



FOREX & CRYPTO DECODED



*A TRADER'S ULTIMATE GUIDE
BEGINNER TO PRO JOURNEY IN FOREX AND CRYPTO*

LEARN, TRADE, SUCCEED

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INTRODUCTION

WELCOME TO THE PATH OF BECOMING A PROFITABLE TRADER!

First off, thank you for embarking on this transformative journey and entrusting me with your growth. My primary goal is to guide you toward success as a profitable trader. Let's delve into this expedition and unravel the essence of becoming a Consistently Profitable Trader.

In the trading realm, many marketers paint an alluring image of Ferraris, lavish lifestyles, and trading on exotic beaches, promising quick millions within minutes. Regrettably, the reality is that 95% of individuals fall short due to the lack of foundational knowledge, structure, and systems employed by seasoned professionals.

While the potential for boundless income in trading is true, reaching a million in funded accounts requires more than mere wishful thinking. Personally, I've invested in top-tier mentorships and courses, studying the practices of highly successful traders. Through this commitment, I've successfully built a trading capital into six figures.

To aid aspiring traders in their journey, I've crafted this eBook, aiming to demystify the elusive practices of seasoned professionals and make them more accessible.

Before we dive into the intricacies, it's crucial to emphasize that trading is a full-time career. Making a living solely from trading, especially in the initial stages, demands dedicated effort. Our approach to training will mirror that of professional athletes, focusing on developing the skills necessary for sustained success.

While a substantial income awaits as the reward, be prepared to put in the hard work—this is not a get-rich-quick scheme. Trading is a challenging profession that offers limitless earning potential.

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Now, let's explore the five stages a trader typically undergoes within 1-3 years. Professional firms claim to make a trader profitable during this period, but it requires hard work, learning from the best mentors, and unwavering commitment.

1. The first stage involves consistently experiencing losses without making any profit. Many individuals quit at this point, which is unjust as mastering trading takes time.
2. The second stage is marked by consistently breaking even. Several more individuals quit here, not allowing themselves the necessary time to acquire essential skills. It may feel like a plateau, but continual practice is crucial for progress.
3. The next stage sees profits starting to trickle in, but there are still areas for improvement. Don't cease refining your skills and training.
4. Being consistently profitable with a decent amount of profits characterizes the subsequent stage. From here, it's a matter of time before reaching the level of massive profits or becoming a CPT (Consistently Profitable Trader).
5. Achieving this stage requires time, skills, and capital. This course is designed to expedite your journey to the consistently profitable stage. Don't stress; everyone can achieve this, and I am here to support you.

Consider yourself a professional trader and treat trading like a business. Statistics indicate that once you overcome the learning curve of one to three years, you'll become a CPT with the potential for unlimited income.

Regardless of where you are in your journey, take a moment to acknowledge that success is not only possible but entirely within your reach.

CHAPTER I - INTRO TO TRADING

WHAT IS TRADING AND HOW DO WE MAKE MONEY ?

The essence of trading diverges from investing; investors profit by holding assets, while traders capitalize on minor price shifts, epitomized by the operative term "speculation." In essence, trading is a synonym for short-term speculation, wherein profit is derived from anticipating price fluctuations through analysis.

Speculation, as a practice, can be traced back to ancient Rome, where individuals convened to purchase shares with the aim of profiting from the rise in their value. Over time, speculation has encompassed diverse assets such as tulips, railroad ventures, corn, wheat, gold, silver, and contemporary options like oil, company stocks, forex, bonds, indices, cryptocurrencies, and commodities.

Despite the perpetual hype surrounding unique investment opportunities, many individuals fail to generate profits due to a lack of skill in timing market entries and exits. Mastering the art of professional trading demands a comprehensive understanding of when to enter and exit positions.

Technical analysts delve into centuries of technical and psychological patterns to discern profitable moves within price fluctuations. Aspiring day traders must view their pursuit as a full-time commitment, recognizing that both wins and losses are inherent aspects of the trading game.

It's crucial to acknowledge the lack of direct control over stock price movements, as numerous external factors influence rises and falls.

Achieving a 100% win rate is unattainable, except in cases of illegal insider trading. Therefore, embracing losses becomes an integral part of the trading journey.

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Entering the market requires payment of an admission fee, and this fee may be lost at times. However, the key is to design a strategy focused on two critical elements: entering the market when profits are probable and ensuring that gains surpass the entry fee. This strategy, known as a risk management plan or playbook, is essential for long-term profitability.

Day traders profit by ensuring that their wins outweigh losses, recognizing that speculation necessitates paying the entry fee. Proficiency lies in learning when to be in the market and constructing a risk management system that favors larger wins. Acknowledging the inevitability of losses and designing a strategy where wins are consistently larger than losses is the path to sustained profitability, even with an imperfect system. For instance, a trader with a 50% win rate and a 1:2 risk-to-reward ratio can achieve profitability by consistently securing larger wins than losses over a series of trades.

Trades	Win - Loss
1	+ 200
2	+ 200
3	- 100
4	- 100
5	- 100
6	+ 200
7	- 100
8	+ 200
9	- 100
10	+ 200
Total	+ 500

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The timing and duration of losing streaks in trading are unpredictable. Backtesting provides confidence in our strategy, enabling us to trade consistently and adhere to our plan for eventual profitability. Further exploration of risk management will be covered in subsequent lessons.

Crucial to understand is that losses do not hinge on being right or wrong. Embracing losses is essential for success. Winning is not solely attributed to analysis, and adopting this mindset often leads to failure. It's a misconception to associate correctness with wins and errors with losses.

Preparing your mind to accept losses is vital for professional trading. Following rules and adhering to the plan eliminates the need for distress; losses are an inherent aspect of trading. Emotional reactions are irrational for retail traders; randomness should be expected.

Accepting losses is not a deterrent to trading; finding an edge that consistently yields more wins than losses is the key. Recognizing recurring patterns is fundamental, but outcomes may vary. Once we identify our edge, sticking to the plan becomes imperative.

In summary, profits in trading are derived from three approaches: speculating on price movements, developing a system that ensures more wins than losses, and consistently executing our identified edge. This ebook will delve into mastering these aspects in the subsequent sessions.

TYPES OF TRADERS

Let's dive into exploring the various types of traders in the market. There are essentially four main categories:

Scalpers:

- Scalpers are traders who focus on very short-term trades, usually lasting only a few seconds or minutes.
- They operate in the most active market periods, aiming to capture small price movements called pips.
- Scalping requires quick data processing skills, as decisions must be made swiftly.

Day Traders:

- Day traders make their moves within a single trading day.
- They analyze various time frames, typically ranging from 1 hour to 4 hours.
- Day traders often open and close positions during the day, avoiding overnight holds.

Swing Traders:

- Swing traders maintain their trades for a few days to several weeks.
- Unlike day traders, they do not closely monitor the market throughout the day.
- Once a trade is initiated, swing traders observe the market over the course of days or weeks until they reach their targets.

Position Traders:

- Position traders have a more long-term approach, with positions lasting weeks, months, or even years.
- They base their decisions on fundamental factors, which are critical when analyzing the overall market conditions.

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Each type of trader has its own unique characteristics and time horizons. For example, the choice between scalping, day trading, swing trading, or position trading depends on factors such as individual preferences, time availability, and risk tolerance.

WHAT DO WE TRADE

In this Section, we will delve into the realm of speculation and trading.

While speculation is occasionally employed, it's crucial to recognize that predicting price movements is beyond our control. Our foremost priority should always be safeguarding our account, and our decisions should align with that principle.

The items being traded go by various names such as instruments, symbols, assets, or pairs. For the purpose of this discussion, we'll refer to them as "instruments," and we'll explore the nuances later.

It's important to emphasize that our profits stem from minor price fluctuations in a specific instrument. Nowadays, we have a multitude of options, including commonly traded instruments like forex pairs such as EUR/USD, GBP/USD, USD/JPY, USD/CHF, USD/CAD, and more.

Additionally, single stocks such as Amazon, Google, Apple, and Tesla, and indices, represent the values of leading stocks. For example, the NAS 100 mirrors the trading volume of the top 100 companies.

Traders also engage in the trading of commodities like Oil, Gold, Silver, and more.

Furthermore, the realm of trading has expanded to include cryptocurrencies such as BTC/USDT, ETH/USDT, and numerous others.

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Let's discuss the criteria for choosing your trading instruments.

The following factors are particularly crucial

High Volatility:

- Look for instruments with rapid and significant changes in price movement.

High Liquidity:

- Opt for instruments with a high volume of activity in the market, ensuring smoother and more efficient trading.

Low Transactional Costs:

- Consider the transaction fees associated with each trade. Costs can vary based on the trading session and broker, impacting your overall profitability.

Leverage:

- Evaluate the amount of money available for trading. Leverage acts like a loan, allowing you to trade with a multiple of your deposited amount. This is especially important for managing larger trades and mitigating the need for excessive capital.

Data Availability:

- Ensure there is sufficient historical data for your chosen instruments. The more data you have, the better you can test and refine your trading strategy.

These criteria are vital when selecting trading pairs. It's noteworthy that the top five pairs not only have ample historical data but are also among the most actively traded instruments in the market.

Top 5: Gold, US30, US100, EUR/USD, GBP/USD

WHAT IS AN EDGE AND WHY DO WE NEED IT ?

In trading, the term "edge" refers to a trader's competitive advantage or unique strategy that gives them a higher probability of making profitable trades over the long term. Having an edge means that a trader has identified a set of conditions, signals, or factors that, when properly analyzed and acted upon, can result in successful trades more often than not.

Here are some common types of edges in trading

Informational Edge:

- Traders with access to superior or timely information can have an edge. This might include information about a company's financial health, industry trends, or geopolitical events.

Analytical Edge:

- Some traders develop advanced analytical models, algorithms, or technical analysis techniques that provide them with insights into potential market movements.

Execution Edge:

- The ability to execute trades efficiently and at favorable prices can be a significant advantage. This includes factors such as low-latency trading infrastructure and understanding market microstructure.

Behavioral Edge:

- Understanding and exploiting market psychology and behavioral biases can give a trader an edge. This involves analyzing how other market participants are likely to react to certain events.

Risk Management Edge:

- Traders who effectively manage risk by setting appropriate stop-loss orders, position sizing, and portfolio diversification can have an edge in preserving capital during adverse market conditions.

Quantitative Edge:

- Quantitative traders use mathematical models and statistical analysis to identify trading opportunities. This can involve complex algorithms and data analysis.

Having an edge is crucial in trading because financial markets are highly competitive and efficient. Many participants, including institutional investors and algorithmic trading systems, are constantly seeking opportunities to gain an advantage. Without a well-defined edge, a trader is essentially relying on luck, and over the long term, luck is not a sustainable strategy.

It's important to note that having an edge doesn't guarantee success on every trade. Markets can be unpredictable, and risk is inherent in trading. However, a consistent edge, combined with effective risk management, can contribute to long-term profitability. Traders often spend a significant amount of time and effort refining their strategies to maintain and improve their edge in dynamic market conditions.

INTERPRETING WINS AND LOSSES

In this section, we will delve into the crucial aspect of interpreting and becoming comfortable with both wins and losses in trading. Throughout the ebook, I will consistently emphasize that losses are an integral part of the trading game. Many individuals struggle with day trading because they find it challenging to accept losses.

The discomfort associated with losing in life, coupled with the pain it brings, is a significant reason why some traders fail in day trading. Losing a trade is often perceived similarly to failing in school or a job, impacting one's self-esteem. As humans, we are wired to resist consecutive losses, making the concept of loss in trading particularly difficult for many.

However, speculative trading demands a mental reprogramming. It requires viewing losses as business expenses necessary to participate in the market actively. By rewiring your mindset to expect losses rather than being surprised by them, you can position yourself among the 5% of successful retail traders.

