

# Manual

TRADEOLOGY PRESENTS

## INIFINITE PROFIT SYSTEM



[WWW.INFINITEPROFITSYSTEM.COM](http://WWW.INFINITEPROFITSYSTEM.COM)

## RISK DISCLOSURE STATEMENT / DISCLAIMER AGREEMENT

Trading any financial market involves risk. This report and all and any of its contents are neither a solicitation nor an offer to Buy/Sell any financial market.

The contents of this material are for general information and educational purposes only (contents shall also mean the website <http://www.infiniteprofitsystem.com> or any website the content is hosted on, and any email correspondence or newsletters or postings related to such website). Every effort has been made to accurately represent this product and its potential. There is no guarantee that you will earn any money using the techniques, ideas and software in these materials. Examples in these materials are not to be interpreted as a promise or guarantee of earnings. Earning potential is entirely dependent on the person using our product, ideas and techniques. We do not purport this to be a "get rich scheme."

Although every attempt has been made to assure accuracy, we do not give any express or implied warranty as to its accuracy. We do not accept any liability for error or omission. Examples are provided for illustrative purposes only and should not be construed as investment advice or strategy.

No representation is being made that any account or trader will or is likely to achieve profits or losses similar to those discussed in this report or anywhere on <http://www.infiniteprofitsystem.com>. Past performance is not indicative of future results.

By purchasing any content, subscribing to our mailing list or using the website or contents of the website or materials provided herewith, you will be deemed to have accepted these terms and conditions in full as appear also on our site, as do our full earnings disclaimer and privacy policy and CFTC disclaimer and rule 4.41 to be read herewith. So too, all the materials contained within this course, including this manual, whether they appear on our domain(s) or are in physical form, are protected by copyright. "Warning: The unauthorized reproduction or distribution of this copyrighted work is illegal. Criminal copyright infringement, including infringement without monetary gain, is investigated by the authorities and is punishable with imprisonment and a fine." We reserve all our rights in this regard.

Alaziac Trading CC, in association with <http://www.infiniteprofitsystem.com>, the website, content, and its representatives do not and cannot give investment advice or invite customers or readers to engage in investments through this course or any part of it.

The information provided in this content is not intended for distribution to any non-members, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject us to any registration requirement within such jurisdiction or country.

Hypothetical performance results have many inherent limitations, some of which are mentioned below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and actual results subsequently achieved by any particular trading program and method.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk and no hypothetical trading record can completely account for the impact of financial risk in actual trading.

For example, the ability to withstand losses or to adhere to a particular trading program or system in spite of the trading losses are material points that can also adversely affect trading results. There are numerous other factors related to the market in general or to the implementation of any specific trading program, which cannot be fully accounted for in the preparation of hypothetical performance results. All of which can adversely affect actual trading results.

We reserve the right to change these terms and conditions without notice. You can check for updates to this disclaimer at any time by visiting <http://www.infiniteprofitsystem.com>.

Governing law: this policy and the use of this report/eBook, provided in any form, and any content on the website are governed by the laws of the Republic of South Africa. Further details on this are found under the Terms and Conditions on our site. Please ensure you read and agree with all Terms and Conditions as set out on our site before using any of the materials. Your use and reliance on the materials is based on your acceptance of such Terms and Conditions and policies as appear on the site.

## Table of Contents

RISK DISCLOSURE STATEMENT / DISCLAIMER AGREEMENT .....	2
Introduction .....	5
Juku Bulaeng's Profile .....	6
My Trader Bio .....	8
System Description .....	9
Components of the System .....	11
Time Frames .....	11
Indicators .....	12
1. BE clock .....	12
2. Stochastic Crossing (14, 5, 5, 3, 1) .....	12
3. Pivots_Daily1 .....	12
4. Sessions .....	13
5. MarketPrice-W1 .....	13
6. HMA4 (Hull Moving Average) (20, 0, 3, 0) .....	14
7. Stochastic Oscillator (14, 5, 5, close, linear weighted) in M15 time frame - WINDOW 1 .....	14
8. Williams' Percent Range (9) - WINDOW 1 .....	15
9. MTF Stochastic v2.0 Alert (9, 5, 5, 3, 1) in M30 time frame - WINDOW 2 .....	15
10. MTF Stochastic v2.0 Alert (9, 5, 5, 3, 1) in H1 time frame - WINDOW 3 .....	16
11. MTF Stochastic v2.0 Alert (9, 5, 5, 3, 1) in H4 time frame - WINDOW 3 .....	16
Drawdown .....	17
Risk/Reward Ratio .....	17
How to Determine the Risk-Reward Ratio .....	17
What is a Good Risk-Reward Ratio? .....	18
Money Management .....	18
Why is Forex risk management important? .....	19
Controlling losses .....	19
Using correct lot sizes .....	19
Tracking overall exposure .....	20
The bottom line .....	20
Setting Up Your Charts .....	21

Indicator List .....	21
How to Setup Your Charts .....	22
Properties Tab .....	22
Common Tab .....	23
Indicator Settings .....	24
1. Stoch Crossing .....	24
2. HMA4 (Hull moving average 4) .....	26
3. M15 Stochastic Oscillator – Window 1 .....	28
4. WPR (Williams' Percent Range) – Window 1 .....	29
5. M30 #MTF (Multi Time Frame) Stochastic v2.0 Alert – Window 2 .....	30
6. H1 #MTF (Multi Time Frame) Stochastic v2.0 Alert – Window 3 .....	32
6. H4 #MTF (Multi Time Frame) Stochastic v2.0 Alert – Window 3 .....	34
7. BE clock .....	36
8. Pivots_Daily1 .....	37
9. MarketPrice – Window 1 .....	38
10. Sessions .....	41
Sell/Short Trade Rules .....	42
Short/Sell Trade Examples .....	43
Buy/Long Trade Rules .....	49
Long/Buy Trade Examples .....	50
Things to Consider .....	56
Tips/Guidelines/Comments/Notes .....	56

# INTRODUCTION

Congratulations on acquiring your copy of the Infinite Profit system!

The potential of the system you now have in your possession is multifold. When coupled with good discipline and good money management you will find this to be not only an interesting system to trade but, of course, also a profitable system when used correctly.

The system uses essentially 2 methods of trading (Conservative and Aggressive) and each is set out to give you multiple potential trading opportunities and these are all covered for you in the manual and videos in the members area.

I encourage you to read through the manual and then watch the accompanying videos which take you through each step of the system and demonstrate further explanations to supplement the manual. Then to attend our weekly training webinars. The webinars will also expand in more detail the nuances of trading with this system.

First, we will start off with covering the components of the system, that is; the various custom indicators used with this system. Each indicator has a specific task and settings, though you will easily be able to install them on your chart without needing to adjust any of them from the outset.

In a video in the members area under "Downloads" I set out how to install the various indicators on your charts. You can also download the installer under the downloads section.

Then we will cover the rules for each of the Conservative and Aggressive methods of trading the system.

In the manual, as well as in the video lessons, I will preset some example trades of each type of method and then in other future videos that will be added in the members area you can also get to see me trade live with the various methods in real time. And again; in the weekly webinars I will cover each in more depth also.

**News:** Attention should be paid to Non-Farm Payroll (NFP), Unemployment and Rate Decisions in the US market, and Inflation Report and Rate Decisions in the London market. Usually, it is advised to stay away from trading at least for 15 minutes before and after these and other high impact news releases.

**Main pairs to trade:** GBPUSD, EURUSD, EURJPY, AUDUSD, GBPJPY and GBPCHF.

**Time frame best suited:** 15 Minute time frame and higher

**Sessions:** Any, though London and New York sessions generally yield more trade opportunities as during these sessions the markets are more volatile.

***Please note*** that these topics and the rules and generally all that you will read about in this manual, will also be covered in our video tutorials in the members area, often times in more detail, and on our regular member's webinars so; we'd encourage that after reading through the manual you then also watch all of the videos in sequence and try to attend as many live webinars as possible and otherwise to watch the webinar recordings as they are put up and scheduled inside of the members area.

I don't use multiple time frames. I only use usually the 15 Minute time frame. I don't shift from one time frame to another nor do I use a separate chart with a different time frame.

I make sure that before I enter every trade, the trade rules, which we will cover, are all met.

I enter the market directly, using market orders.

