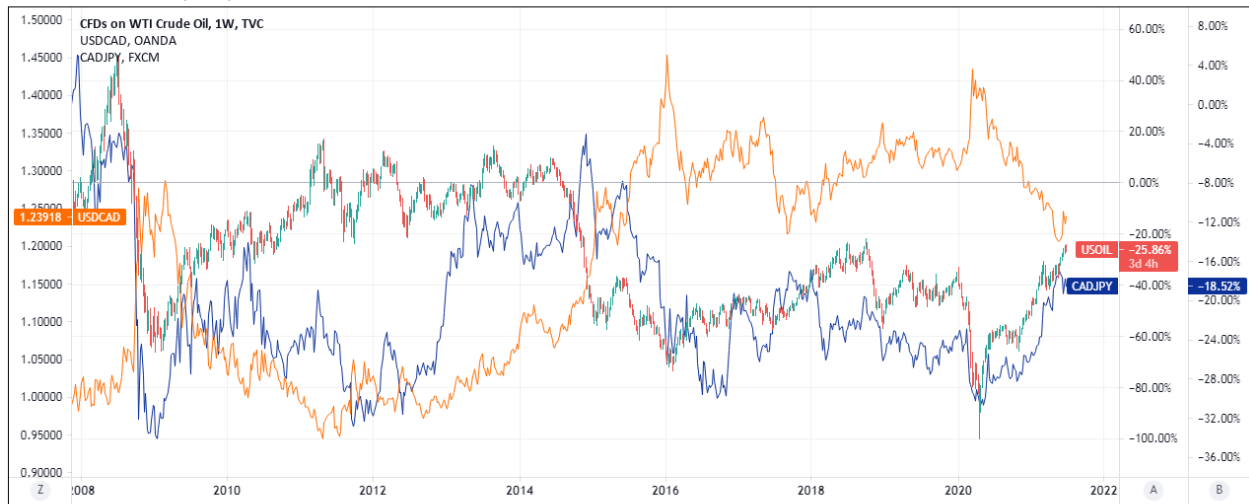


TradingView

Crude Oil:

- When OIL is UP: CADJPY is UP, USDCAD is DOWN, JPY is DOWN.
- When OIL is DOWN: CADJPY is DOWN, USDCAD is UP, JPY is UP.

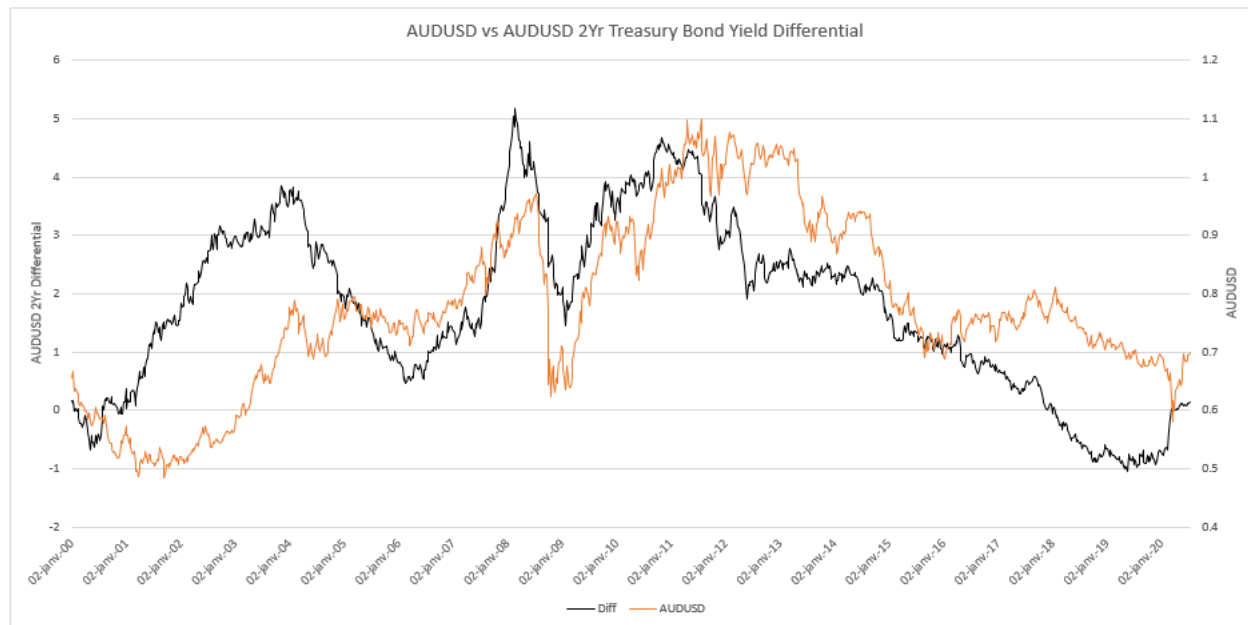
TradingFXHub published on TradingView.com, June 29, 2021 18:01:44 UTC
TVC:USOIL, 1W 72.79 ▲ +0.04 (+0.05%) O:73.97 H:74.42 L:72.00 C:72.79



TradingView

- AUD/USD: Copper, Gold, Iron Ore (positive correlation),
- NZD: Positive correlation with Agriculture (dairy product: milk, mutton, lamb) and [CRB](#),
- USD/NOK and USD/CAD: Negatively correlated with Oil,
- JPY: Interest Rates (positive correlation),
- USD/ZAR: Negatively correlated with Gold.