Now, let's delve deeper into this subject:

To succeed in day trading, it is essential to comprehend how orders work and understand the dynamics of market movements. In the broader market, various groups participate, but we'll focus on the primary group—the market movers. These entities possess substantial financial resources capable of influencing prices significantly. Retail traders, in contrast, lack the financial capacity to move prices substantially.

The fundamental principle to grasp is that at any given moment, a market mover can make a decision that supports or violates your bias, and you have no control over this. Additionally, entering a trade based on a pattern or signal doesn't guarantee immediate market movement. Market movers dictate the pace, and outcomes can be random.

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It's crucial to expect randomness after entering a trade, as decisions affecting market movement are made outside your control. Seasonal trends, such as during the summer when market participants take vacations, can further illustrate how human behavior influences market dynamics.

Before embarking on your trading journey, it's essential to rewire your mind to internalize these principles, particularly the psychological aspect. The most critical psychological principle is understanding that losses are an inherent part of trading.

The second principle underscores the inevitability of incurring losses to generate profits. Using Mark Douglas's example of a weighted coin, where out of 10 flips, heads occur 6 times and tails 4 times, illustrates the necessity of enduring losses to emerge profitable over a series of trades.

It's challenging for most individuals to accept losses, but a trading simulator can help in rewiring your mindset. Similar to children playing video games, losses in a simulator should be perceived as notional, detached from strong emotions.

By focusing on the series of trades rather than individual outcomes, you can develop resilience and a willingness to pay the risk fee for the prospect of larger gains.

In this ebook, I will guide you through the process of rewiring your brain to accept losses. Through the use of a trade simulator and backtesting, you will learn how to approach losses as a necessary part of trading, ultimately contributing to your long-term success in the market.

FORMING A BIAS THROUGH ANALYSIS

In this comprehensive section, we will delve into the intricate process of forming a trading bias through technical analysis.

A trading bias serves as a lens through which we view the market, predicated on a strategic approach or a distinctive edge. Our financial gains hinge on our ability to anticipate the ascent and descent of prices—profitable outcomes materialize when prices climb and when they decline. Simply put, when our bias signals an upward trajectory, we engage in buying, and conversely, when it signals a downward movement, we opt for selling.

At its essence, forming an outlook of either an upward or downward trend involves the application of a trading bias. What sets trading apart from gambling is the deliberate construction of this bias, achieved through the thoughtful analysis of patterns in market data. In stark contrast, gambling involves a more impulsive approach, where the lever is pulled without strategic consideration.

While it may seem tempting to concoct a unique and seemingly magical strategy, I advocate for embracing a certain level of unoriginality. Trading, as an established practice spanning centuries, has produced enduring systems. Leveraging these time-tested systems as the foundation for your trading biases, and subsequently incorporating your insights as you evolve as a trader, can expedite your journey to profitability.

So, how do we go about forming a bias? Over the years, individuals have employed various methods, including astronomy, intuition, fundamental analysis, insider tips, technical analysis, and sentimental analysis. In this ebook, our primary focus will be on technical analysis, a practical and accessible approach for both you and me. While the pros often employ a combination of technical and fundamental analysis, it's crucial not to be overly rigid in your approach. Respected traders in the industry successfully use either technical or fundamental analysis exclusively.

TRADING TERMS

In this lesson, we will explore various trading terms. We'll provide a brief overview since ample free resources are available online for those who wish to delve deeper into these terms.

Balance:

In trading, "balance" refers to the amount of money initially deposited into a trading account. It represents the starting point or the baseline capital that a trader has available for trading activities. The balance is a key component of a trader's account statement and is distinct from other metrics like equity and margin.

The trading balance is not affected by unrealized profits or losses from open positions. It is a snapshot of the actual cash amount in the account at a given moment, excluding any paper gains or losses.

Equity:

In trading, "equity" refers to the current value of a trader's account. It represents the ownership interest in the assets of the trading account and is calculated by adding the account balance to the unrealized profits or losses from open positions. Equity is a key metric that traders monitor to assess the overall health and performance of their trading activities.

The formula for calculating equity in trading is:

$$\text{Equity} = \text{Balance} + \text{Unrealized Profit/Loss}$$

Where:

- **Balance:** The initial amount of money deposited into the trading account.
- **Unrealized Profit/Loss:** The paper profit or loss on open positions that have not been closed. It represents the potential profit or loss if the positions were closed at the current market prices.

For example:

- If a trader starts with a €10,000 account balance and has open positions with an unrealized profit of €2,000, the equity would be €12,000.

Monitoring equity is crucial for risk management and decision-making in trading. It helps traders assess the financial health of their accounts, determine the available funds for new trades (free margin), and understand the impact of market fluctuations on their overall account value. Additionally, equity is used in various calculations, such as determining margin levels and assessing the performance of trading strategies.

Profit / Loss:

Profit and Loss, often abbreviated as P&L, refers to the financial outcome of a trading or investment activity. It represents the difference between the revenue generated from a trade and the associated costs or losses. Profit and Loss can be expressed as both a monetary value and a percentage of the initial investment or capital.

In trading and investing, the Profit and Loss statement typically includes the following components:

1. **Gross Profit/Loss:** The total profit or loss before deducting expenses such as trading fees, commissions, and other transaction costs.
2. **Net Profit/Loss:** The profit or loss remaining after deducting all associated expenses. It represents the actual financial outcome of the trade or investment.
3. **Unrealized Profit/Loss:** The paper profit or loss on open positions that have not been closed. It represents the potential profit or loss if the positions were closed at the current market prices.
4. **Realized Profit/Loss:** The actual profit or loss resulting from closing a position. It is the difference between the selling price and the purchase price, accounting for transaction costs.

For example:

- If a trader buys a stock at €50 and sells it at €60, realizing a profit of €10 per share, that €10 is the realized profit.
- If the trader holds another stock that has increased in value from €40 to €55 but has not sold it, the unrealized profit is €15 per share.

Profit and Loss are fundamental metrics in assessing the success and performance of trading or investment strategies. Monitoring P&L helps traders and investors make informed decisions, manage risk, and evaluate the effectiveness of their trading activities.

Leverage:

Leverage in trading refers to the ability to control a large position in the market with a relatively smaller amount of capital. It is a borrowing or loan provided by a broker to a trader, enabling them to amplify the potential returns (or losses) on an investment.

The concept of leverage involves using borrowed funds to increase the size of a trading position beyond what would be possible with only the trader's own capital. Leverage is often expressed as a ratio, such as 50:1, 100:1, or 500:1. These ratios indicate how much larger the position size can be relative to the trader's own capital.

For example:

- With a 50:1 leverage, a trader can control a position worth €50,000 with only €1,000 of their capital.
- With a 100:1 leverage, the same trader could control a €100,000 position with €1,000.

While leverage can magnify profits, it also significantly increases the risk of losses. If the market moves against the trader, losses are also amplified. Excessive use of leverage without proper risk management can lead to margin calls, where the broker requires the trader to deposit additional funds to cover potential losses.

It's crucial for traders to understand the risks associated with leverage and to use it judiciously. Successful trading involves careful risk management, and traders should be aware of the specific leverage levels and margin requirements set by their brokers.

Margin:

Margin in trading refers to the amount of money or collateral that a trader needs to deposit with their broker in order to open and maintain a trading position. It is essentially a security deposit that ensures the broker that the trader can cover potential losses.

There are different types of margins:

1. **Initial Margin:** The initial amount of money required to open a new position. It acts as a security deposit and varies based on the size and type of the trade.
2. **Maintenance Margin:** The minimum amount of equity that must be maintained in a trading account to keep a position open. If the equity falls below the maintenance margin level, a margin call may be issued.
3. **Used Margin:** The amount of money that is currently tied up or "used" to maintain open positions.
4. **Free Margin:** The remaining amount of funds in the trading account that is not currently used in open trades. It represents the funds available for new trades.

The concept of margin is closely related to leverage. Leverage allows traders to control a larger position with a relatively smaller amount of capital. While leverage can amplify profits, it also increases the risk of significant losses. Traders need to manage their margin effectively to avoid margin calls and potential liquidation of positions.

Margin requirements and rules can vary between brokers and financial instruments, so it's important for traders to understand and adhere to their broker's specific margin policies. Proper risk management, including monitoring margin levels, is crucial for successful and sustainable trading.

Margin level:

Margin level is a metric used in trading to assess the health of a trader's account in relation to the margin requirements. It is calculated as a percentage and is derived from the ratio of a trader's equity to the used margin. The margin level is a key indicator for brokers to determine if a trader has enough funds to maintain open positions.

The formula for calculating the margin level is:

$$\text{Margin Level} = (\text{Equity} : \text{Used Margin}) \times 100$$

Where:

- **Equity:** The current account balance plus or minus any unrealized profits or losses from open positions.
- **Used Margin:** The amount of funds currently being used to maintain open positions.

The margin level is expressed as a percentage and indicates the proportion of the trader's equity to the used margin. A higher margin level suggests a healthier account, while a lower margin level indicates that the account is at greater risk of a margin call or stop-out.

Here's a breakdown of how to interpret margin levels:

- **Margin Level > 100%:** Generally considered safe, indicating that the trader has sufficient equity to cover the used margin and potentially open new positions.
- **Margin Level = 100%:** The equity is equal to the used margin. It's a borderline situation, and caution is advised.
- **Margin Level < 100%:** Indicates that the equity is less than the used margin, putting the account at risk. If the margin level falls too low, it may trigger a margin call or stop-out.

Traders should be aware of their margin levels to manage risk effectively and avoid potential automatic position closures by maintaining sufficient free margin.

Free margin:

Free margin refers to the amount of funds available in a trading account that can be used to open new positions. It is the difference between the equity in the account and the margin required to maintain open positions. The free margin represents the portion of a trader's account balance that is not currently tied up in open trades and is, therefore, available for further trading.

The calculation for free margin is as follows:

Free Margin = Equity – Used Margin

Where:

- **Equity:** The current account balance plus or minus any unrealized profits or losses from open positions.
- **Used Margin:** The amount of funds that is currently being used to maintain open positions.

For example, if a trader has an account balance of €10,000, an equity of €12,000, and the used margin is €2,000, the free margin would be €10,000 (€12,000 - €2,000). This €10,000 is the available balance that the trader can use to open new trades without reaching the margin call or stop-out levels.

Monitoring free margin is crucial for risk management, as it helps traders assess the amount of capital available for additional trades and ensures that they have sufficient funds to cover potential market fluctuations and avoid margin calls or automatic position liquidation.

Margin call:

A margin call is a notification or alert from a broker to a trader, indicating that the trader's account equity has fallen below the required margin level to support their open positions. When a margin call occurs, it signals that the trader must take action to address the deficiency in their account equity to avoid potential liquidation of their positions.

Here's how a margin call typically works:

1. **Margin Level Falls Below a Certain Threshold:** Every broker sets a specific margin call level, usually expressed as a percentage. This level is a critical point where the trader's equity drops to a level that is too close to the used margin.
2. **Broker Sends a Margin Call:** When the margin level reaches or falls below the predefined threshold, the broker sends a margin call to the trader. This is a warning that the trader needs to either deposit additional funds into their account or close some of their open positions to reduce the used margin.
3. **Trader's Response:** The trader must take action promptly. They can either add more funds to the account to increase the equity or close out some positions to release margin.
4. **Liquidation (If Necessary):** If the trader fails to respond to the margin call and the equity continues to decline, the broker may automatically close some or all of the trader's positions to prevent further losses and protect both the trader and the broker from negative balances.

It's crucial for traders to monitor their account balance, margin levels, and respond to margin calls promptly to avoid the risk of position liquidation and potential financial losses. Margin calls are a key aspect of risk management in leveraged trading.