Sometimes, I might exit trades before my stop or target is hit, especially if I see a sign that a trend reversal is beginning to form. These I cover in the rules also.

Let's then now take a closer look at the components of this system and then we will move on to the rules for trading it.

# COMPONENTS OF THE SYSTEM

## *Time Frames*

As I mentioned earlier, I don't use multiple time frames. I mainly use the 15 Minute time frame. However, I do use some of the custom indicators to check readings on other time frames.

This means that I don't need to shift from one time frame to another nor do I need to use separate charts with different time frames.

So, basically setup all indicators on a time frame e.g. the 15 minute time frame. Then monitor and base trading decisions on that chart, bearing in mind that the information displayed on the chart is from a number of different time frames.

This is what the Image of the complete system with all indicators will look like on the chart (we will cover each of these individually in more detail shortly before moving on to the rules for trading the system):

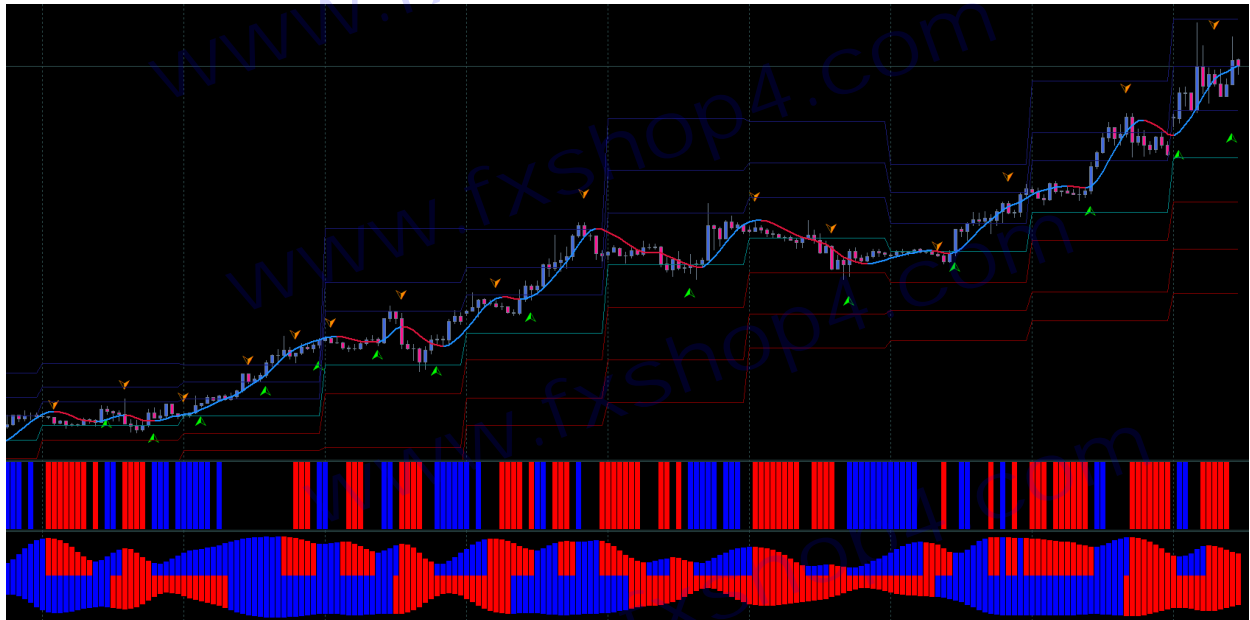


Image 1

*Note: please: For ease of depicting arrows in the images, they could at times appear further from the candles than they actually would on your chart, and this has been done for ease of demonstration and clearer depiction of the arrows in images or videos.*

## Indicators

### 1. Infinity Candles

These candles are standard candles set in the template as either colored either **red** or **blue**.

This is done for ease of spotting a display that coincides with colors of our other indicators. **Red candles** show a **sell signal** while **Blue candles** show a **buy signal**, as indicated in the image below:



Image 2

## 2. The Infinity Line

This custom indicator is based on the Hull Moving Average (settings:20,0.3.0). This Trend indicator will identify bullish and bearish trends with a **Blue or Red line**. **Bearish** trends are identified by a **Red** moving average line while **Bullish** trends are identified using a **Blue** moving average line. The Infinity line will change colors as the trends change.

Have a look at the following image:



Image 3

When we move onto the rules of trading the system, we will cover in depth how the infinity line is important in context of all the indicators to determine whether to enter or exit a buy or sell trade.

### 3. Infinity Arrows

The Parameters I use for the arrows are based on Stochastic settings 14, 5, 5, 3, 1. This custom indicator shows me the crossing point of the Stochastic Oscillator, making it easier for me to see the crossover on a price chart. Have a look at the following image:



Image 4

## 4. Pivots

This indicator shows me where I can find the pivot level. It's one of our possible exit levels.

For example, **in an uptrend**, when the trend is strong, as indicated by price movement, the price tends to find **resistance** and this could be a good area to exit the trade. **In a downtrend**, when the trend is strong, as indicated by price movement, the price tends to find **support**. These levels (support and resistance) may be used **as possible exit points**.

Have a look at the following image; here you can see an example of the Pivot, R1 and S1 levels:



Image 5



## 6. Infinity Duo Stoch

This indicator assists us to identify, at a glance, the overall market trend on either the 1 hour and/or 4 hour time frames on our current time frame.

The parameters used are Stochastic settings 9, 5, 5, 3, 1.

So, for instance when trading on a 15Minute chart this shows us readings of the Stochastic Oscillator on the higher time frames to help identify the overall market trend.

Have a look at the following image.

**Above the median middle-line we are focused on the 1 Hour time period.  
Below the median middle-line we are focused on the 4 Hour (4hr) time period:**

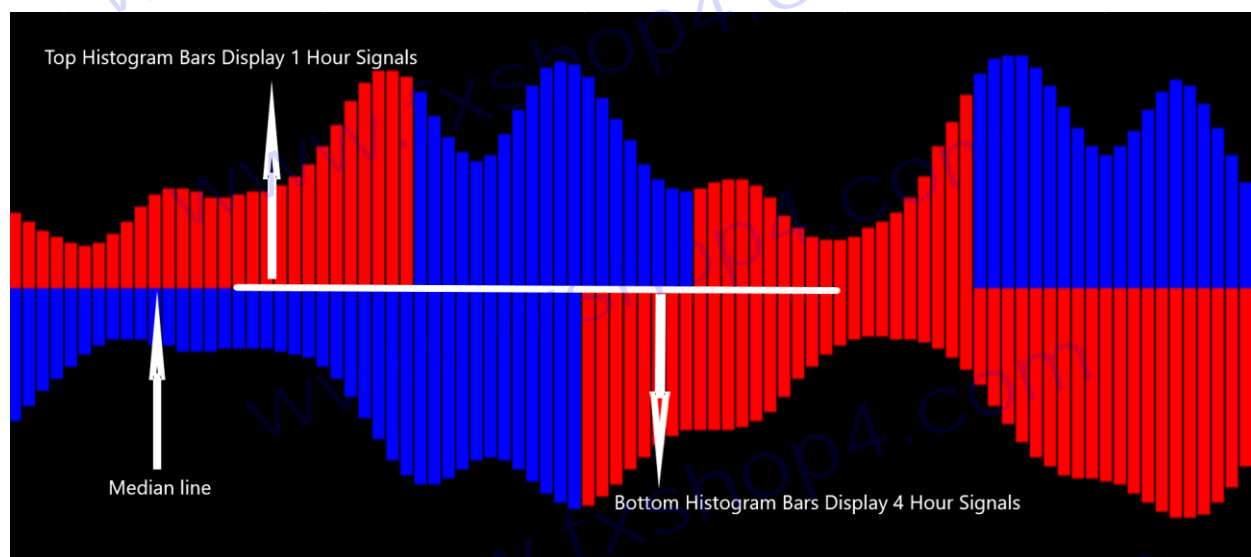


Image 7

With our custom indicator this allows the display to look as in the image either above and/or below the median line: **Red histogram bars indicating Sell signals** and strength and **Blue histogram bars indicating Buy signals** and strength.