– Currency vs. Bonds: Look at the spread between currencies to predict money inflow and outflow. The graph below shows the correlation between AUDUSD and 2 year Treasury Bond Yield differential between AUD and USD (AU 2yr – US 2yr):



Section 3: Trading Strategy

- There are 3 significant periods within the trading day, the European open (8 am GMT – 10 am GMT), the US Open, (9.30 am EST) and the close (4 pm EST). In the absence of news, the market tends to be fairly quiet between 10 am GMT and 1.30 pm GMT and trading should generally be avoided (1.30 pm GMT is a common time for Economic figures and also the time at which US traders start arriving at their desks for the 2.30 pm GMT or 9.30 am EST open).
- Choose your trading style: scalping, day trading, swing and position trading. Next, you identify at least three different time frames to analyze and trade the market. These different time frames are based on your trading style:

Scalping:

- HTF: 1-Hour chart,
- ITF: 15min chart,
- LTF: 1 or 5min chart,

Day trading:

- HTF: Daily chart,
- ITF: 1 or 4-Hour chart,
- LTF: 15 or 30min chart,

Swing trading:

- HTF: Weekly chart,
- ITF: Daily chart,
- LTF: 1 or 4-Hour chart,

and position trading:

- HTF: Monthly chart,
- ITF: Weekly chart,
- LTF: Daily chart,

– On the HTF, you identify the **curve**. On the ITF, you identify the **trend**. On the LTF, you draw your **zones**.

– If the current price is in the middle of the curve, DO NOT trade. Don't diddle in the middle. If price is high on the curve, you Sell at Supply zones. If price is low on the curve, you Buy at Demand zones.

Make sure that the trend is the same on all three time frame. If price breaks the trend line on the LTF, move to the ITF and wait for the price to test a fresh zone to enter.

– Trade only fresh Supply and Demand Zones.

– Trade when you have the trend aligned on the HTF and LTF, otherwise, wait for the momentum to sync to enter the market.

– Remember, bigger time frames win over lower time frames. If you have a supply zone on the Monthly and a demand zone on the Daily, the Monthly supply zone wins over the Daily demand zone.

– If price makes 3 or more consecutive CPs, DO NOT trade. Price is over-extended and losing strength.

– If price penetrates more than 50% into the zone, DO NOT trade it if price returns to it.

– Here are 3 scenarios to help you with your trading strategy

Scenario #1: Price high in the HTF Curve

- How high or low is current price in the HTF curve?
- Is the HTF trend Up or Down?
- Do you have enough room before price touches the HTF Supply Zone?
- If yes, trade fresh demand zones on ITF or LTF. If no, trade fresh supply zone on the ITF or LTF.
- Do you have overlapping or coinciding supply zones on ITF or LTF?

Scenario #2: Price low in the HTF curve

- How high or low is current price on the HTF curve?
- Is the HTF trend Up or Down?
- Do you have enough room before price touches the HTF Demand Zone?
- If yes, trade fresh supply zones on ITF or LTF. If no, trade fresh demand zones on the ITF or LTF.
- Do you have overlapping or coinciding demand zones on ITF or LTF?

Scenario #3: Price in the middle of the curve on HTF

Conservative Approach

- You don't trade. Wait for price to get lower or higher from the middle of the curve.

Aggressive Approach

- How high or low is current price on the HTF curve?
- Is the HTF trend Up or Down?
- Is HTF Supply or Demand in control?
- Is the ITF trend Up, Down or ranging?

- If HTF supply zone is in control, ITF trend is down, you sell at supply zones on LTF. If HTF demand in control, ITF trend is up, you buy at demand zones on LTF. If ITF trend is ranging, you trade both supply and demand zones on LTF with respect to the trend line.
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Section 4: Risk Management

- Follow the simple rule of trading: Run your winning trades further than your losing trades. To ensure that you are doing this, set a stop and an exit point for every trade. They should be set to ensure that you make at least triple (1:3 rule) on your winning trades than you are losing on the losers.
- Losses on your initial trades should NOT exceed 0.25% of your trading capital. This will help you set your trading size and stop losses when you first begin. This may seem small but with several losing trades per day in the first few weeks, in addition to trading costs, the losses can accumulate quickly.

REMEMBER – GIVE YOURSELF A CHANCE TO BE PROFITABLE

- Make a log of every single trade that you do (Kelly Criterion). Analyze your winning and losing trades at the end of each day. Are there any mistakes you are making repeatedly? Is there a stock or style of trading that is working for you? Even successful traders avoid some stocks or products due to consistent losses.
- Analyze how much you are making and losing on each trade. If your losing trades are greater than your winning trades then you are either not setting your stops or exit points, or you are not adhering to them.
- If you are losing money consistently, STOP trading. Analyze where you may be going wrong. Take a break and re-focus.
- Do not increase the size of your trades until you reach at least 3 profitable days and positive net P&L (after trade fees) in one week. Increase your size slowly and reduce it again if you start to lose money.

- NEVER EVER average into a losing trade. For a novice trader, this is quite simply the quickest route to destruction.
- NEVER EVER cut and reverse a trade. As a novice trader, you will probably be getting most trades wrong. If you get a trade wrong, take the cut and look for the next opportunity. Do not chase the market.
- Stays focused and enjoy it. If you do not enjoy day trading, then it almost certainly isn't for you.

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