Stop out level:

The stop-out level, also known as the "margin call level" or "liquidation level," is a predefined margin level at which a broker may automatically close one or more of a trader's open positions to prevent further losses. It is a risk management mechanism implemented by brokers to protect both the trader and the broker from substantial account deficits.

When a trader's margin level falls to or below the stop-out level, it indicates that the account's equity has reached a critical point in relation to the used margin. The stop-out level is typically expressed as a percentage, and it represents the minimum margin level required to keep positions open.

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For example, if the stop-out level is set at 20%, when a trader's equity falls to 20% of the used margin, the broker may initiate the automatic closure of the trader's positions to prevent further losses and potential negative balances.

It's essential for traders to be aware of the stop-out level set by their broker and to manage their positions and risks effectively to avoid reaching this level, as it could lead to the automatic closure of trades and potential account liquidation.

Pip:

A "pip" stands for "percentage in point" or "price interest point," and it is a standardized unit of movement in the price of a financial instrument. Pips are commonly used in the forex (foreign exchange) market to express the change in value between two currencies. The value of a pip is typically a very small fraction of a unit of currency, and it represents the smallest price movement that can occur in the exchange rate of a currency pair.

In most currency pairs, a pip is usually the fourth decimal place in the exchange rate. For example, if the EUR/USD currency pair moves from 1.1250 to 1.1251, it has moved one pip. However, in some currency pairs, the pip is the second decimal place. For instance, in the USD/JPY currency pair, a move from 110.50 to 110.51 represents one pip.

The concept of pips is important in forex trading because it allows traders to measure price movements and express gains or losses in a standardized way. Traders often refer to the number of pips gained or lost in a trade to quantify the extent of the price change.

Lot:

In the context of financial trading, a "lot" is a standardized quantity of a financial instrument. The specific size of a lot can vary depending on the asset being traded. Here are the common definitions for different types of lots in trading:

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1. **Standard Lot:** In the foreign exchange (forex) market, a standard lot is typically 100,000 units of the base currency. For example, if you're trading the EUR/USD currency pair, one standard lot would be equivalent to 100,000 euros.
2. **Mini Lot:** A mini lot is 10,000 units of the base currency in the forex market. It is one-tenth the size of a standard lot.
3. **Micro Lot:** A micro lot is 1,000 units of the base currency in the forex market, making it one-tenth the size of a mini lot and one-hundredth the size of a standard lot.
4. **Stocks and Futures:** In stock and futures markets, the term "lot" may refer to a standard contract size for buying or selling a particular financial instrument. For example, in the futures market, one lot might represent a contract for 100 barrels of oil or 1,000 bushels of corn.

The use of lots allows traders to control larger positions in the market with a relatively small amount of capital. However, it also magnifies both potential profits and losses, making risk management crucial in trading activities.

Spread:

In trading, the "spread" refers to the difference between the buying (bid) price and the selling (ask) price of a financial instrument. It represents the cost of executing a trade and is a key factor in determining transaction costs for traders.

Here's a breakdown of the components involved in the spread:

1. **Bid Price:** This is the price at which a trader can sell an asset. It's the highest price a buyer is willing to pay for a security.
2. **Ask Price:** This is the price at which a trader can buy an asset. It's the lowest price at which a seller is willing to sell a security.
3. **Spread:** The spread is the difference between the bid and ask prices. It's essentially the broker's profit and covers their costs, including any fees or commissions.

For example, if the bid price for a stock is €50, and the ask price is €51, the spread is €1. In this case, if a trader were to buy the stock, they would do so at €51 (ask price), but if they were to sell it immediately, they would only receive €50 (bid price), resulting in a €1 loss due to the spread.

The spread can vary significantly between different financial instruments and brokers. Tight spreads are generally preferred by traders because they reduce the cost of entering and exiting trades. Highly liquid assets and major currency pairs often have lower spreads compared to less liquid assets or exotic currency pairs. Market execution:

Market execution is a type of order execution in trading where a trade is executed at the current market price. In other words, the order is processed as quickly as possible at the prevailing market conditions. Market execution ensures that the order is filled at the best available price at the time the order reaches the market. Here's how market execution typically works:

1. **Trader Places Market Order:** A trader decides to buy or sell an asset and places a market order. A market order is an instruction to buy or sell a financial instrument immediately at the best available current market price.
2. **Order is Executed at Market Price:** Once the market order is submitted, it is filled at the best available price in the market at that moment. The actual execution price may vary slightly from the quoted price due to market fluctuations and liquidity.
3. **Immediate Execution:** Market execution ensures that the trade is executed as soon as possible. This is particularly important in fast-moving markets where prices can change rapidly.

Market execution contrasts with another common type of order execution known as "pending order" or "limit order." In a limit order, the trader specifies a price at which they want the trade to be executed. The order will only be filled if the market reaches that specified price.

Market execution is commonly used in forex trading and is also prevalent in other financial markets. It provides a straightforward and efficient way to enter or exit trades, especially when quick execution is a priority. However, it does not guarantee a specific execution price, as the actual fill price depends on market conditions at the time of execution.

Limit order:

A limit order is a type of order in trading that specifies the maximum price (for a sell order) or the minimum price (for a buy order) at which an investor is willing to buy or sell a financial instrument. It is an instruction to execute a trade only at a specific price or better. Limit orders are used to control the entry or exit points of a trade and are one of the two main types of orders, the other being market orders.

Here's how a limit order works:

1. **Placement of Limit Order:** A trader decides on a specific price at which they want to buy or sell an asset and places a limit order at that price.
2. **Waiting for Execution:** The order will only be executed if the market reaches or surpasses the specified price. If the market does not reach the limit price, the order will remain open until it is canceled or expires.
3. **Execution at Specified Price:** Once the market reaches the specified price, the limit order is triggered and executed at the predetermined price or a better one.

Limit orders provide traders with more control over their trades compared to market orders. They are useful in situations where traders want to enter or exit the market at specific price levels. However, there is no guarantee that a limit order will be filled if the market does not reach the specified price.

There are two types of limit orders:

- **Buy Limit Order:** A buy limit order is placed below the current market price, anticipating a price decrease before buying.
- **Sell Limit Order:** A sell limit order is placed above the current market price, expecting a price increase before selling.

Limit orders are commonly used in various financial markets, including stocks, forex, and commodities.

Stop order:

A stop order is a type of order in trading that becomes a market order when the price of the asset reaches a specified level, known as the "stop price" or "trigger price." Stop orders are used to limit potential losses or to initiate new trades once a certain price level is reached.

There are two main types of stop orders:

1. **Buy Stop Order:** This type of stop order is placed above the current market price. It becomes a market order to buy when the asset's price rises to or above the specified stop price. Buy stop orders are often used by traders who expect an upward price movement and want to enter a trade once the price exceeds a certain level.
2. **Sell Stop Order:** This type of stop order is placed below the current market price. It becomes a market order to sell when the asset's price falls to or below the specified stop price. Sell stop orders are commonly used as a risk management tool to limit losses by selling an asset if its price drops to a certain level.

Here's how a stop order works:

- **Placement of Stop Order:** A trader sets a stop price for a buy stop or sell stop order. For example, if the current market price is €50, a trader might place a buy stop order at €55, anticipating a price increase.
- **Activation of Market Order:** When the market price reaches or surpasses the specified stop price, the stop order is triggered and becomes a market order. The order is then executed at the best available market price.
- **Risk Management:** Sell stop orders are often used for risk management, allowing traders to limit potential losses by automatically selling an asset if its price falls to a predetermined level.

Stop orders are versatile tools used by traders to automate entry or exit strategies based on the movement of asset prices. They are commonly employed in various financial markets, including stocks, forex, and commodities.

CHAPTER II - RISK MANAGEMENT

INTRO TO RISK MANAGEMENT

In this lesson, we will delve into the intricacies of risk management, a crucial skill that every trader aspiring to achieve consistent profitability must master. We will explore a robust risk management strategy that has proven instrumental in overcoming multiple proprietary firm challenges and securing regular payouts.

Our exploration of risk management will encompass the following key components:

1. **Overview and Importance of Risk Management:** We will provide a comprehensive understanding of risk management and underscore its paramount importance in the realm of trading.
2. **Elements of a Risk Management Plan:** A detailed examination of the essential elements that constitute a well-structured risk management plan will be covered, offering insights into crafting an effective strategy.
3. **Pro Trader Approaches to Risk Management:** We will analyze how seasoned professionals adeptly manage risk, providing valuable insights that you can incorporate into your own trading practices.

By the conclusion of this module, you will be equipped to either formulate a new risk management plan or enhance your existing one. The objective is to empower you to make more substantial and consistent profits through adept risk management.

Recognizing risk management as one of the four fundamental concepts to master in trading, it is imperative to safeguard your trading account. Regardless of the amount of capital at your disposal, the market holds the potential to deplete it entirely. Given that individuals are trading in eight and nine figures, it becomes evident that counterparties with the capacity to wipe out entire accounts exist.

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Consequently, it falls upon you to judiciously manage the amount of money you are willing to risk per trade—a pivotal aspect of protecting your trading capital. This responsibility is of paramount importance in navigating the unpredictabilities of the market and ensuring the longevity and success of your trading endeavors.



Let's illustrate this with an example. Suppose you decide to enter a buy position with the expectation that the market will ascend, and you have a €10,000 trading account. However, for unforeseen reasons, the market takes a downturn. If you choose not to exit the trade, your account is at risk of depleting to zero. In theory, your funds could dwindle until there's nothing left.

It's crucial to grasp that the market itself doesn't dictate how much money you stand to lose — you retain complete control over your account. This level of control is pivotal for traders and underscores a fundamental point.

In proprietary trading firms, risk managers closely monitor trade drawdowns and automatically close out positions when necessary to safeguard the firm's capital. Unfortunately, many independent traders lack such automated systems. Therefore, it becomes imperative for us to implement effective risk management practices, ensuring that we don't incur excessive losses and jeopardize our trading capital. This self-driven approach is vital in the absence of automated risk management systems commonly found in institutional settings



Now, let's consider the flip side. Imagine you enter a buy trade, and it goes in your favor. If no one intervenes to close the trade, it has the potential to generate an unlimited profit—a scenario many traders dream of. However, when it comes to taking profits, you remain in complete control.

The challenge lies in the fact that many traders lack a systematic approach to both handling losses and securing profits. This crucial aspect will be the focal point of our discussions in this series.

To begin with, you are the ultimate arbiter of your own capital, responsible for managing both losses and gains. On one hand, it's essential to skillfully navigate and mitigate potential losses. On the flip side, the responsibility extends to adeptly managing your winnings.

It's not uncommon for traders to grapple with the inclination to let a winning trade run for an extended period without taking profits. This predicament is widespread, and many of us share the desire to maximize gains. However, returning to the premise that the market is inherently random, we must acknowledge that nothing is guaranteed. Thus, we find ourselves combating thoughts, emotions, and the allure of greed—wanting more because the market has been favorable.

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This series will guide you through understanding the uncertainties of the market and equip you to resist the emotions of greed, emphasizing the importance of timely profit-taking. The reality is that the market can swiftly reverse, erasing potential profits within a few minutes. This occurrence is a factual and recurrent challenge faced by traders.



Thus, it becomes imperative to combat the emotions of euphoria and the false sense of certainty. It's crucial to resist the inclination to believe that we possess absolute knowledge of the market's continued favorable direction. Effectively managing both losses and wins is entirely within our control, and throughout this series, we will delve into the crafting of a comprehensive plan.

The objective is to design a plan that enables us to navigate losses effectively while capitalizing on profitable opportunities. Striking a balance where losses are controlled, and wins are maximized is the key. Our aim is to steer clear of scenarios where emotions run high, ensuring a disciplined and strategic approach to trading.