Depending on the rules for the trading method we are looking to trade (see rules further on in the manual and the accompanying videos) and provided that all the criteria for entering a trade are met, we will look to enter a **Buy trade when the upper and lower histogram signals blue simultaneously** (conservative) **or when at least the upper or lower histogram only signals blue** (aggressive) **or we will look to enter a Sell trade when the upper and lower histogram signals red simultaneously** (conservative) **or when at least the upper or lower histogram only signals red** (aggressive).

# SETTING UP YOUR CHARTS

Note: In the "Downloads" section of the members area you will find a video on how to install the full system on your charts and the Auto-installation file there will automatically install the system indicators on your chart as the video will demonstrate.

www.fxshop4.com  
www.fxshop4.com  
www.fxshop4.com  
www.fxshop4.com  
www.fxshop4.com

# CONSERVATIVE SELL/SHORT TRADE RULES

Here are the rules to enter short in the market:

1. Wait for the **Infinity Arrow** to appear as a **red** and pointing down.



Image 8

2. The **infinity line** must be or become **red** in color within 5 candles of the arrow in Rule 1. appearing.



Image 9

3. The **candle** on which Infinity arrow appears must be **red** in color. (if the candle on which you enter a trade thereafter is red after rule 2 is met it represents a stronger signal. The candle should ideally be a strong moving or trusting candle and not for instance a doji: more examples of this will be explained in the videos and on the webinars).



Image 10

4. The **Infinity Multibars** must be colored **red**

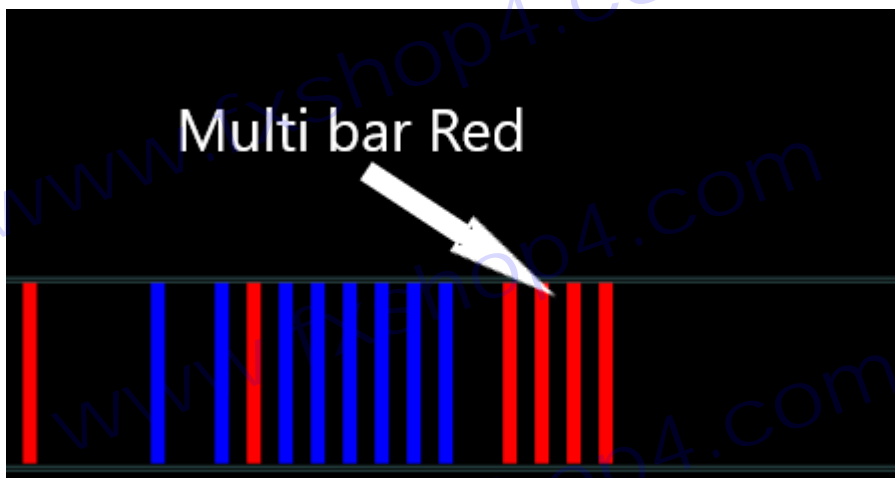


Image 11

5. The **upper (1hour) Infinity Dou Stoch** histogram be colored **red**

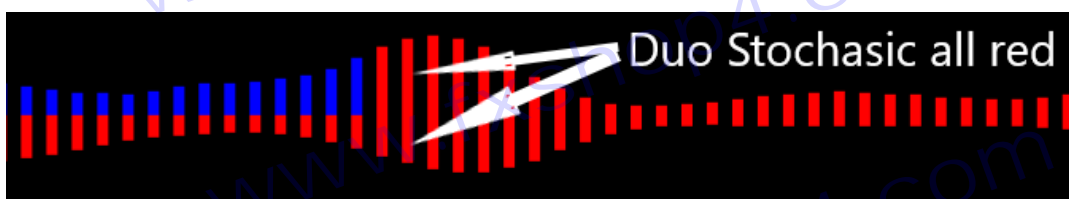


Image12

6. The **lower (4 hour) Infinity Duo Stoch** histogram be colored **red**



Image 13

7. If all conditions above are met, then **enter** the trade at the **closing price of the current candle or the opening price of the next candle**.



Image 14

8. Place **the stop loss above the most recent swing high point** (or if that appeared too close (not less than 5 Pips from entry)).



Image 15

9. Place a **take profit at least a distance of 1:1** from the stop loss to entry, usually when I can't monitor the price movement (when I need to leave the monitor). I use the daily pivot support/resistance level to determine this level.

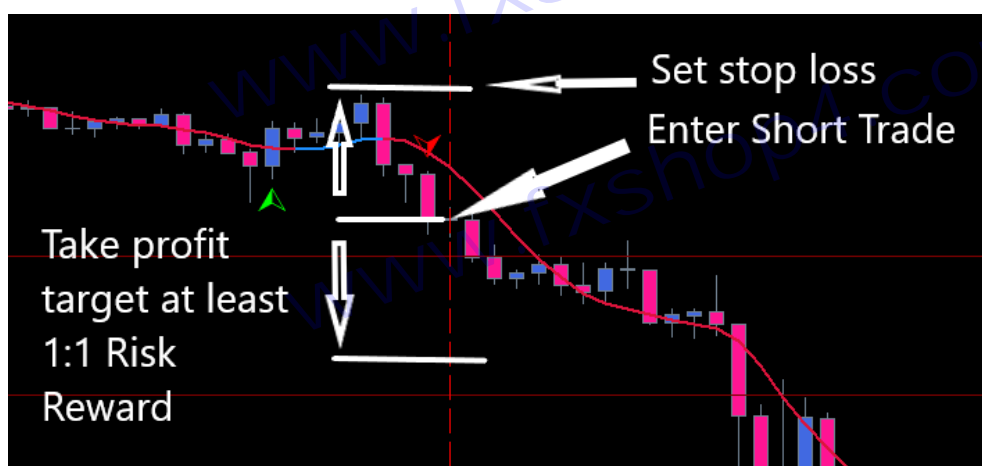


Image 16

10. **Exit** the trade if:

10.1 Your take **profit target is hit** or;

10.2 The **Infinity Line changes color** from **Red** to **Blue** or;



Image 17

10.3 The **MultiBars change color to Blue** or;



Image 18

10.4 The **Infinity 1 Hour Duo Stoch** histogram color **changes to Blue**  
or;



Image 19

10.4 Exit at the next **closest Pivot daily support/resistance line**



Image 20

# CONSERVATIVE SHORT/SELL TRADE EXAMPLE

*Please note: more detailed examples are also provided in the members area videos under module 3*



Image 21

On this GBPUSD 15 minute chart of 25<sup>th</sup> March, the yellow vertical time represents the time that all conditions for a conservative sell trade had been fulfilled. A conservative sell trade was entered at 1.18576, while stop loss was set above the most recent swing high point at 1.19760. Take profit was set at 1:1 risk reward at 1.17372. A few candles later our target was hit, and we exited the trade with 12 pips profit.

# CONSERVATIVE BUY/LONG TRADE RULES

Here are the rules to enter long in the market:

1. Wait for the **Infinity Arrow** to appear as a **green** color and pointing up.



Image 22

11. The **infinity line** must be or become **blue** in color within 5 candles of the arrow in Rule 1. appearing...



Image 23

2. A **candle** on which Infinity arrow appears must be **blue** in color or up to 10 candles thereafter. (if the candle on which you enter a trade thereafter is blue it represents a stronger signal)



