



# Forex Supreme Course

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## Chapter 1 – What is Forex?

Forex is a market that was created in 1971 when international trade changed from fixed to floating exchange rates. The Forex Currency exchange was the best way to control currency because the market determines the value of one countries currency over another. The main difference between a countries traditional market and Forex is the amount of money that exchanges hands on a daily basis. On an average day, it is estimate that \$300 billion dollars is exchanged in the world securities market. Want to guess how much money is exchanged in the Forex market in an average day on a daily basis? 1 to 3 trillion dollars in one day. However, Forex is anywhere from being a traditional world market for the following reasons:

- There is no trading floor
- All trades are done over the telephone and on computer terminals in banks all over the world simultaneously
- The market is open 24 hours a day.

In a respect, Forex is very similar to your everyday stock market in a couple of ways. First, the changes in currency rates are caused by economical, political, and psychological factors. Factors affecting the economy such as interest rates, inflation, unemployment, and others affect the exchange rates on a minute-by-minute basis. The state of the countries government can significantly impact the exchange of their currency. If an investor can not have confidence in a particular countries government policy then it will show in the currency market.

One factor that is very important to remember when exchanging currencies is that many times it is the expectation of what is going to happen to a currency and not actual changes themselves. For better explanation, let's compare this idea to something that could happen in America's stock market. If "Apple" was preparing to have an earnings forecast right after Christmas, investors might grab a lot of Apple stock because they **expect** the stock to rise after the earnings report. There is no concrete evidence that Apple's earnings were positive, these people are simply speculating. Trading currency is the exact

same way, if an investor believes something good or bad is going to happen to the state of ones country, they will trade the currency based on this speculation.

The reason why many investors use charts and systems is simply because trading currency is done very quickly. In order to keep up with what exactly is going on and for the investor to profit they must use technical charts and systems when major levels of resistance and support are being reached. Experience in predicting traders is how many currency exchange managers and investors all over the world make their living. They understand that **“When XYZ happens”** then **“Average Joe trader is going to do this”** so **“I need to do position myself this way to profit out of this situation.”**

As you will learn, there are many successful Forex traders out there. It takes discipline, hard work, and experience. The best way to explain exchanging currency is that it’s a constant cat and mouse game. Follow our systems and we will teach you how to catch and then bank your profits. Be disciplined and practice good money management and you will succeed.



## Chapter 2 – What are the basics of Forex?

Whether you are going to be trading Forex professionally or just for fun part-time, there are some basics you NEED to learn. The rest of this book will use many of these terms and you will see them on a day-to-day basis while trading currency.

**Exchange Rate**- The value of ones currency in comparison to another. For example if you see, EUR/USD 1.2100, 1 Euro is worth \$1.21

**Currency Pair**- Two currencies that make up an exchange rate.

**Base Currency** – The first currency in the pair. This also describes the currency your account is traded in

**Counter Currency** – The second currency in the pair. This is also described as the counter currency.

**ISO Currency Codes** – Below are listed currency codes, there are many more, but these are the main ones:

USD = US Dollar  
EUR = Euro  
JPY = Japanese Yen  
GBP = British Pound  
CHF = Swiss Franc  
CAD = Canadian Dollar  
AUD = Australian Dollar  
NZD = New Zealand Dollar

**Currency Pair Terminology- This** is basically the slang terms for trading certain currency pairs.

EUR/USD – “Euro”  
USD/JPY – “Dollar Yen”  
GBP/USD – “Cable” or “Sterling”  
USD/CHF – “Swissy”  
USD/CAD – “Dollar Canada”  
AUD/USD – “Aussie Dollar”  
NZD/USD – “Kiwi”

**FCM** – Futures Commission Merchant. An individual or organization licensed by the U.S. Commodities Futures Trading Commission (CFTC) to deal in the futures products and to accept money from clients to trade them.

**Forex ECN Broker-** ECN simply means “Electronic Communications Network.” Basically, the ECN of the Forex acts

similar to the stock market ECN, where market makers, banks, and traders can have a real-time trading platform to make their trades.