Our initial focus in this series centers on profit-taking. It's crucial to prepare yourself for this aspect of trading. We will establish a systematic approach for taking profits within our trading platforms, often referred to as the Take Profit level or TP. The aim is to familiarize ourselves with setting TP and establishing clear criteria for when and where to take profits within your system.

For instance, in a hypothetical scenario where we enter a buy position, we might set a take profit at 12.5k based on predefined rules that we will delve into later in the series. Importantly, regardless of subsequent market movements, adherence to our established rules is paramount. These rules have proven to be consistently reliable, recognizing that the market is inherently unpredictable, and price dynamics can easily reach our TP and reverse.



Conversely, we also require what's known as a stop-loss—a vital component designed to shield us from incurring losses beyond our predefined threshold. Imagine initiating a trade with a 10k capital, and the market moves against us, resulting in a 2.5k loss. The purpose of a stop-loss is to exit the trade before further losses accumulate, safeguarding our capital. This protective measure ensures that we can reassess the market and actively seek out new opportunities.

It's imperative not to become overly attached to a specific trade or the notion of it being a winning one. We must be prepared for the possibility of it moving against our anticipated direction. The strategic placement of a stop-loss serves as a shield for our capital, reinforcing the importance of not overly committing to a single trade.

(Note: The percentage of risk per trade will vary based on individual accounts or specific trading strategies.)

EDGE	
Heads: + \$1000	Lands on heads 5 out of 10 times
	50% Winrate
Tails: - \$500	Net Profit: + \$2,500

Now, let's examine this within the framework of the market's inherent randomness. Consider the analogy of a coin toss with heads and tails to illustrate the unpredictable nature of the market.

In this scenario, where the outcome is uncertain, our goal is to gain an edge through the systematic study of data—a concept akin to the heads and tails situation. Much like the coin toss, where we know there's a 50% chance of it landing on heads or tails, we apply a similar principle in trading. For instance, if we set our stop loss on tails (resulting in a €500 loss) and our take profit on heads (yielding a €1000 gain), we ensure profitability over the course of 10 trades.

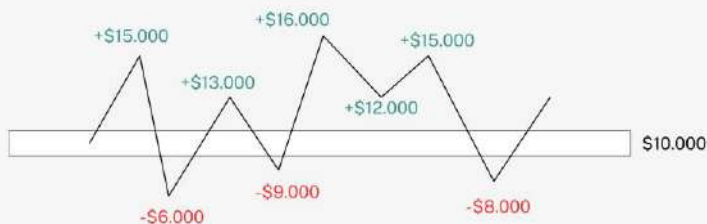
This exemplifies how money is made—by crafting a plan based on our edge, where we have a predetermined amount to lose per trade and a specified amount to gain consistently.

In the context of the market, we identify a specific level and consistently secure that profit, aligning with our proven edge backed by data. On the flip side, we define the amount of risk we are willing to undertake, ensuring that it is less than what we stand to gain.

To sum up, this example demonstrates how, with a 50% edge and a Risk-to-Reward ratio of 1:2, the outcome unfolds after ten trades

Conclusion

1. We prioritize the protection of our trading account.
2. We actively manage both potential losses and anticipated gains through a well-defined plan.



The final aspect we'll address is maintaining consistent risk in alignment with our plan. For beginner traders, their account equity often reflects a pattern like the example

As evident, the amounts won or lost exhibit inconsistency, creating a significant obstacle to accumulating capital over the long term. This erratic approach to risk and take profit poses a considerable challenge for novice traders—an aspect that is frequently misunderstood.



Our goal is to achieve a consistently ascending equity curve. When undertaking challenges like the FTMO challenge or other proprietary firm assessments, meeting the 10% target is a crucial benchmark. However, attaining this target is contingent on maintaining a rising equity curve.

In the risk management module, I'll guide you on cultivating a strategy that ensures your equity curve ascends steadily. The key is to have winning trades result in noticeable spikes, while losses lead to comparatively smaller declines. This approach not only aids in hitting the 10% target but also fosters a trajectory of sustainable growth in your trading endeavors.

RISK TO REWARD

In this lesson, we'll delve into the concept of risk to reward, often referred to as R&R in the industry. This marks the initiation of our exploration into risk management.

By the conclusion of this lesson, you'll grasp the essence of risk to reward and comprehend how to harness its potential for consistent profits in the market. The ultimate aim is to foster a positive equity curve that continues its upward trajectory, resilient to the inevitable losses encountered during a series of trades.

What is Risk to Reward?

Risk to reward revolves around the notion of comprehending how much we are risking and how much we aim to gain with each trade. For instance, it might involve risking €100 to potentially gain €100. The essence of risk to reward lies in identifying and planning the extent of both potential losses and gains.

There's a scientific aspect to mastering risk to reward, and a well-crafted risk management system can pave the way for achieving a professional status in trading. This lesson will unravel the intricacies of this crucial aspect, guiding you toward effective risk management and, consequently, success in the market.

Risk	Reward	
\$100	\$50	Negative
\$100	\$100	Positive
\$100	\$200	Positive
\$100	\$300	Positive

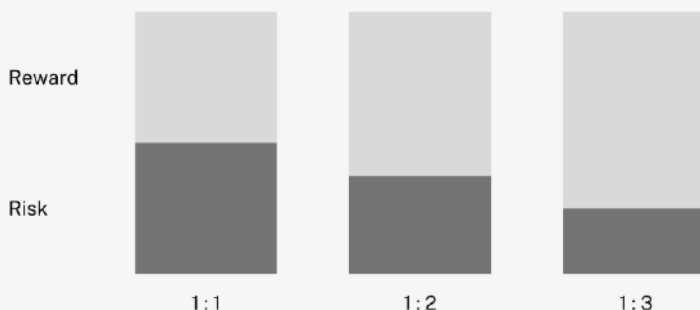
There are various approaches to achieving this goal (refer to the example above)

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The fundamental principle here is to avoid a negative risk-to-reward scenario—we aim to refrain from risking more than what we intend to gain. While it's not impossible to adopt different strategies, the system I will impart aligns with the consensus among most professional traders in the industry. The prevailing sentiment is that striving for a positive risk-to-reward ratio is more favorable. This typically involves risking 1 to gain 1. However, I encourage you to take it a step further and target a ratio where you can potentially make 3 for every 1 that you risk.

Risk : Reward	
1	1
1	2
1	3
1	4
1	5

Within the industry, you encounter these options and more, with the choice often contingent on your specific trading strategy.



Here's a visual representation of the concept

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In this depiction, the red signifies the risk, while the green represents the reward. As beginners embark on their trading journey, there's a common inclination to desire a significant gap between the entry point and the stop-loss. This preference often leads to a 1:1 risk-to-reward ratio. However, when comparing this to a 1:2 ratio, you can observe that the distance between the entry and the stop-loss is considerably smaller. The optimal scenario, and what I strongly recommend in the strategy I teach, is a 1:3 ratio. This configuration typically proves to be the most advantageous.

Risk to Reward 1:3											
Heads: +3,000											
Tails: -1,000											
Starting Balance: 100,000											
EDGE →	<table><tr><td>Loss</td><td>-99,000</td></tr><tr><td>Loss</td><td>-98,000</td></tr><tr><td>Loss</td><td>-97,000</td></tr><tr><td>Win</td><td>100,000</td></tr><tr><td>Win</td><td>103,000</td></tr></table>	Loss	-99,000	Loss	-98,000	Loss	-97,000	Win	100,000	Win	103,000
Loss	-99,000										
Loss	-98,000										
Loss	-97,000										
Win	100,000										
Win	103,000										

Let's revisit our coin example. If we approach this with a risk-to-reward ratio of 1:3, it implies that when the coin lands on heads, you stand to gain 3000, and when it lands on tails, you would incur a loss of 1000. Now, examining this in a practical series, starting with a balance of 100k and conducting 5 trades as illustrated in the example, there's the potential to achieve a 3000 profit even if the initial 3 trades result in losses.

Consider this: even with just a 50% edge, you would consistently generate a profit by adhering to this planned approach.

I'm challenging you to embrace this concept and start adopting the idea of aiming for at least a 1:3 risk-to-reward ratio.

COMBINING RISK TO REWARD AND WIN RATE

Having introduced the concepts of risk and reward, this lesson will integrate risk-to-reward and win rate to formulate a profitable plan. As you progressively construct your playbook, a solid understanding of the principles discussed in this lesson will empower you to independently assess whether a trade setup is potentially profitable, break even, or likely to incur losses. The goal is to focus on executing trades that fall into the profitable category while disregarding those that break even or lead to losses. Identifying these distinctions is crucial, and by the conclusion of this lesson, you will possess a formula enabling you to autonomously recognize and classify the most lucrative trades within your playbook.

combining risk to reward and win rate is very important when it comes to risks management

Trades	Winrate
3 out of 10	30%
4 out of 10	40%
5 out of 10	50%
6 out of 10	60%

Now, let's delve into the concept of win rate. In our domain, the win rate is typically expressed as a percentage. Essentially, it signifies the proportion of successful trades in a given series. For instance, if you win 3 out of 10 trades, your win rate stands at 30%, and so forth.

Understanding your win rate is crucial because, when combined with risk-to-reward considerations, it becomes a potent combination. The interplay between these two factors allows you to make adjustments and ascertain the expected long-term profitability of your trading strategy.

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Risk to Reward vs Winrate

	20%	30%	40%	50%	60%
1:1	Not Profitable	Not Profitable	Not Profitable	Break Even	Profitable
1:2	Not Profitable	Not Profitable	Profitable	Profitable	Profitable
1:3	Not Profitable	Profitable	Profitable	Profitable	Profitable
1:4	Break Even	Profitable	Profitable	Profitable	Profitable
1:5	Profitable	Profitable	Profitable	Profitable	Profitable

In the illustration above, you can observe various win rates aligned with different risk-to-reward ratios. If you opt for a 1:1 risk-to-reward, profitability is contingent on achieving a win rate of 60% or higher. However, by elevating your risk-to-reward to 1:2, you can achieve profitability with a win rate of 40% or above, and so on.

In the context of the strategy we'll be employing, a win rate of 30% is sufficient to ensure profitability. This provides additional flexibility, recognizing that as humans, achieving flawless, mistake-free trading is an unrealistic expectation. This approach mirrors how seasoned traders or those handling funded accounts navigate the markets over the long term. They don't necessarily rely on exceptional win rates; rather, they emphasize the significance of an outstanding risk-to-reward ratio. With such a ratio, profitability remains achievable even in the face of losses.

For a CPT (Consistently Profitable Trader), the optimal starting point is a 1:3 risk-to-reward ratio. Gradually enhancing your win rate becomes the strategy to fine-tune and improve your overall trading performance.

When you have a risk-to-reward of 1:3 with a 60% win rate you are at the pro level

Risk to Reward

High	Good Trader	Pro Trader
Low	Losing Trader	Good Trader
	Low	High

In this illustration, it's clear that proficiency in trading can be achieved with various combinations, whether you have a low risk-to-reward with a high win rate or a low win rate with a high risk-to-reward.

To elevate your trading capabilities, aim for a combination of a high win rate and a high risk-to-reward. This synergy is the sweet spot for a Consistently Profitable Trader. Focus on enhancing your risk-to-reward ratio, as it is a pivotal step toward advancing your trading prowess. Additionally, concentrate on boosting your win rate by identifying and practicing high-probability setups, refining your strategies, and consistently honing your skills.

POWERFUL RISK ACCORDING TO GRADE

Having covered the fundamentals of risk management, win rate, and risk-to-reward (R&R), I will now introduce a potent risk strategy employed by professional traders. These seasoned traders meticulously design their risk plans, determining how much to risk per trade based on the quality or grade of the setup within their playbook.

Implementing this strategy significantly enhanced my trading profits. The insights I'm about to share unveil one of the most powerful risk strategies at your disposal—a tool you can leverage each month to amplify your profits while minimizing losses.