Image 24

3. The **Infinity multibars** must be colored **blue**.

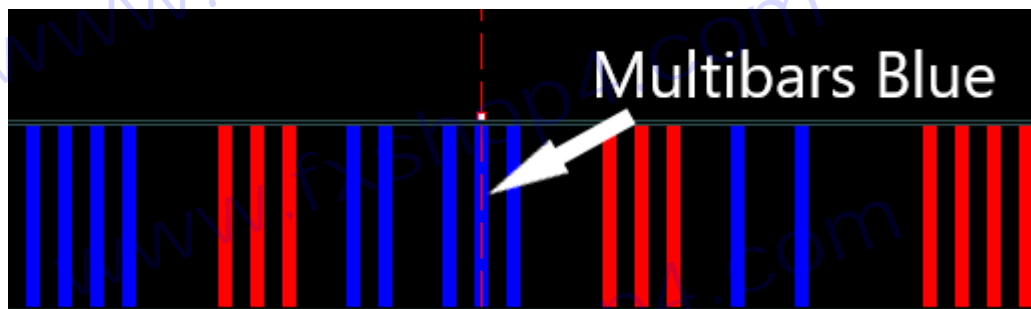


Image 25

4. The **upper (1hour) Infinity Duo Stoch** histogram be colored **blue**

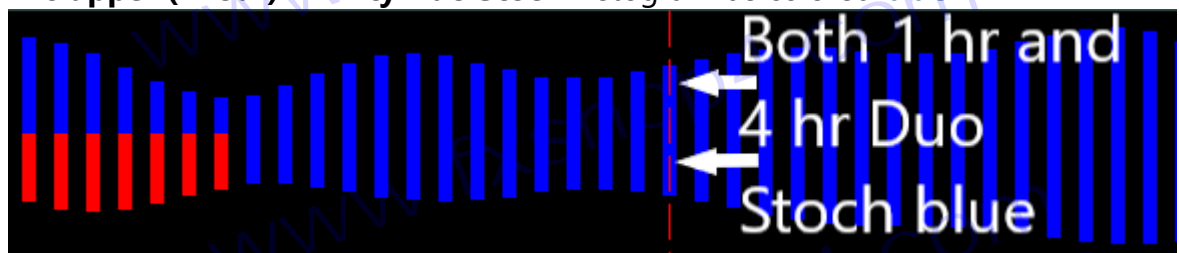


Image 26

5. The **lower (4 hour) Infinity Duo Stoch** histogram also be colored **blue**

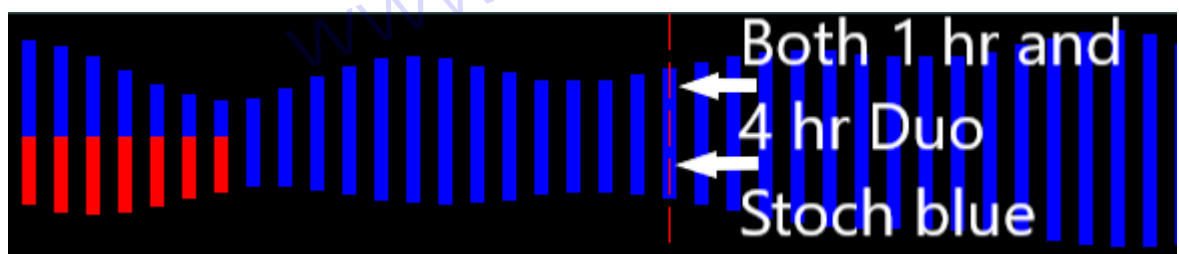


Image 27

6. If all conditions above are met, then **enter** the trade at the **closing price of the current candle or the opening price of the next candle**.



Image 28

7. Place **the stop loss under the most recent swing low point** (or if that appeared too close, more than 5 Pips from entry).



Image 29

8. Place a **take profit** at least a distance of **1:1** from the stop loss to entry.



Image 30

9. **Exit** the trade if:

10.1 Your **take profit target is hit** or;

10.2 The **Infinity Line changes color** from **Blue to Red** or;



Image 31

### 10.3 The Infinity multibars **change color to Red** or;



Image 32

10.4 The **Infinity Duo Stoch 1hr** histogram color **changes to Red** or;



Image 33

### 10.5 Exit at the next **closest Pivot daily support/resistance line**

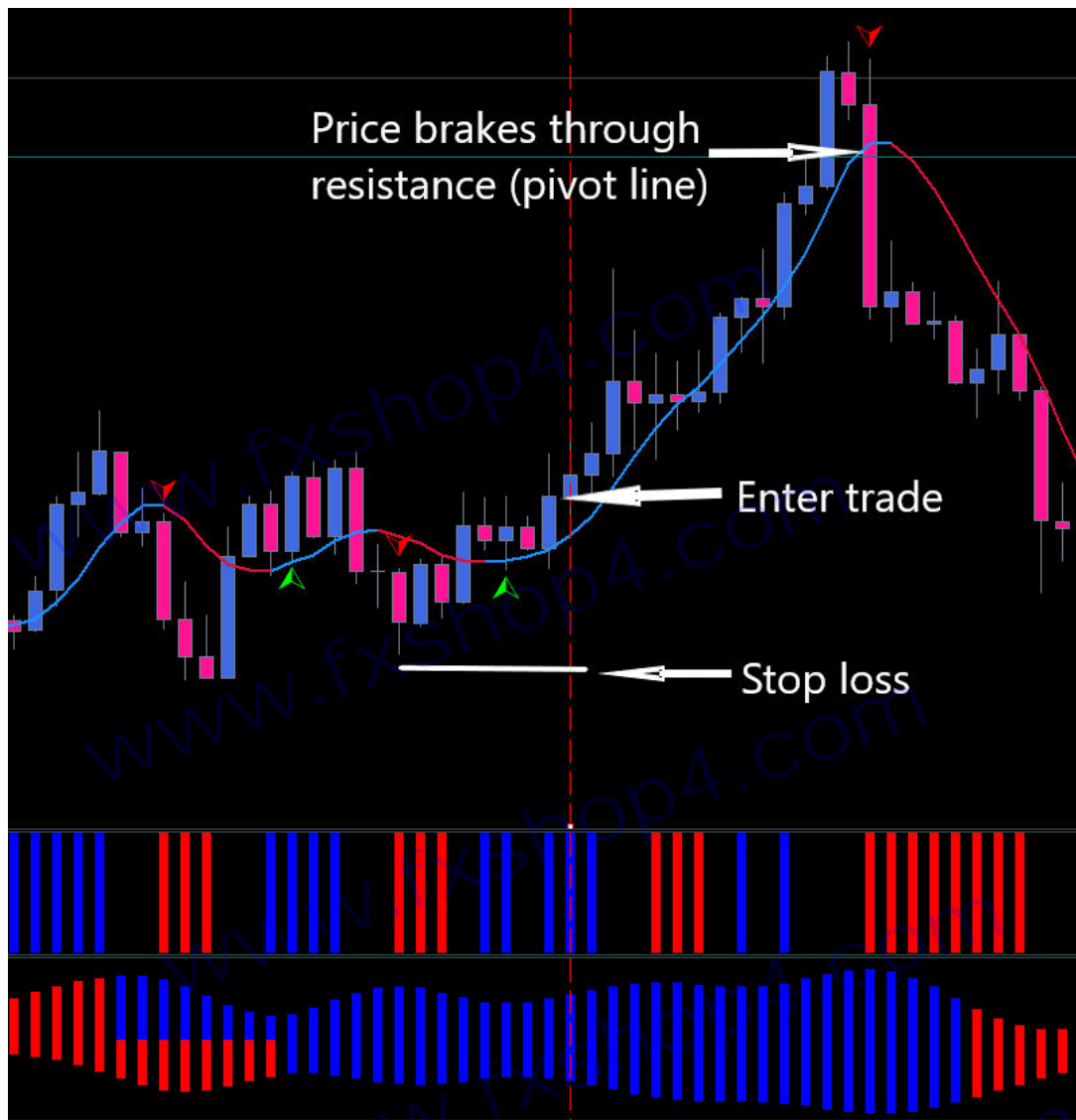


Image 34

# CONSERVATIVE LONG/BUY TRADE EXAMPLE

*Please note: more detailed examples are also provided in the members area videos under module 3*