They can put and bids and offers either in or out of the spread, making it possible for traders to make trades based on these prices.

**Counterparty-** One of the participants in a transaction

**Pip** – The smallest increment a currency can make which is also known as points. 1 pip = 0.0001 for EUR/USD. USD/JPY = 0.01

**Pip Value** – This is the value of the pip. Pip value can be fixed or can be variable depending on the currency pair and the base currency of your account. For example, the pip value for EUR/USD is always going to be \$10 for standard lots and \$1 for mini lots.

Here is how to calculate the pip value of the currency you are trading:

Divide 1 pip by the exchange rate and then multiply it by the lot size to get the base currency pip value. To convert the pip value over to your currency value, simply multiply the pip value by your exchange rate.

**Lot-** This is the standard lot size per transaction. Usually a typical lot size is 100,000 units of the base currency, or 10,000 if it's what called a "mini" lot. Currency is even traded in what is

known as a "micro" lot. There are many dealers that will let you trade any unit size, all the way down to 1 unit.

**Spread-** This is the difference between the sell quote and the buy quote. For example if you see " EUR/USD - 1.2400/03, this means the difference in the spread is 3 pips. For a trader to break even, their position must move in the direction of the trade equal to the amount of the spread.

**Margin** – The deposit that is required to open or maintain a position. A 1% margin requirement makes it possible for you to control a \$100,000 position with a \$1,000 margin account.

**Standard Account** – Trading with standard lot sizes, usually 100,000 units of base currency.

**Mini Account** – Trading with mini lot sizes, which are generally 10,000 units of base currency.

**Micro Account** – Trading with micro lot sizes, which are usually 1,000 units of base currency.

**Leverage-** Using borrowed funds to gear your account. By increasing your leverage, you can either gain or lose more funds. Divide total open positions by your account equity to get the leverage ratio. For example, if a trader has \$2,000 in his account and opens up a \$200,000 position with \$2,000 in his account , he is leveraging by 200 times or 200:1.

**Manual Execution** – An order that is executed by a dealer intervening.

**Automatic Execution**- An order that is executed automatically without dealer intervention

**Drawdown** – The extent to which equity is lost through a series of trades. This is measured from the height to the lowest, commonly measured by percentage.

**Support** – Technical term where buyers outweigh sellers. The prices will bounce off of a floor temporarily.

### **Order Types**

**Market Order**- An order to buy or sell at the current market price.

**Stop-Loss Order** – An order to restrict losses at a specified level.

**Limit Entry Order** – An order to purchase below the market or to sell above the market at a specified level. Your belief is the price will reverse direction from that particular point.

**Stop-Entry Order** – An order to purchase above the market or to sell below the market at a specified price, your belief is the price will continue in the same direction it is currently.

**OCO Order-** One Cancels Other. An order where if one is executed, the other order will be canceled.

**GTC Order-** Good Till Canceled – An order that stays in the market until it is either filled or canceled.

## Trading Styles

**Fundamental Analysis Trading** – This style of trading involves analysis of macroeconomic factors of an economy, underpinning the value of a currency and placing trades that support the trader's outlook of the economy.

**Technical Analysis Trading** – This style of trading involves analysis of price charts for certain technical patterns of behavior.

**Range Trading-** This style of trading goal is to profit from buying technical levels of support and then selling technical levels of resistance. The upper level of resistance and lower level of support is what defines the range.

**Scalping** – This style of trading involves frequent trading to gain small gains over a short period of time. The trades can last from a few seconds to a few minutes. This is the preferred method for many online day traders.

**Swing Trading-** A style of trading that involves seeking profit from short to medium terms in swings of the trends happening. Trades can last from a few hours to many days.

**Position Trading-** A style of trading that involves taking a long term position that is reflective of a long term outlook. The trades can last from a few weeks to many months.