Let's consider four traders as an example:

Trader 1 employs A, B, and C setups, assigning a 1% risk to each trade. After taking 20 trades, the outcome is a modest 1% profit.

Trader 2, who also takes 20 trades, decides to allocate different risk percentages to A, B, and C setups based on their respective win rates. This strategic adjustment results in a more substantial 5% profit.

Trader 3, taking a different approach, opts not to engage in C trades. Using the same risk percentages as Trader 2 for A and B setups, Trader 3 completes only 10 trades throughout the month but secures a notable 7% profit.

Lastly, Trader 4 focuses exclusively on A setups, assuming a higher risk. Although participating in only 4 trades, Trader 4 attained an impressive 12% gain on the account.

Professionals in the trading arena adopt a strategy of risking more on higher-quality setups, constituting an integral aspect of pro risk management. They skillfully navigate risk by eliminating the lower-grade trades, safeguarding their accounts. This risk management approach involves pruning less profitable setups while elevating the risk on the more promising, high-quality trades. Effectively, it maximizes the potential gains when these superior setups materialize. Embracing this mindset is pivotal for your growth as a trader. As this ebook progresses, we will delve into teaching you how to effectively grade your setups.

POWERFUL RISK ACCORDING TO EQUITY

We are now poised to elevate our risk plan to a more advanced level. Many retail traders are often unaware of this professional-level knowledge, and as you progress towards achieving higher profit levels, this will provide you with a valuable goal.

In the world of trading titans, professional traders exhibit a distinct strategy: they increase their risk proportionally as their equity rises. This stands in stark contrast to beginners who, unfortunately, tend to raise their risk when they encounter drawdowns, inadvertently causing more damage to their accounts. The pros, on the other hand, follow a different approach.

During profitable periods, professionals escalate their risk, leveraging their success. Conversely, when faced with drawdowns, they strategically decrease their risk to preserve their capital. In this lesson, I will elucidate how to transform good profits into even greater ones by strategically adjusting your risk at the opportune moments.



A common issue among retail traders is that, during a drawdown or losing streak, they tend to increase their risk. To illustrate, consider a scenario where we have a 10k account with a 1% risk. What often occurs is that novice traders, when faced with losses, attempt to recoup them by progressively raising their risk. Unfortunately, this cycle repeats as they endeavor to recover all losses, leading to the eventual depletion of their account. Professionals, however, refrain from adopting such a risky approach.

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Conversely, professionals opt to increase their risk as they accumulate more wins and witness a rise in equity. It's important to note that these examples are general abstracts, and you don't necessarily have to replicate this strategy exactly. The suggested approach is not to raise your risk too aggressively; it's merely an illustrative example.

In some instances, when I successfully navigate a challenge, you might observe that I initially risked 0.5%. However, as I secure more wins and my equity grows, I gradually escalate my risk. It's essential to emphasize that I implement this strategy exclusively with A setups or A+ setups, avoiding the B and C setups. These are trades with higher win rates, constituting a professional-level strategy. It's advisable not to attempt this right away, but rather, as you establish consistency. If your goal is to maximize profits as you progress, you can explore leveraging this strategy to capitalize on your gains.

For example, when your equity is between 0% and 3%, the recommended risk for an A+ setup is 2%. Upon surpassing the 3% threshold, I advocate increasing the risk by 0.5%, resulting in a new risk level of 2.5%. Furthermore, if your equity exceeds 13%, an additional 1.5% risk is suggested, bringing the total risk per trade to 4%.

It's crucial to clarify that this is not the specific risk I employ; rather, it serves as an example. When crafting your own risk table, consider your individual personality and risk tolerance. Every trader possesses a unique risk appetite, so it's imperative to ensure that you are comfortable with the risk associated with each trade.

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DRAWDOWN RISK

In this lesson, we will delve into the strategy of decreasing your risk during periods of drawdown. For funded traders or those managing substantial accounts, the skill of capital preservation is paramount. Many traders commence their journey by testing strategies and flipping small accounts. While this is acceptable for smaller amounts, such as a few hundred or a thousand dollars, the stakes dramatically increase when managing six, seven, or eight figures. In such scenarios, skill and discipline are essential to preserve capital, particularly during the less favorable months.

Drawdowns are an inevitable aspect of trading, arising from human error or shifts in market conditions that can invalidate established edges. Having a robust risk strategy becomes crucial to safeguard against significant losses. By the end of this lesson, you will acquire insights into reducing your risk when entering a drawdown. This skill enables you to weather the storm of drawdown, reassess your plan, revisit your trading edge, and ultimately return to the market, positioning yourself for renewed profitability.



Let's revisit the common approach of new traders when faced with a drawdown. In the early stages, inexperienced traders tend to take actions that can swiftly lead to account depletion. Within just three trades, or at most five consecutive losses, they might find themselves on the verge of wiping out the majority of their account.

The misconception driving this behavior is the belief that during a drawdown, increasing the risk will expedite the recovery process or help them break even. However, this notion is illusory. Continuously raising the risk and doubling down in the face of ongoing losses only accelerates the depletion of the trading account.

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Now, let's examine how professionals handle drawdown situations.



Professionals maintain a consistent risk level as they navigate through a drawdown, at least up to a certain point. In response to continued losses, they strategically decrease their risk to minimize the extent of the drawdown and protect their capital.

Consider this example: after six trades, the trader experiences the first three losses. In response, they decide to reduce their risk from 1% to 0.5% per trade, aiming to preserve their capital. Following two additional losses, the trader further decreases their risk to 0.25% per trade, and so forth. Even after encountering three more losses, their risk remains significantly lower than that of a new trader. This approach not only helps minimize drawdown but also makes it psychologically more manageable to recover and return to profitable territory.

Grade	E > 13%	E > 3%	3% > E ≥ 0	0 > E > -5%	-5% >	> -8%	< -9%
A+	4%	2.5%	2%	1.5%	1%	0.5%	0.25%
A	3%	2%	1.5%	1%	0.5%	0.25%	0.1%
B	2%	1.5%	1%	0.5%	0.25%	0.1%	0.1%

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In the provided risk table, you'll observe that in the range from 0% to -5%, a 1.5% risk per trade is utilized. Once the drawdown extends beyond -5%, a reduction in size to 1% is implemented. If the drawdown deepens further, dropping below -8%, another reduction is made, this time to 0.5%, and so forth.

It's crucial to note that as soon as you begin to experience positive results and climb out of the drawdown, you have the flexibility to reverse this process and gradually increase your risk, thereby rebuilding your profits.

In summary, during drawdowns, consider decreasing your risk, and as you emerge from the slump, feel free to incrementally raise your risk. It's important to customize the risk table to align with your individual risk tolerance and trading style.

RISK BASED ON %

Ways to Measure Risk

1. Percentage ✓

2. Dollar Amount ✗

3. Lot Size ✗

There are various methods to gauge risk, and the primary one is through percentages. Another approach involves using a dollar amount. Initially, when I began learning, I favored the dollar amount method. However, over time, I realized that as I aimed for funded accounts with larger capital, relying on a fixed dollar amount would lead to increased stress during trading. This stress, in turn, could result in suboptimal decision-making.

When transitioning from, for instance, risking €100 per trade to risking €1000 per trade in a 100k funded account challenge (a 10x difference), the mental and psychological adjustment can be challenging. Moreover, the dollar amount method can pose difficulties in scaling naturally.

Lot size is another consideration. Some traders may assert that they only trade a specific lot size, but this approach doesn't align with a dynamic trading strategy. As your account grows, your lot size should also grow. Furthermore, the lot size should be contingent on the number of pips or ticks in your stop-loss, leading to natural variations in lot sizes based on your account balance and stop-loss size.

The most straightforward method is to think and trade in percentages. This approach inherently covers both the dollar amount and lot size. Psychologically, trading with a percentage is more manageable. For instance, if you're trading a 100k account and risking 1%, it might seem like a small amount in percentage terms. However, if you frame it in dollar amounts, investing €1000 in a trade might feel substantial and could potentially disrupt your composure, hindering your ability to make optimal decisions. Therefore, it is advisable to always trade in percentages and avoid fixation on dollar amounts or static lot sizes.

CHAPTER III - PLAYBOOK, DAILY REPORT CARD AND TRADING JOURNAL

INTRO TO PRO TRADING PERFORMANCE

As we progress through this course, our focus will now shift towards trading like a professional. Mastering the art of professional trading is crucial for successfully navigating and conquering funded prop firm challenges. In this lesson, I'll outline four key elements that distinguish professionals from average traders.

The Playbook: At the heart of your trading business lies the playbook, a comprehensive guide that plays a pivotal role in maximizing profits and propelling you to Certified Prop Trader status. The playbook encapsulates five critical areas, summarizing how to pick trades with a high edge and expected value. To become a CPT, you must excel at selecting setups with high expected value, executing them flawlessly, and sizing them correctly. A well-organized playbook is the foundation for trading consistently and profitably.

The playbook not only organizes your setups but also conceptualizes them. Knowing when the best times to trade are, understanding the characteristics of your best setups, and having clarity on your actions when opportunities arise are integral aspects. The playbook serves as your guiding principle, allowing you to execute trades confidently without second-guessing. Commitment and purposeful practice, akin to professional traders, are vital for consistent growth. Taking numerous reps accelerates your progress, setting you on the path to mastery.

The Daily Report Card: The daily report card stands as a valuable tool for self-assessment, performance evaluation, risk management, learning adaptation, psychological analysis, goal tracking, strategy optimization, and continuous improvement. It provides a systematic and comprehensive means for traders to assess their activities, manage risks, extract valuable lessons from experiences, and work towards greater success and consistency.

Review by Mentor: Engaging in our private Discord group, exclusive to course subscribers provides an avenue for you to submit questions, trades, and daily report cards for mentor review. This personalized feedback loop facilitates a deeper understanding of areas where improvement is needed, accelerating your learning curve. Regular mentor reviews ensure that you receive tailored guidance, enabling you to enhance your skills more rapidly.

Trade Management: Efficient trade management is paramount, and in this course, we'll introduce a tool to simplify order placement. This tool automates the process, eliminating the need for manual calculations and ensuring you don't miss out on opportunities or lose speed in fast-paced markets—particularly crucial when engaging in scalping strategies.

In summary, mastering these four key aspects—The Playbook, The Daily Report Card, Review by Mentor, and Trade Management—lays the foundation for trading like a professional. As you delve into each element, you'll develop the skills and mindset needed to navigate prop firm challenges or grow your personal account successfully.

THE PLAYBOOK EDGE AND PERFORMANCE

As we progress through this course, our focus shifts towards the key aspects of your trading business, and at the core of this lies the playbook. Trading expertise boils down to three essential components:

1. **Selecting Trades with High Edge:** The first skill you need to master is the ability to identify trades with a significant edge. This involves understanding the probability of winning, the potential gain from a successful trade, and the potential loss if the trade goes south.
2. **Executing Trades Effectively:** Once you've identified high-edge trades, the next step is executing them with precision. Effective trade execution is crucial for translating theoretical knowledge into practical success.
3. **Applying the Right Size:** Placing the appropriate size on your trades is equally important. This involves managing your risk effectively, and ensuring that your position sizes align with your risk tolerance and the characteristics of each trade.

The first phase of our journey covers core knowledge and risk management. Many traders falter at this stage by merely learning a strategy without delving into the fundamentals. To achieve consistent profitability, every trader needs a playbook—a strategic guide that organizes trades based on their edge in the market.

Edge is defined as:

$\text{Edge} = \text{Pr}(\text{win}) \times \text{Amount gained} - \text{Pr}(\text{loss}) \times \text{Amount lost}$

This module focuses on creating your personalized playbook. By the end of this section, you'll possess the knowledge required to construct a playbook comprising validated setups with a proven edge. The key to success lies in repetition. After validating the edge, practice relentlessly using replays, simulations, and demo trading. Mastery of executing these setups in the demo environment is crucial before transitioning to live trading.