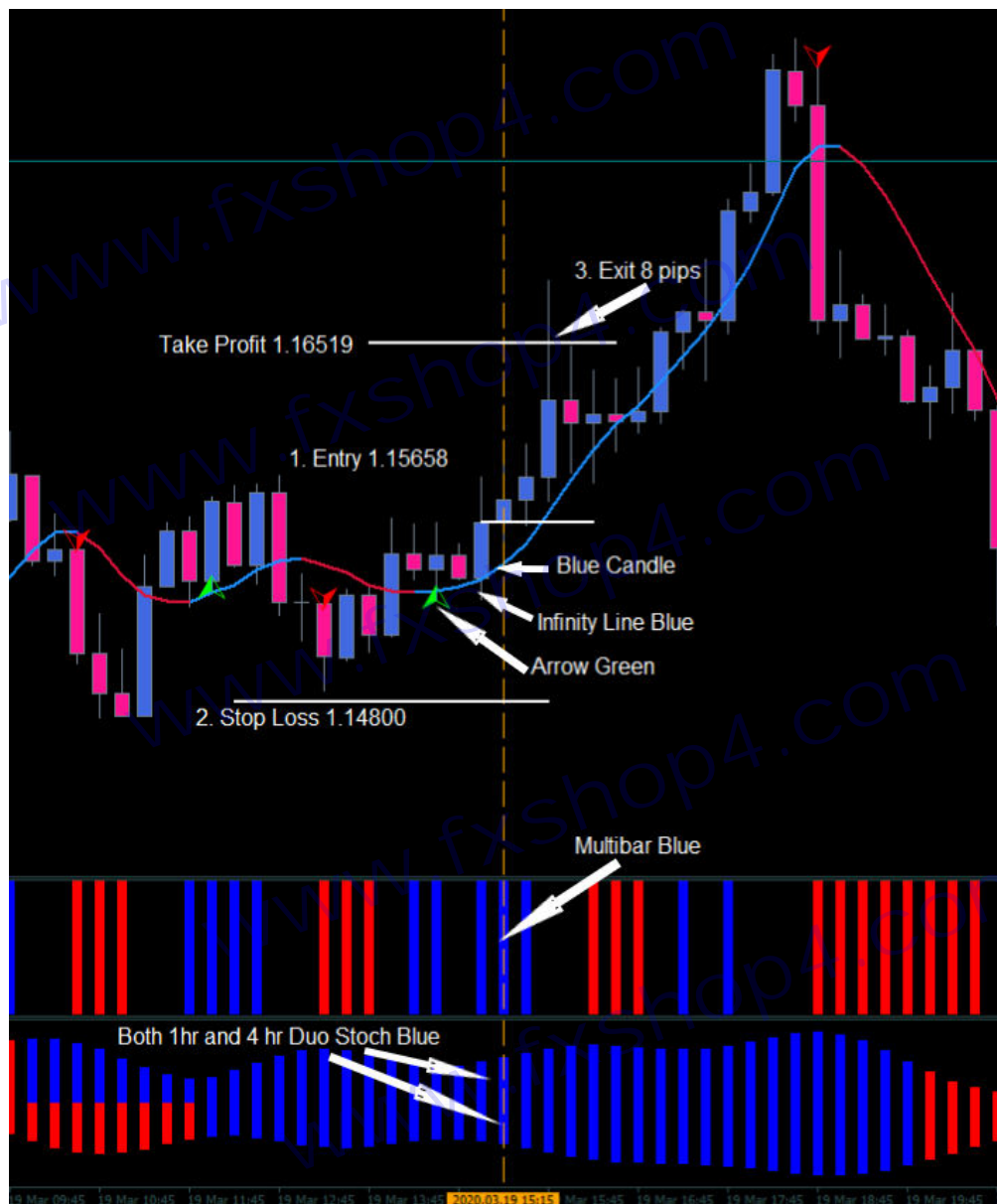


Image 35

On this GBPUSD 15 minute chart of 19<sup>th</sup> March, the yellow vertical time represents the time that all conditions for a conservative buy trade had been fulfilled. A trade was entered at 1.15658, while stop loss was set below the most recent swing low point at 1.14800. Take profit was set at 1:1 risk reward at 1.16519. A few candles later our target was hit, and we exited the trade with 8 pips profit.

# AGGRESSIVE SELL/SHORT TRADE RULES

*The aggressive rules (Sell/Buy) involve more risk. They are aggressive because not all the conditions needed for a conservative (less risky) trade are met, in particular with the readings on the Infinity Duo Stoch indicator and with targets so, although your potential profits may be higher, you still risk that your trade could be stopped or closed out sooner than conservative trades with this method of trading. One should first master the conservative trades before trading the more aggressive approach. The basic form of trading aggressively is set out in the manual and various ways of trading this approach will be expanded upon in the videos that accompany this manual and on our members webinars.*

Here are the rules to enter short in the market:

1. Wait for the **Infinity Arrow** to appear as a **red** color and pointing down.



Image 36

2. The **infinity line** must be or become **red** in color.



Image 37

3. The **candle** on which Infinity arrow appears (must be **red** in color. (if the candle on which you enter a trade thereafter is red it represents a stronger signal).

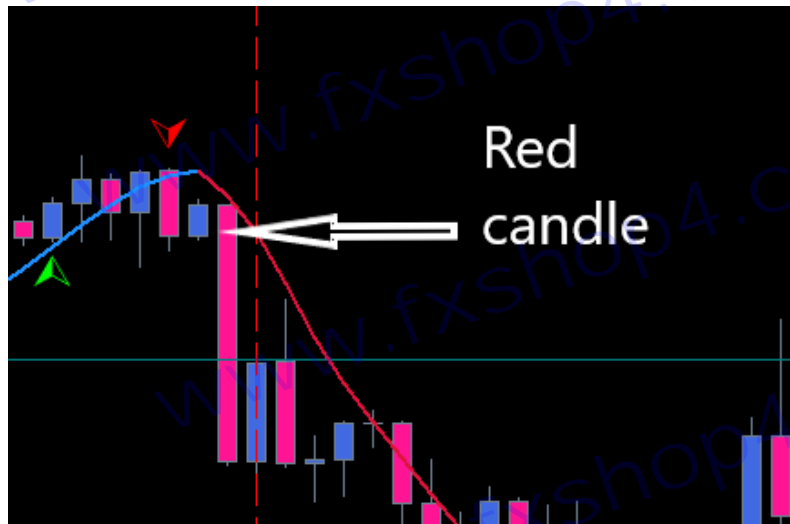


Image 38

4. The **Infinity multibars** must be colored **red**.



Image 39

5. The **upper (1hour) Infinity Dou Stoch** histogram be colored **red or blue**.  
and or; The **lower (4 hour) Infinity Dou Stoch** histogram can be colored **red or blue**



Image 40

6. If all conditions above are met, then **enter** the trade at the **closing price of the current candle or the opening price of the next candle**.



Image 41

7. Place **the stop loss above the most recent swing high point** (or if that appeared too close (less than 5 Pips from entry) then above the most recent next swing high point).



Image 42

8. Place a **take profit of at least 1:1** (or a distance of 1:2 with greater risk) from the stop loss to entry.



Image 43

9. **Exit** the trade if:

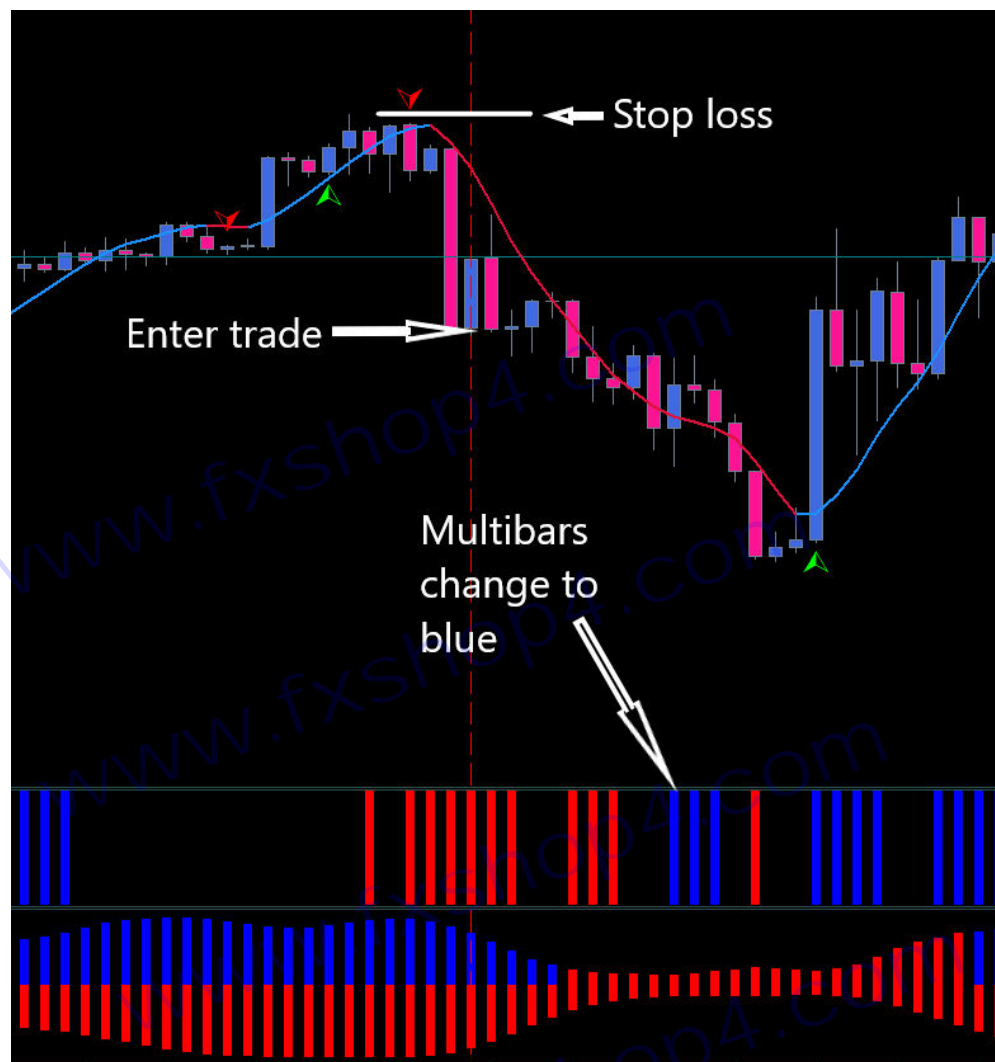
10.1. Your **take profit target is hit** or;