**Discretionary Trading** – A style of trading that uses human judgment and decision making in every single trade.

**Automated Trading** – A style of trading that involves neither involvement nor human decision making, it uses a pre-programmed strategy that is based on technical or fundamental analysis to automatically execute trades via an automatic trading platform.

**Trend Trading-** A style of trading that tries to gain profit from riding short, medium, and long term trends in price.

**News Trading** – A style of trading where a trader attempts to profit from fundamental news announcements on a country's economy that will affect the value of a currency, usually trying to gain short term profit immediately after the announcement is released.

### **What you will need to trade Forex**

- A Forex Trading Account - We recommend using [www.fxcm.com](http://www.fxcm.com)
- Money to invest in Forex – Only invest what you can afford to.
- Forex Trading Software - I recommend using MetaTrader4 which can be downloaded for free at [www.metaquotes.net](http://www.metaquotes.net)

## **Chapter 3 – What should I know to be successful in trading Forex?**

### **#1 RULE “Follow the system, limit your losses, and you will succeed!”**

I am going to make this first point very clear, because I strongly believe it is the most important factor to remember. In order to be a successful Forex trader, you must be willing to take your profits and not look back.

The #1 mistake I see currency traders make is follow a trend, news, or position too long. They have made up in their mind that this is the trade where they can get 100+ pips and just forget about what their system is telling them to do.

The reason systems are in place is to help limit your losses and profits. By limiting the amount you are going to profit/lose, you will be a long-term winner by keeping control of your trading account. It's really frustrating and sad to have a trader e-mail

me and tell me he lost his whole account because he held on to a position for too long and ended up losing 50% of his money on the trade.

## **#2 RULE: “Plan your trades first, and then trade what your plan is telling you”**

Next, you need to focus on planning your trades first, and then trading your plan. Your job as the trader is to follow a strict trading plan. Do you know who is going to write the trading plan? You are! After you write this plan your job is a breeze because all you have to do is follow the trading plan you have devised yourself.

All you need to do is follow the rules of your trading plan which should have a **setup, entry, and exit**. If you are doing anything else, then you are simply complicating your job more than it needs to be.

## **#3 RULE: “Don’t trade more than you can afford”**

It never ceases to amaze me how many traders want to invest their life savings into high risk investments. On any given

day, any trade can go from good to bad in a matter of minutes.

Do not trade more than you can lose!

While systems, trends, and services are all made to help you improve your profits and keep you from losing, sometimes it is inevitable that you will have a bad day.

I recommend trading in these terms, if your overall bankroll for trading is \$50,000 then never invest more than 2-3% on any one trade. This would amount to a max of \$1,500 per trade.

Stick to your principles regarding money management and your system and you will do well in this business. Just imagine if you were to invest all your money on one trend one day. What if all of a sudden the trend took a steep downhill and you lost 50% of your total money on that trade? How would you feel after that? Not only would it take months to work your money back up, you would lose a lot of confidence in your trading ability.

#### **#4 RULE: “Don’t think of this in terms of cash, think of this in terms of pips”**

My advice to my traders is once you put the money in your trading account, forget it is even cash. It’s harder to execute trades when you think of them in terms of dollar bills. It’s better to try and just win pips.

Have you ever wondered why at the casino all they use is chips? It’s because psychologically, a gambler is much more likely to gamble more and not be as worried if they are just throwing around chips. Well, this isn’t quite gambling, but the same concept should be used with Forex. Try to win pips, don’t think about winning money.

#### **#5 RULE: “You are the boss”**

Remember, you’re the boss of every trade you put into action, you are the one that is responsible for failure or success. You will not have anyone telling you to put in this trade or study this chart.

You must be a self-starter and have an entrepreneurial spirit to do this day in and day out. If you have never “been the boss” before then you will learn how much of a responsibility you are about to undertake.

You cannot find yourself getting too stressed out at the market or market makers. Negative emotions will get you in a lot of trouble and will show on your trades. Be sure to follow your systems and not your emotions!