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Once you're comfortable executing trades in the demo, you'll progress to depositing your initial amount, perhaps starting with €100 or euros. While your enthusiasm is commendable, a critical aspect to highlight is performance—the second key aspect of this module.

Having a playbook alone is insufficient. Building trust and confidence in your playbook is crucial for effective execution and sizing. Multiple exercises in this section are designed to enhance your playbook, improve your performance, and strengthen the trust you place in it.

To ensure your success, pay meticulous attention to each section, avoiding the temptation to skip any lessons. Dedicate yourself to the work, and you'll evolve into a top performer, reaching heights you may have never imagined. This section is your gateway to becoming a consistently profitable trader—embrace it with dedication and determination.

ONE GOOD PLAYBOOK TRADE

This lesson is to explain the concept of one good trade.

The concept of "One Good Playbook Trade" revolves around emphasizing the psychological and consistent aspects of trading. It underscores the importance of quality over quantity and focuses on executing well-defined setups from your playbook rather than engaging in random or impulsive trading.

Here's a breakdown of the key components of the concept:

Psychological Discipline:

- **Emotional Control:** Trading can be emotionally challenging, especially when facing losses or unexpected market movements. The concept encourages traders to maintain emotional discipline by sticking to the planned playbook trades regardless of short-term outcomes.
- **Confidence Building:** Executing a well-defined playbook trade provides a psychological boost. Success in this single trade, based on a proven strategy, can enhance a trader's confidence and belief in their approach.
- **Avoiding Overtrading:** Focusing on one good trade helps prevent overtrading, a common pitfall for many traders. Overtrading can lead to impulsive decisions and increased risk exposure.

Consistency in Execution:

- **Repetition and Mastery:** The concept highlights the importance of repeating and mastering a specific trade setup. Consistently executing the same trade according to the playbook helps build expertise and familiarity.
- **Quantifying Success:** By measuring success on the execution of a single high-quality trade, traders can shift their focus from the short-term outcome to the consistency and adherence to their strategy.

Learning from Every Trade:

- **Post-Trade Analysis:** After executing a playbook trade, traders are encouraged to conduct a thorough post-trade analysis. This includes reviewing the trade's performance, identifying areas of improvement, and learning from both successful and unsuccessful outcomes.
- **Continuous Improvement:** The emphasis is on using each trade as a learning opportunity. Traders can refine their strategies, identify patterns, and adapt their playbook based on real-world experiences.

Building Patience:

- **Waiting for the Right Setup:** Instead of impulsively entering multiple trades, the concept advocates patience. Waiting for the right setup, as defined in the playbook, reinforces disciplined trading and reduces the likelihood of entering suboptimal positions.

In summary, the concept of "One Good Playbook Trade" is rooted in the belief that success in trading is not about the sheer number of trades but the quality of each trade executed. By prioritizing psychological discipline, consistency, and a continuous learning mindset, traders can increase their chances of long-term success and build a sustainable and profitable trading career.

WHAT IS INSIDE THE PLAYBOOK

A trading playbook is a comprehensive document that outlines a trader's strategies, rules, and guidelines for engaging in the financial markets. The contents of a playbook can vary based on a trader's preferences, trading style, and the financial instruments they trade. Here are common components found in a trading playbook:

Trading Strategies:

- Detailed explanations of specific trading strategies employed by the trader. This includes entry and exit criteria for different setups.
- Descriptions of technical indicators, chart patterns, or other analytical tools used to identify potential trade opportunities.

Risk Management Rules:

- Guidelines on how much capital to risk on each trade as a percentage of the total trading capital.
- Setting stop-loss levels to limit potential losses.
- Determining position sizes based on risk tolerance.

Trade Execution Procedures:

- Step-by-step instructions on how to enter and exit trades.
- Criteria for selecting the best order types (e.g., market orders, limit orders) based on the trading strategy.

Market Conditions and Context:

- Identification of specific market conditions that favor or disfavor the application of certain strategies.
- Considerations for different time frames (e.g., day trading, swing trading) and market conditions (e.g., trending, ranging).

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Psychological Guidelines:

- Strategies for maintaining discipline and managing emotions during trading.
- Techniques for dealing with winning and losing streaks.
- Notes on developing and maintaining a positive trading mindset.

Performance Metrics:

- Criteria for evaluating the success of trades and overall trading performance.
- Metrics to track, such as win-loss ratios, average returns, and maximum drawdown.

Trading Journal Format:

- A structured format for maintaining a trading journal to record details of each trade, including entry and exit points, reasons for the trade, and lessons learned.

Backtesting and Forward Testing Protocols:

- Guidelines for backtesting trading strategies using historical data.
- Procedures for forward testing strategies in a simulated or live trading environment.

Continual Improvement Plan:

- Strategies for reviewing and improving the playbook over time.
- Regular evaluations of performance to identify areas for enhancement.

Emergency Protocols:

- Plans for handling unexpected market events or situations that may require immediate action.
- Guidelines for mitigating risks during volatile periods.

Market Analysis Techniques:

- Instructions for conducting technical or fundamental analysis.
- Considerations for news events, economic indicators, and other factors influencing market movements.

Remember that a playbook is a dynamic document that should be regularly updated and refined based on the trader's evolving experiences, market conditions, and performance evaluations.

FINDING A PAIR/INSTRUMENT TO TRADE

Understanding which currency pair or financial instrument provides the most advantageous trading conditions is a critical aspect of successful trading. This knowledge is on par with having a well-defined playbook. In large financial firms, advanced tools and scanners are utilized to systematically test strategies across various pairs, assessing their long-term profitability. Unfortunately, as retail traders, we lack direct access to such sophisticated scanners. Consequently, we must manually engage in a crucial process—backtesting our strategies on different pairs.

This manual backtesting is a pivotal component of our trading journey. It involves rigorously evaluating the performance of our strategies across diverse instruments. By subjecting our setups to this testing, we gain insights into their profitability over the long run and understand how they behave across various markets. This process significantly contributes to the development of trader confidence. As we navigate through this journey, we not only refine our strategies but also project potential outcomes in future market conditions.

Skipping or neglecting this step is a common oversight among beginner traders. Some may perceive a pattern a handful of times and believe they can immediately translate it into profitable trading. However, developing the ability to discern these patterns accurately takes time and extensive practice. Confidence in your trading strategy and the chosen instrument is cultivated through repeated backtesting and data collection. The more data you accumulate, the more adept you become as a trader.

Building a playbook based on this meticulous backtesting process empowers you to enter trades with conviction whenever a suitable opportunity arises. Skipping this crucial step poses a significant risk to your success as a profitable trader. The assurance gained through thorough backtesting serves as the foundation upon which you can confidently execute your trading strategies and navigate the dynamic landscape of the financial markets.

FINDING SETUPS WITH EDGE

The financial market offers plenty of pairs or instruments for trading, yet a significant portion of them is simply noise. Many strategies lack a competitive edge, and some remain untested due to insufficient data. In this lesson, I'll outline how we identify setups with an edge and validate them. Let's begin by discussing how to discover these setups, utilizing four common methods.

Firstly, there's observation. Actively observing patterns and price actions during the trading day can unveil potential edges. The advantage lies in its accessibility—no financial investment is required, and platforms like TradingView offer free access to market data. However, the downside is a typically low win rate, and it demands a substantial time investment. Survival bias, where a single success might erroneously be perceived as a consistent edge, often hinders this method. The second method involves hypotheses—ideas based on logical reasoning that can be backtested and forward-tested to gauge their validity in the market. Accessible to anyone, this method may boast a higher win rate due to its foundation in-market experience. Nevertheless, validating its aggregate occurrence may take considerable time.

Next is reverse engineering, which entails analyzing historical data to develop a system. For instance, examining the market's reaction to CPI releases over time can reveal reliable edges. The advantage lies in potentially achieving a high win rate, especially in major securities and currencies affected by significant events. However, the risk of false positives exists, as a pattern may not hold beyond a few occurrences.

The fourth and quickest method involves mimicking the pros—copying someone else with a well-defined edge. While there's nothing wrong with this approach, finding a reliable mentor with a proven edge can be challenging. Nevertheless, it offers speed and a pre-established win rate.

This lesson delves into the technical aspects of these methods, emphasizing that repeated reading may be necessary to grasp their nuances. While challenging, mastering these methods is crucial for your growth as a trader. In the upcoming sections, I will share one of my essential strategies, a cornerstone for success in trading. Once mastered, you can expand your portfolio and trading approaches, moving swiftly towards becoming a proficient trader.

GRADING PLAYBOOK SETUPS

In this lesson, we will delve into the crucial process of evaluating your trading setups. This lesson is particularly significant, as it equips you with the skills to assess and grade your setups effectively.

After validating and collecting statistics on our setups, the next step is grading them. Grading setups is essential because our ultimate objective is to pinpoint the setups with the greatest edge. As a trader, developing the ability to identify the best setups for the current market context is a skill in itself, one that is fundamental to success.

The grading process becomes imperative once we've thoroughly validated setups through backtesting and live trading. By assigning grades to our setups based on their performance, we can categorize and prioritize them. To initiate this process, we often begin by classifying setups according to their win rates, a fundamental metric in assessing their effectiveness.

Grade	Winrate
A+	+90%
A	+70%
B	+50%
C	+25%

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I strongly recommend focusing solely on A+ to B setups in your trading strategy. These setups are sufficient to generate profits, and delving into lower-grade setups may adversely affect your trading confidence and psychology.

If you decide to trade B setups, ensure a favorable risk-reward ratio, ideally 1:3 or a minimum of 1:2 to maintain profitability.

To validate your setups, engage in thorough backtesting, accumulating data from at least 30 trades. Post-backtesting, assign a grade to each setup in your playbook. This graded classification becomes a quick reference when trading live, guiding your risk management decisions.

Remember, this process should be repeated each time you consider implementing a new strategy. Backtesting is crucial to amass adequate data for grading setups accurately.

Consider that success in trading requires dedication, time, and a systematic approach. In the competitive realm of prop firms, where a significant percentage fails, it's essential to understand that success often demands more effort than anticipated. Despite the challenges, trading is a rewarding profession with limitless earning potential.

Approach this as a career, akin to other professions that require substantial study and preparation. Take it one step at a time—focus on one setup and one instrument during backtesting before introducing them to live trading.

Once you have the grades assigned, you can construct your risk card, providing a structured foundation for managing risks effectively in your trading endeavors. Remember, success is attainable with effort and a methodical approach.

THE DAILY REPORT CARD AND WHY IT IS IMPORTANT

Trading in the financial markets is a dynamic and challenging endeavor that demands not only technical skills but also disciplined and strategic decision-making. One tool that can significantly enhance a trader's performance is the implementation of a daily report card. This instrument serves as a structured evaluation system, offering insights into a trader's strengths, weaknesses, and overall progress. Let's explore why a daily report card is indispensable in the trading space and what key elements it should encompass.

Objective Self-Assessment:

A daily report card prompts traders to objectively evaluate their performance. It acts as a mirror, reflecting the reality of their trading decisions and execution. This self-assessment is crucial for continuous improvement, helping traders identify areas of strength and aspects that need refinement.

Discipline Reinforcement:

Trading success hinges on discipline. A daily report card enforces discipline by holding traders accountable for adhering to their predefined trading plans. It serves as a reminder to stick to established strategies and avoid impulsive decisions, fostering consistency in execution.

Emotional Control:

Emotional control is a cornerstone of successful trading. The daily report card allows traders to assess their emotional states during various market conditions. By tracking emotions tied to winning and losing trades, traders can develop strategies to manage stress, fear, and greed effectively.