10.2 The **Infinity Line changes color** from **Red** to **Blue** or;



Image 44

### 10.3 The **Infinity MultiBars** **change color to Blue** or;



10.4

10.5 Either one or both of the 1 hr and/or 4hr Infinity Duo Stoch change color to **blue** or;



Image 46

10.4 Exit at the next **closest Pivot daily support/resistance line**

# AGGRESSIVE SELL/SHORT EXAMPLE

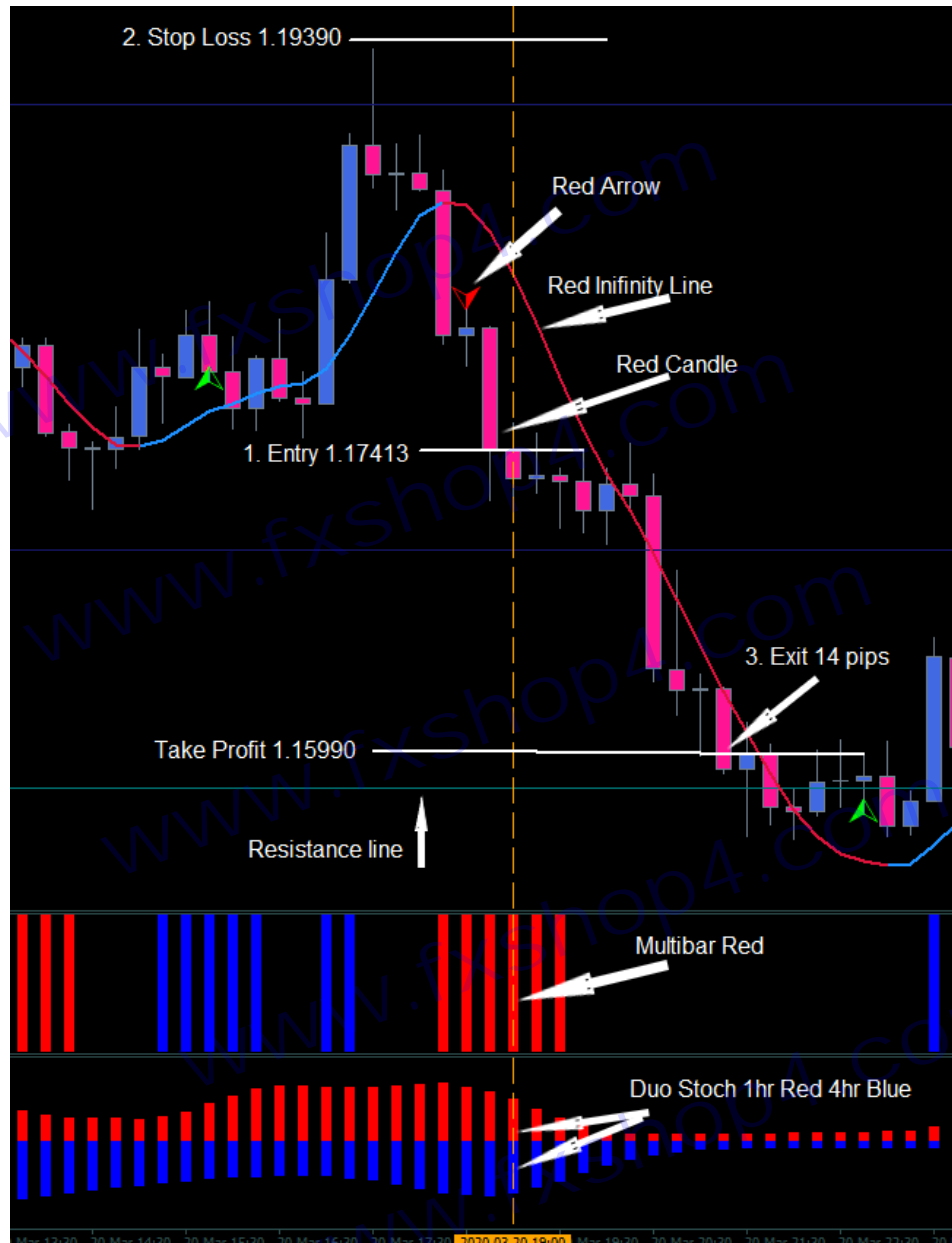


Image 47

On this GBPUSD 15 minute chart of 20<sup>th</sup> March, the yellow vertical time represents the time that all conditions for an aggressive sell trade had been fulfilled. A trade was entered at 1.17413, while stop loss was set above the most recent swing high point at 1.19390. Take profit at 1:1 risk reward was further than the closest resistance line, so target was set a few pips above resistance at 1.15990. A few candles later our target was hit, and we exited the trade with 14 pips profit.

# AGGRESSIVE BUY/LONG TRADE RULES

Here are the rules to enter long in the market:

1. Wait for the **Infinity Arrow** to appear as a **green** color and pointing up.

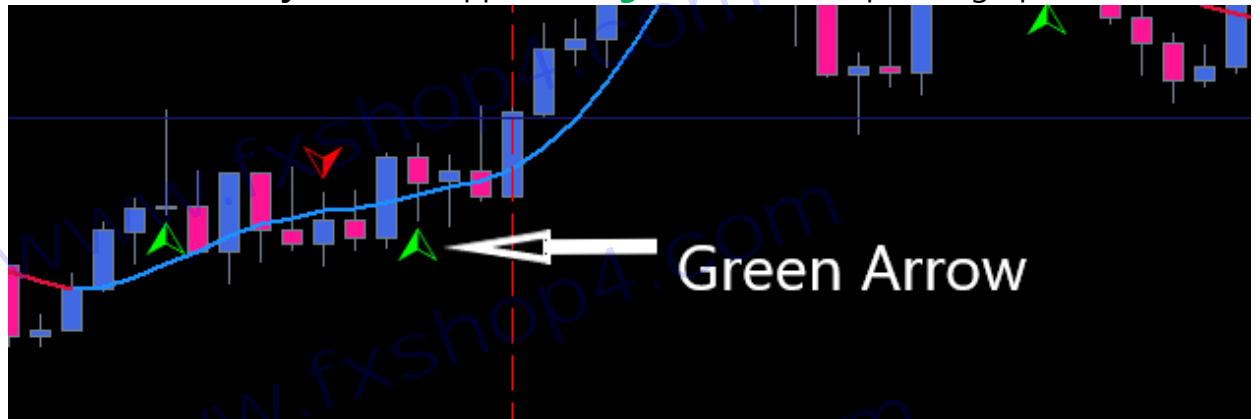


Image 48

2. The **infinity line** must be or become **blue** in color.



Image 49

3. The **candle** on which Infinity arrow appears or on which the trade signal to enter appears must be **blue** in color. (if the candle on which you enter a trade thereafter is blue it represents a stronger signal)



Image 50

4. The **Infinity multibars** must be colored **blue**.



Image 51

5. The **upper (1hour) Infinity Dou Stoch** histogram be colored **blue** or **red** and/or;



Image 52

6. The **lower (4 hour) Infinity Dou Stoch** histogram may be colored **red or blue** (Note: The upper (1hour) Infinity Dou Stoch histogram be colored red and lower 4 hour also red – in this instance your risk is far greater as the higher time frames are not in agreement. In this instance it usually best to avoid taking the trade. While it is still possible that one can take a trade under these conditions it has to be understood that it is a highly aggressive trade).

7. If all conditions above are met, then **enter** the trade at the **closing price of the current candle or the opening price of the next candle**.



Image 53

8. Place **the stop loss under the most recent swing low point** (or if that appeared too close, not less than 5 Pips from entry).



Image 54

9. Place a **take profit of at least 1:1 or at a distance of 1:2** from the stop loss to entry.

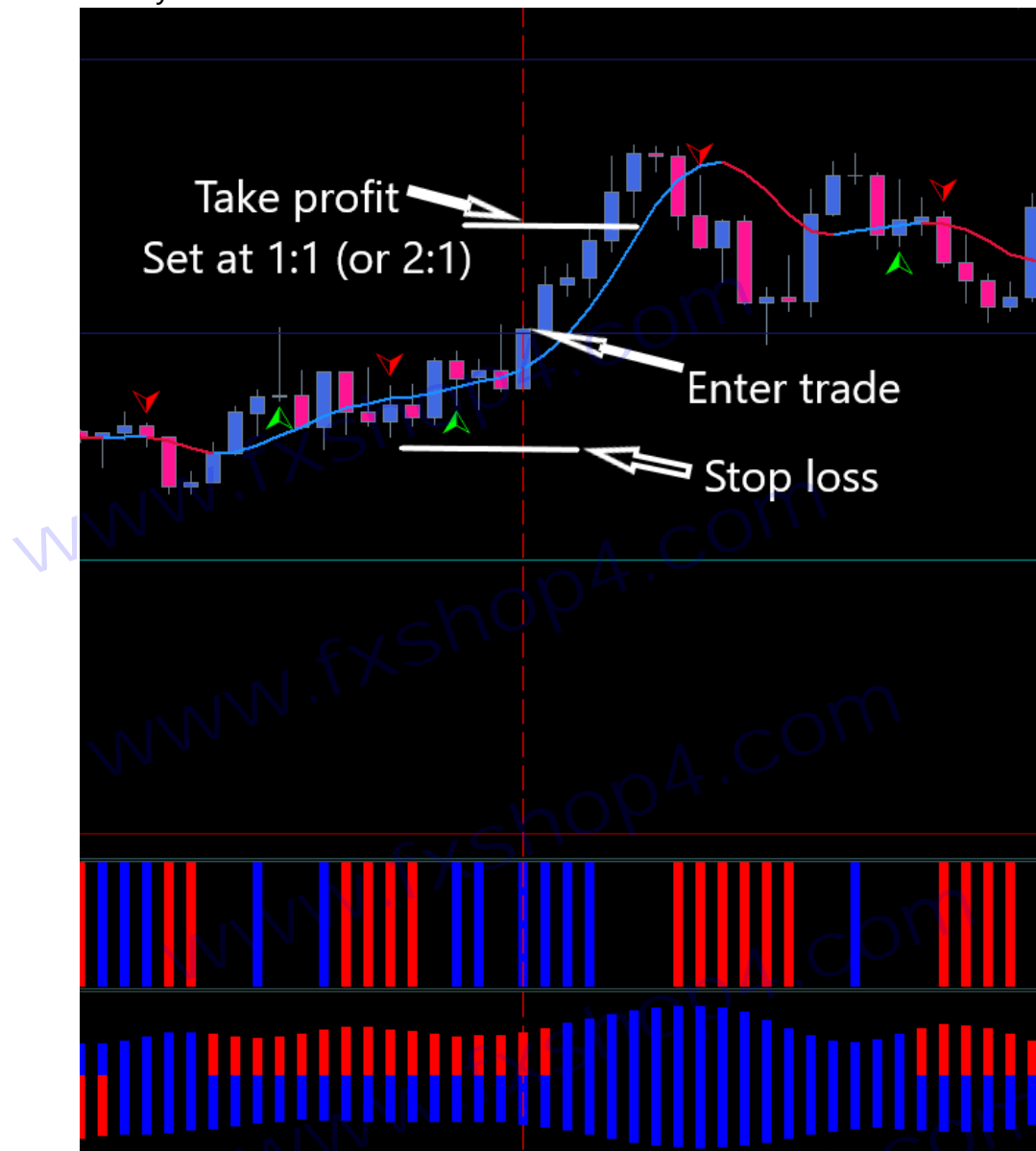


Image 55

10. **Exit** the trade if:

10.1 The **Infinity Line** changes color from **Blue** to **Red** or;



Image 56

## 10.2 The **Infinity MultiBars** **change color to red** or;



Image 57

10.3 Either one or both of the 1 hr and/or 4hr Infinity Duo Stoch change color to **red** or;



Image 58

10.4 Exit at the next **closest Pivot daily support/resistance line**.



Image 59

# AGGRESSIVE BUY/LONG EXAMPLE

*Please note: more detailed examples are also provided in the members area videos under module 3*



Image 60

On this GBPUSD 15 minute chart of 27<sup>th</sup> March, the yellow vertical time represents the time that all conditions for an aggressive buy trade had been fulfilled. A trade was entered at 1.22903, while stop loss was set below the most recent swing low point at 1.22000. Take profit at 1:1 risk reward was further than the closest resistance line, so target was set a few pips below resistance at 1.23539. A few candles later our target was hit, and we exited the trade with 6 pips profit.

# THINGS TO CONSIDER

## *Tips/Guidelines/Comments/Notes*

My trading system may look to be a little complex when you first look at it, but once you get familiar with the rules, you will see that it is quite simple to use.

I would recommend staying out of a raging market – that is when price for a new session on the timeframe has not moved through or at least touched a resistance or support level prior to you entering into a trade. You could use the pivots to determine this. In such market conditions you could enter a trade only to find that a short while after the opposite exit signals occur in short time.

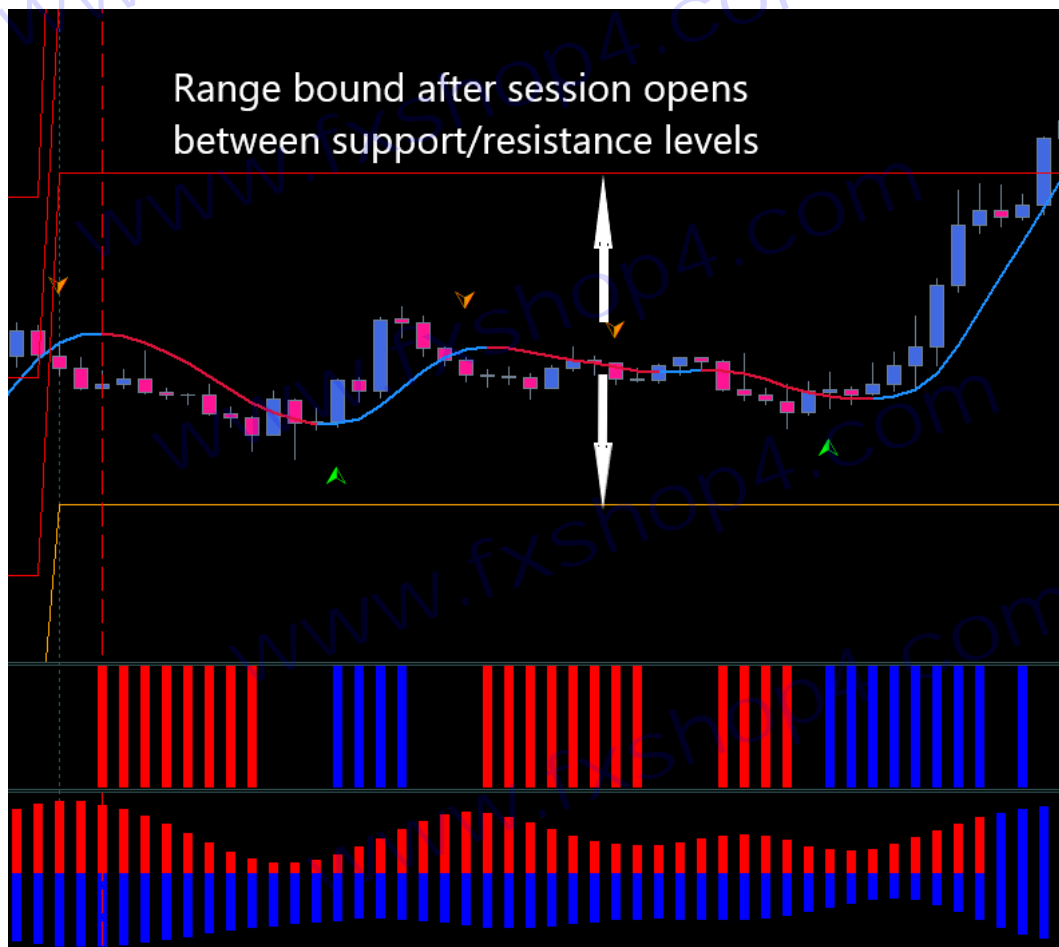


Image 61

Remember also, the signal candle you enter a trade on at the close or just prior to the open of a new candle should be a candle that shows strength, i.e. the body should not be short with the open and close of the candle being too close e.g. as with a doji, as this could indicate a reversal: We will cover various examples in the members area and on webinars

The best way to learn my system is to set it up on a demo account and practice as if you were trading a live account. Only once you feel confident with the system should you consider trading with live/real money and then to also start small with a live account before scaling up the capital you trade with.