Identification of Patterns:

Traders can use the daily report card to identify patterns in their performance. Are there specific times of the day when decision-making is more accurate? Are certain market conditions more challenging? Recognizing these patterns empowers traders to optimize their strategies accordingly.

Risk Management Evaluation:

A crucial aspect of trading is effective risk management. The daily report card should include an assessment of risk-reward ratios, position sizes, and adherence to stop-loss levels. This helps traders gauge the effectiveness of their risk management strategies and make necessary adjustments.

Review of Trading Goals:

Traders often set short-term and long-term goals. The daily report card provides a platform to review progress toward these goals. It ensures that daily actions align with overarching objectives and allows for adjustments if goals need to be refined based on evolving market conditions.

Adaptation to Market Conditions:

The financial markets are dynamic, and strategies that work in one environment may falter in another. A daily report card assists traders in adapting to changing market conditions by highlighting what worked and what didn't on a given day. This adaptability is essential for sustained success.

Continuous Learning:

Trading is a journey of continuous learning. The daily report card serves as a repository of experiences and lessons. Traders can document insights gained from each trading day, creating a valuable resource for ongoing education and skill development.

Conclusion:

A daily report card is not just a post-trading ritual; it's a powerful tool for self-improvement and sustained success in the trading space. By incorporating elements such as self-assessment, discipline reinforcement, emotional control, pattern identification, risk management evaluation, goal review, adaptation to market conditions, and a commitment to continuous learning, traders can elevate their performance and navigate the complexities of the financial markets with greater confidence and proficiency.

TRACK YOUR EMOTIONS AND WHY IT IS IMPORTANT

Monitoring emotions in trading is crucial because emotions significantly impact decision-making and overall performance. Emotional responses, especially fear and greed, can cloud rational thinking, leading to impulsive decisions that deviate from well-thought-out strategies. This emotional decision-making can affect risk management, causing traders to abandon planned strategies and increase capital risk.

Emotional stability is essential for the consistent execution of trading plans. Traders who manage their emotions are more likely to adhere to established strategies, fostering a disciplined approach. Emotional reactions can also lead to overtrading, especially after losses or gains, creating excessive trading activity that deviates from the original strategy.

Emotional responses to losses may lead to revenge trading, attempting to recover losses by taking excessive risks. This behavior compounds losses and perpetuates poor decision-making. Trading involves inherent uncertainty and risk, leading to stress and anxiety. Monitoring emotions helps recognize and address these feelings, promoting a more balanced mindset.

Emotional tracking provides insights into how emotions influence decisions. Analyzing emotional responses to different market conditions allows traders to learn from experiences and adapt strategies accordingly. It fosters self-awareness, helping identify patterns in emotional responses and develop strategies to mitigate their impact.

Emotional resilience contributes to maintaining a positive mindset, crucial for overcoming setbacks, learning from mistakes, and staying motivated for long-term success. Ultimately, managing emotions is about understanding their influence on behavior, actively mitigating their impact, and promoting better decision-making for success in trading.

THE IMPORTANCE OF YOUR TRADING JOURNAL

A trading journal holds a significant role in the trading landscape. It serves as a personal archive of a trader's journey in the financial markets, encapsulating experiences, decisions, and lessons learned. Here's a breakdown of the fundamental reasons why maintaining a trading journal is crucial:

Self-Reflection and Learning:

A trading journal offers a platform for self-reflection, allowing traders to review and learn from both successful and unsuccessful experiences. This reflective process contributes to continuous improvement.

Identifying Patterns and Trends:

Tracking trades over time helps traders identify patterns and trends in their decision-making. Recognizing recurring behaviors enables traders to adjust strategies, refine techniques, and enhance overall performance.

Accountability and Discipline:

A trading journal holds traders accountable for adhering to their trading plans, fostering consistency in following predefined rules and procedures.

Emotional Analysis:

Emotions play a significant role in trading. By recording emotional states during various market conditions, traders can analyze how emotions impact decision-making, aiding in the development of strategies to manage stress, fear, and greed effectively.

Goal Tracking and Progress:

Traders often set short-term and long-term goals. A trading journal allows for the tracking of progress toward these goals, helping traders stay focused on their objectives and adjust their approach as needed.

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Risk Management Assessment:

Effective risk management is paramount in trading. A trading journal enables the assessment of risk-reward ratios, position sizes, and adherence to stop-loss levels, aiding in refining risk management strategies.

Strategy Optimization:

Documenting trade setups and outcomes helps traders optimize their strategies, identifying which setups are most effective and under what market conditions.

Decision-Making Process:

A trading journal provides clarity on the decision-making process, allowing traders to evaluate the rationale behind each decision and enhancing decision-making skills over time.

Adaptation to Market Conditions:

A trading journal aids in adapting to changing market conditions by highlighting what worked and what didn't, fostering adaptability and resilience.

Historical Reference:

The trading journal serves as a historical reference point, allowing traders to revisit specific trades, market conditions, and outcomes, gaining insights into past experiences for making informed decisions in similar future scenarios.

In conclusion, a trading journal is not just a record-keeping tool; it's a dynamic instrument for self-improvement and success, contributing to a trader's continuous growth and proficiency in the financial markets.

CHAPTER IV - GETTING STARTED & FUNDED

BACKTESTING AND BUILDING YOUR PLAYBOOK

Your trading journey commences right here, marking a pivotal phase that will shape your success. It is paramount to approach this with utmost seriousness, as the absence of backtesting and trade practice may impede your path to profitability. Confidence in your trading skills is key, coupled with the readiness to seize opportunities and the imperative task of managing emotions. Most crucially, you must ascertain whether your system or strategy truly works for you.

I strongly emphasize conducting at least 30 trades and, more importantly, achieving long-term profitability. Avoid using platforms like TradingView for this endeavor to eliminate the risk of self-deception—FX Replay offers an exceptional solution. Their remarkable software allows you to simulate real trading environments based on historical data, preventing any temptation to manipulate your trade history. In this authentic simulation, missed trades remain missed, losses stand, and wins prevail, with no option to reverse outcomes. Additionally, you receive a detailed report evaluating your performance as a trader.

Should you not attain profitability during this phase, it is prudent to refrain from advancing to the next section. Stay committed to backtesting and playbook building until you amass sufficient data and develop comfort both with yourself and your system.

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Upon mastering one setup and achieving profitability in a genuine trading environment, you can gradually incorporate new setups into your playbook. Exercise patience during this process. Once consistent profits materialize, you'll experience an "Aha" moment, equipped to navigate and expand your playbook. It's worth noting that there's no necessity to overly diversify your strategy. The key lies in aligning your trading goals with your desired life balance.

As you progress, consider starting with a single setup on one pair. As your capital grows, intelligently diversify your playbook setups, trading various accounts with distinct strategies. This approach proves beneficial as different setups may yield diverse outcomes. If one performs poorly in a given month, another strategy might excel, ensuring a positive overall outcome.

THE PRO-TRADING ROUTINE

The Pro-Trading Routine: A Blueprint for Success

In the dynamic world of trading, where markets fluctuate and opportunities arise and vanish in the blink of an eye, having a disciplined and effective routine is the key to success. Professional traders understand that consistent profitability is not just about making smart decisions in the heat of the moment; it's about building a routine that fosters discipline, continuous learning, and emotional resilience.

Here's a breakdown of the essential components of a pro-trading routine:

Morning Preparation: (playbook):

- Start your day by staying informed about global economic events and market news. Understand the potential impact of these factors on your trades.
- Review your trading plan and goals. Having a clear strategy helps in making informed decisions during the trading day.

Trade Execution:

- Be patient and wait for your pre-defined setups. Avoid impulsive trades driven by emotions.
- Execute trades with precision, entering and exiting positions according to your trading plan.

Emotional Control:

- Develop strategies to manage stress and emotions during trading. Emotional discipline is crucial for long-term success.
- Consider incorporating mindfulness techniques or short breaks to stay focused and composed.
- Use your daily report card to track all of this

Journaling:

- Maintain a trading journal to record your thoughts, decisions, and emotions during each trade.
- Use the journal to track your progress over time and refine your approach.

Consistency is the hallmark of successful trading, and a well-defined routine helps in achieving this consistency. By incorporating these elements into your daily routine, you can enhance your decision-making process, manage risks effectively, and ultimately, progress on the path to becoming a pro trader.

BROKERS AND WHAT TO TAKE INTO CONSIDERATION

When opening an account with a broker, there are several important factors to consider to ensure that the broker aligns with your trading preferences and goals.

Here are some key considerations:

Regulation and Reputation:

Ensure the broker is regulated by a reputable financial authority. Regulatory bodies provide a level of oversight and protection for traders.

Check the broker's reputation by reading reviews and testimonials from other traders.

Trading Costs:

Understand the broker's fee structure, including spreads, commissions, and any other fees associated with trading.

Compare the overall cost of trading across different brokers.

Spreads:

Spreads represent the difference between the buying and selling prices of a currency pair. Lower spreads can be more cost-effective for traders.

Leverage:

Leverage allows traders to control a larger position size with a smaller amount of capital. However, it also increases the risk of significant losses. Understand the leverage offered by the broker and ensure it aligns with your risk tolerance.

Trading Platform:

Evaluate the broker's trading platform. It should be user-friendly, stable, and provide the necessary tools for analysis and execution.

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Asset Availability:

Check the range of financial instruments offered by the broker. Ensure they provide access to the markets and assets you want to trade.

Customer Support:

Evaluate the broker's customer support services, including responsiveness, availability, and the channels through which you can contact them.

Account Types:

Different brokers offer various types of trading accounts with different features and requirements. Choose an account type that suits your trading style and initial investment.

Deposit and Withdrawal Options:

Understand the methods available for depositing and withdrawing funds. Check for any associated fees and processing times.

Educational Resources:

Some brokers offer educational resources such as webinars, tutorials, and market analysis. This can be beneficial, especially for new traders.

Security Measures:

Ensure the broker employs strong security measures to protect your personal and financial information. Look for features like two-factor authentication.

Risk Management Tools:

Check if the broker provides risk management tools such as stop-loss orders to help you manage and limit potential losses.

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Account Funding Minimums:

Some brokers may have minimum deposit requirements. Make sure you are comfortable with the initial investment needed to open an account.

Regulatory Compliance:

Verify that the broker complies with all relevant regulations in your jurisdiction.

By carefully considering these factors, you can select a broker that aligns with your trading preferences and helps you achieve your financial goals while minimizing potential risks.

OPENING FIRST ACCOUNT

With the broker details sorted, it's time to initiate your journey as a professional trader by opening your first account. This phase is dedicated to your personal growth, refining your trading skills, and nurturing the growth of your account. Why start with €100? It's the smallest deposit accepted by most brokers, and it's an ample amount to begin your trading venture. The emphasis here is on cultivating a small account because, truth be told, if you can't succeed with a modest sum, scaling up to a larger account poses even greater challenges.

Dismiss any notion that €100 is too insignificant to matter or that it prevents you from taking trading seriously. The key lies in understanding that, regardless of the initial amount, the principles of successful trading remain the same. Making money in trading is not an immediate outcome; it's a gradual process. The pivotal realization is that success hinges on consistently executing good trades. Shift your focus to the quality of your trades, exercise patience, and rest assured, the financial gains will naturally follow suit.

I would recommend considering Eightcap (<https://www.eightcap.com/>) as your broker of choice, and it's the one I personally use. If you're just starting your trading journey and opening your first account, I suggest this broker for several reasons.

Firstly, the strategy I'll be teaching you involves higher leverage to comfortably risk 5% per trade. Unless you choose not to scalp and opt for higher timeframes, you might not need such leverage. Nonetheless, I still recommend Eightcap. I've been with them for nearly two years, and every payout I've initiated was deposited within 24 hours.