## Drawdown

Drawdown refers to the decline in an account's value, usually represented as a percentage amount or as a full dollar figure.

After a series of losing trades, the value of one's capital decreases. This reduction is referred to as the drawdown. To calculate the drawdown, one needs to compute for the difference between a relative peak in equity capital minus a relative trough.

Here's an example:

If you have a \$1,000 account and you lose \$500, what percentage of your account have you lost?

You know that the answer is 50%. This percentage is what is called a drawdown. It is that simple.

Drawdown may seem like a negative term, but it is part of trading. Since it is inevitable, it is vital to have risk management rules to become successful at trading. Risk management allows you to risk only a small percentage of your account balance so that it can survive losing streaks.

## Risk/Reward Ratio

Risk is another aspect of trading that will always be present in every trade. There is always a certain degree of risk in each and every trade that you enter. As a trader, you must see to it that you know the amount of risk that you are taking, because this is very important.

Knowing how much you are risking will enable you to limit the risk and protect your account as you trade. Initially determining your risk-reward ratio is the best way to measure the level of risk before entering a particular trade. This ratio is one of the most effective risk management tools being used by successful traders.

This ratio is a parameter that will enable you to calculate the level of risk every time a trade is entered. The risk-reward ratio represents the level of risk versus the potential reward/profit for a trade. Showing how much risk you are taking makes this ratio a very simple and effective tool, yet many traders neglect this tool, only to find large losses in their accounts when it's too late.

## How to Determine the Risk-Reward Ratio

In order to calculate the risk-reward ratio, one must first identify the amount of risk, which is determined by the amount of money needed to enter the trade. Multiply the cost of the currency with the number of lots to know much money is actually at risk in the trade. The amount of risk is represented by the first number of the risk-reward ratio.

Next, identify the potential reward/profit. This is the gain in currency price that the trader can expect to earn from the currency price movement. Multiply this gain with the number of lots traded to compute the potential reward. This will be represented by the second number of the risk-reward ratio.

## Examples

Here are a few examples of the risk-reward ratio:

- If the risk is \$200 and the reward is \$400, then the risk-reward ratio is 200:400 or 1:2.
- If the risk is \$500 and the reward is \$1,500, then the risk-reward ratio is 500:1500 or 1:3.
- If the risk is \$1,000 and the reward is \$500, then the risk-reward ratio is 1000:500 or 2:1.

## What is a Good Risk-Reward Ratio?

When trading with Forex, the minimum risk-reward ratio for a trade is usually 1:1 or 1:2. However, a larger potential reward/profit may be preferred. A 1:3 risk-reward ratio may be acceptable for beginning traders only after trading per the official main rules and having practiced using same (which is suggested at 1:1 in extreme market conditions). Figures greater than 1:3 are very risky, and these trades I suggest should be avoided. With this trading system, the risk-reward ratio is usually 1:1.

Many experienced traders wait for trades with a risk-reward ratio of 1:5 or lower before entering the trade. Such trades don't occur very often, however, the reward for them may be worth the wait. It's always good to take trades with a lower risk-reward ratio in case the price does not make the anticipated price movement. If, on the other hand, the trader enters a position with a higher risk-reward ratio, the risk is increased since there is very little room left for smaller price movements.

It is essential for every trader to use the risk-reward ratio as it is an important money management tool. Beginner traders must try to form the habit of

completing this extra step because it can help protect their accounts by identifying low risk trades that they may enter.

It takes a lot of patience and effort to wait for the right risk-reward ratio, but the benefits are worth the hard work. This ratio enables the trader to identify the amount of risk and the amount of potential profit in every trade, enter only in trades that are worth taking, and avoid trades that are more likely to bring about losses.

## Money Management

Money management can make or break your forex trading career. Even if you are using the best trading system out there, you can still fail without the right risk management. Risk management combines multiple means to limit the risk in trading. It may include, amongst others, controlling the lot size, hedging, trading only during certain hours or days, or knowing when to take losses.

We will cover more on all the above as we progress through our course and in the webinars.

## Why is Forex risk management important?

Risk management is very important in trading Forex. In fact, it is one of the key concepts for survival as a forex trader. This concept is quite easy to understand, but it is difficult to apply.

Traders are always bombarded with the benefits of using leverage but are not well-informed with its drawbacks. This gives them a mindset that they should take trades despite large risks with the expectation to earn a large profit. Trading may seem too easy using a demo account, but once real money and emotions are involved, it won't be the same. This is why true risk management is critical.

## Controlling losses

You can control the amount of losses as a form of risk management. When the price goes against the expected direction, you must know when to cut the losses on a trade. This can be done in two ways, with the use of a hard stop or a mental stop.

A hard stop is placed when you set a stop loss as the trade is initiated. The process for determining the stop is mentioned in each of the rules of the trade types: Conservative and aggressive. On the other hand, a mental stop is being used when you exit the trade based on a certain limit or drawdown that you are willing to take for the particular trade.

Identifying the ideal stop loss level may vary among traders. What's important is that it should reasonably limit the risk in as much as you are comfortable with it however use our stop loss guide as a default as we have tested extensively on this. As soon as you have identified your preferred stop loss, stick with it. Otherwise, you could fall into the trap of moving your stop loss farther and farther out, defeating its purpose which is to efficiently cut your losses.

One could trail your stop or move your stop to just above break even during a trade. We will cover this on our weekly training.

## Using correct lot sizes

At one point in time, you may have thought that it is possible to open an account with \$300 and use a 200:1 leverage to open mini lot trades of \$10,000 dollars and double your money in one trade. Nothing could be farther from the truth.

There is no magic formula that can accurately tell the lot size that you should be trading with. But for beginners, the smaller the lot size, the better. Each trader has his own level of risk tolerance. As a rule of thumb, it is best to remain as conservative as possible.

Not everyone has enough resources to open a \$5,000 account, but this is not a reason to use larger lots if you have a small account. It is important to understand the risk of using larger lots with a small account balance. Trading with smaller lot sizes allows one to stay flexible and manage trades based on logic than on emotions.

## Tracking overall exposure

Reducing the lot size is good for managing your risk, but it cannot help when you open too many trades amounting to too many lots. There is a correlation between currency pairs, and this is important for any trader to understand.

An example would be going short on the EUR/USD and long on the USD/CHF. In this scenario, the account is exposed twice to the USD in the same direction. This means that the overall exposure to USD is long two times the lot size. So, if the USD goes down, both trades lose. The importance of keeping the overall exposure limited is that it reduces your risk and keeps you in the game in the long run.

## The bottom line

Risk management is all about keeping your risk under control. The more controlled your risk is, the more flexible you can be when you need to be. If you notice, Forex trading is about opportunity, and traders need to be able to act when such opportunities arise. By limiting your risk, you ensure that you can continue to trade even if events do not go as planned.

Using proper risk management can be the difference between becoming a forex professional and being a quick blip on the chart.

This system has worked well for me and others. It is not designed necessarily to bring you massive profits overnight, but rather, it is designed to bring in consistent profits over an extended period of time depending on market conditions.

All the best!

Adrian and the Tradeology Team