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A broker's ability to swiftly process your profits is crucial. In my experience, any delay in profit deposits would be a significant red flag. However, always be aware of financial risks. Diversifying your capital is a smart practice because, ultimately, you're entrusting your money to other companies. In the event of any issues, there's a possibility of capital loss.

While it may not always be feasible to avoid completely unregulated brokers, especially when dealing with small accounts due to regulatory restrictions in some countries, you don't have to worry about this at the moment. For now, let's focus on the essential task of becoming a consistent trader.

Go for the 0 Spread account.

USE THE PLAYBOOK WHILE TRADING LIVE

At this point, you should fully grasp the significance of having a playbook. Consider it your trading bible, your holy grail. Embarking on your trading journey without it is akin to navigating without a compass. This essential tool proves invaluable during trading, particularly when self-doubt creeps in. Even experienced traders, myself included, occasionally question if a setup is genuinely the optimal choice. This is precisely where your playbook becomes indispensable.

As you advance and delve into multiple setups, various currency pairs, and timeframes, the playbook becomes a lifeline. Display it on a separate screen, print it out—whatever method suits you best. Ensure your trading plans are meticulously documented with visual examples. This preparation equips you to seize A setups when they materialize and discern when to abstain from the market if your criteria aren't met.

During a losing streak, taking a moment to revisit and backtest your strategy proves incredibly beneficial. Even if you are aware that your strategy is effective, this exercise provides extra practice reps. It serves to reinforce your confidence both in yourself and in the reliability of your strategy.

GROWING THE ACCOUNT 100%

Before you consider injecting additional funds or tackling challenges in proprietary firms, prioritizing a specific step is crucial. There's absolutely no rush to invest more money into trading; instead, focus on proving your skill in execution and maintaining emotional stability. Emotional stability is paramount, as any deviation from 100% can lead to poor decisions such as overtrading, incorrect entries, misplacing stop-loss orders, and more. Without control over your emotions, sticking to your plan and maintaining consistency becomes challenging. Patience is the key to success in trading. Some months may only see one profitable trade, while others might witness losses or substantial returns. Remember, trading involves speculation, and confidence in your plan stems from meticulous backtesting, indicating an edge. As long as discipline remains intact, the outcome will invariably be profitable.

Upon depositing €100 into your initial account, consider risking 5% per trade. The percentage depends on your risk appetite, leverage, and trading timeframe. For smaller accounts, risking more initially can expedite growth. However, as the account size increases, preserving capital becomes paramount to manage emotional discomfort. For prop firm trading, limiting risk to 0.5% is advisable, given the 10% usage limit. In the early stages, consider not exceeding 0.25% to allow room for drawdowns.

Performance tracking becomes crucial at this stage. Utilize backtested data to set realistic expectations, acknowledging the possibility of mistakes and a potentially extended journey to achieve your goal. Pursuing a 100% return requires patience; there's no need to rush.

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Before commencing your trading day, approach it like athletes preparing for a crucial game. Mentally prepare, review your playbook, assess your setup, and visualize both winning and losing scenarios. Comfort with losses is imperative. After this, complete a report card detailing the risk for each trade and on which account it will be taken. Maintain a consistent 5% risk at this stage; advanced risk strategies can be implemented later.

After each trade, journal your experience, noting emotions felt during the trade and areas for improvement. If uncertainties arise, my discord group is a resource for questions and support. Remember, trading is unique, where more input does not equate to more output; in fact, it often results in losses rather than gains.

HOW PROP-FIRMS MAKE MONEY FROM TRADERS

In this section, we'll delve into the contemporary landscape of proprietary trading firms, exploring their evolving business models. Modern prop firms like FTMO, Top Tier, and The Funded Trader represent a departure from the traditional approach of the past five years. Unlike the historical prop firms that emphasized selective recruitment, extensive training, and live trading with their capital, these new models operate differently.

In the traditional paradigm, the prop firm's success was intertwined with the trader's success. If you thrived as a trader, the firm prospered due to increased profits. However, the recent prop firm model hinges on two primary revenue streams. The first is challenge fees, constituting the majority of their income. According to FTMO contracts and analogous agreements with other prop firms, traders initially operate demo accounts even after becoming funded. The contractual terms stipulate that traders are considered contractors rather than beneficiaries of capital gains, fundamentally altering the compensation structure.

The significance of challenge fees becomes evident when considering the substantial sums involved. FTMO alone disbursed 70 million, underscoring the substantial revenue generated. The large volume of challenges undertaken, reaching 70,000 in a single year, highlights the predominant role of challenge fees. Given a 97% failure rate, the 3% of successful traders are compensated using a portion of the accumulated challenge fees.

The second revenue stream involves the replication of trades from consistently successful traders identified through algorithms. While this contributes a smaller share to their income, it adds a layer of diversity to their revenue streams.

Prop firms often position themselves as benefactors to traders, providing an avenue for individuals to access substantial capital beyond their personal accounts. However, the reality is that a majority of traders are unprepared for the challenges posed by these firms, resulting in financial losses. This model can be likened to a casino, where the firm anticipates the majority will fail and generates revenue from these challenges. The funds acquired in this manner are then utilized to compensate the consistent profit-makers, with payouts originating directly from the firm, not the market.

SECRETS THAT YOU NEED TO KNOW

In this section, we will delve into the essential insights crucial for navigating the challenges associated with trading, particularly when engaging with a demo account rather than a real one, even as you progress to a funded account.

It's imperative to recognize that the entities overseeing these challenges are indifferent to the number of attempts you may fail. Paradoxically, this is a significant part of their revenue model.

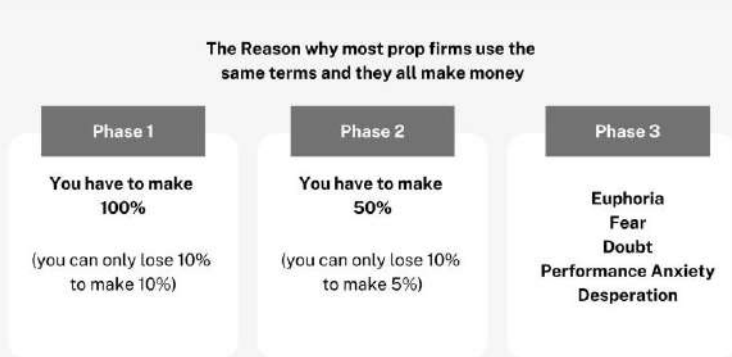
During my initial encounter with the challenges, anxiety overwhelmed me, fearing that every aspect of my trading would be scrutinized. This apprehension led to failure. However, once I grasped that their scrutiny was minimal, I adopted the right mindset and successfully maneuvered through the challenges.

The key takeaway is to relax, as their primary concern is not your failures. They won't obstruct your future attempts or deny you a funded account based on a few setbacks. Understanding that their profit stems from the failure of traders is pivotal.

Take a moment to breathe deeply and devise a strategy to leverage their system to your advantage. Alter your perspective on these institutions, realizing that their profitability is intertwined with the failures of traders.

Much like the rigged odds in a casino, the three phases are structured against you. However, this isn't meant to intimidate you; rather, it emphasizes the importance of approaching trading with a strategic mindset.

Your ultimate objective should revolve around making profits, safeguarding your interests, and ensuring preparedness for the challenges. Once you start generating income, focus on building your personal account. This strategic approach will contribute significantly to your success in the trading arena.



Examine the factors that tilt the odds in their favor. The common terms employed by most proprietary firms contribute significantly to their profitability. Let me break it down for you.

In the initial phase, the challenge appears as a requirement to achieve a 10% gain. However, the reality is that, for instance, in a 100k challenge, you can only trade with 10k of that capital. To successfully complete the challenge, you must generate a 10k profit, equivalent to a 10% gain on the initial 100k Or a 100% gain on the 10k that is available. This scenario mirrors the process of flipping an account. Before embarking on such challenges, it's advisable to initiate with a €100 deposit, aiming to double the account through prudent risk management and strategy. This involves risking no more than 5 to 10%, which aligns with 1% to 0.5% on a 100k account.

Upon completion of phase 1, the process repeats. Now, you must generate 5k from the available 10k, requiring a substantial 50% gain. These numbers may seem formidable, but with patience and adherence to your plan, these challenges can be overcome. The key is to manage your time effectively, recognizing that there's unlimited time to navigate through these challenges.

Phase 3, however, remains challenging due to euphoria. Many individuals successfully pass the initial phases only to succumb to the excitement, risking too much and depleting the account before the first payout. Guard against this pitfall by maintaining prudence, avoiding self-doubt, and adopting a cautious approach in phase 3. Focus on achieving your first payout, transforming the subsequent phases into a freeroll scenario.

TRADING PHASES DIFFERENTLY

In this lesson, we'll delve into navigating the challenges inherent in trading, adhering to the strategies outlined in this course. To effectively tackle these challenges, my recommendation is to focus solely on your A and A+ setups.

For the initial challenge, I propose a 1% risk per trade. This aligns with the maximum risk we can take with our strategy with the commonly provided 1:100 leverage by most proprietary firms. If you happen to have access to higher leverage, exercise caution and refrain from increasing your risk. Many prop firms offer an 8% gain in the first phase and a 5% gain in the second. Consequently, winning just three trades would suffice to surpass the first phase of the challenge.

After completing the first phase, it is prudent to decrease your risk and commence with 0.5% risk per trade. Once you establish a 3% cushion, you can elevate the risk to 1% to fulfill the challenge. In the event of three consecutive losses, a plausible occurrence, revert to the 0.5% risk. Patience is key; having already conquered the first phase, there's no need to rush. Following the second phase, you gain access to a funded account. My suggestion is to persist with a 0.5% risk per trade until you secure profits. Resist the temptation to hastily accumulate profits—many traders falter at this stage, risking the account. Exercise restraint, proceed cautiously, and await your initial withdrawal.

This phase may require time; some challenges could span six months, while others might conclude in two. The crucial understanding is that more effort does not necessarily translate to greater profits in trading. Success hinges on waiting for opportune moments. With patience and discipline, you can navigate these challenges. The key is to take it slow, seize the right opportunities, and patiently wait for the market to reward your efforts.

PREPARING FOR THE PROP FIRM CHALLENGE

This lesson focuses on preparing for the prop firm challenge:

Acquire the Playbook:

The foremost and crucial step is ensuring you possess the playbook, a comprehensive guide to your trading strategy.

Complete the 30-Trade Challenge:

Utilize a service like FX Replay to execute the 30-trade challenge. This entails honing your skills and demonstrating profitability over extended periods.

Open a \$100 Account and Apply 5% Risk:

Open an account with €100 and implement a 5% risk strategy, exclusively employing your A setups. This step aims to grow the initial capital through strategic trading and double the account.

Once these steps are fulfilled, commence with the smallest available challenge. There's no rush to escalate to a higher account. Trust the process; every increase in capital introduces a new mental learning curve. Avoid speeding up the journey—becoming a professional trader is an investment of time and patience.

WHAT TO DO ONCE YOU ARE FUNDED

Upon receiving funding, the pivotal strategy is to maintain composure and avoid impulsive actions. Most proprietary firms typically release the first payout after holding the account for 2 to 4 weeks. This precautionary measure acknowledges the likelihood of individuals making hasty decisions driven by greed, euphoria, and impatience, potentially jeopardizing the account.

I recommend, upon securing funding, adhering to your A setups, reducing your risk to a maximum of 0.5%, and diligently working towards profitability. Once in the green, exercise patience and await your payout. Prioritize consistent profits over attempting to maximize percentages hastily. The initial payout brings several benefits—it bolsters your confidence, acknowledges your hard work, and provides funds for subsequent challenges.

Following this phase, you enter a freeroll, equipped with experience and a clearer strategy. Regardless of the outcome, steering clear of significant drawdowns is crucial for emotional well-being and trading stability.