**#6 RULE: “Be careful of your language and how you treat yourself”**

If you beat yourself up for making a bad trade, then you will never be able to move on to make the good trades. Your mind does not respond well to repeated abuse. Be sure to keep in perspective of how you act when you win and win you lose. Losing is a part of this game, and if you can’t deal with it, then you are in the wrong game.

## **#7 RULE: "Fewer trades are better!"**

Too many times I see my eager students want to get involved in way too many trades too quick. They are trigger happy and want to make a move on every trend or move they see. My advice is until you really get a grip on trading is to not make more than 2-3 trades at a time until you really get a handle. I know this is contradictory to what many experts say, but from my experience it can save you a lot of headache and money. You need to learn the markets inside and out before you are out there making 10+ trades a day.

## **#8 RULE: "Don't consume your life with trading, enjoy life!"**

I understand how exciting trading can be, but it shouldn't be your life. If you allow yourself to be consumed by trading 99% of your day, then in the end, your life will be very sad. You need to get out and socialize with people, enjoy life! Take some of your profits, go on a vacation, and find new interests.

After working with traders for so long, I began to notice a trend in most of them. For a lot of traders, they are in this because something is not right with their life. They are having problems with their family, at their work, or just in general. They almost look at trading as an escape from the world around them. Folks, this is the wrong reason to be in trading. Fix your life before trading and you will enjoy your time more!

## **#9 RULE: "How a Real-Time Trader Keeps Organized"**

The fact is, it's rough out there for a real-time trader. You have to deal with data coming at you literally every moment of your waking day. It becomes really hard to keep the big perspective of making meaningful trades in your sight.

I highly recommend for any trader, especially real-time traders to keep a traders diary. At the end of the day, you should be able to say "Hello Diary, today I made this trade because of this.." , "I probably acted the wrong way on this trade.. I won't make that mistake again.." , "Diary, this trend is really working

well, keep track of it in future trades.” It doesn’t matter how you do it, whether it be written or just a blank Microsoft Word document, the fact is it will help. You’re the only one that is going to be looking at this document, so it doesn’t matter how you write it, you just need to actually sit down and write it!

**#10 RULE: “This isn’t gambling, this is trading!!”**

I can’t stand watching Forex traders that make trades just for the rush of making a trade. If you like throwing away your money, then go for it, but if you are here to make profits then you NEED to follow the signals, trends, and systems. If you are bored, go rent a movie, don’t think “Wow, I think I can pull out 5 pips really quick if I do this, and if I lose who cares it’s just 5 pips.” My friend, that mentality will destroy you in the long run of trading.

Keep trading to trading and keep gambling to gambling.

# **Chapter 4 – The Forex Supreme System #1 – Easy Pip Gainer**

While this system may seem very easy and simple at first glance, it really has been my most profitable system to date.

Here is how it works:

1. Set up with any time frame you feel comfortable with. Your trades will usually last no longer than a day, but some can be longer.
2. In your charting software, which you can download at [www.metaquotes.net](http://www.metaquotes.net), setup the following parameters on your graph:
  - Insert an MACD indicator using the following parameters:

- Fast EMA 40
- Slow EMA 50
- Signal SMA 100

Or insert Moving Average of Oscillator (OsMA) with the following parameters:

- Fast EMA: 40
- Slow EMA: 50
- MACD SMA: 100

3. You will be closely following the changes in value of the MACD and OSMA in each and every price bar.

After you have setup the indicators on your graph, be sure to follow the following rules:

1. Place a long (buy) trade when the MACD or OSMA value at the current bar is greater than its value at the previous bar.
2. Place a short (sell) trade when the MACD or OSMA value at the current bar is less than its value at the previous bar.

3. Stop loss and take profit are set at 50 pips. (That is for 1-hour timeframe. Adjust accordingly for other timeframes.)

This system will work with any time frame you use. If you do not have time to make intraday trades, then use this system on the daily, weekly, or monthly timeframe.

If you are a day trader, you can use this system with your hourly, or four-hour time frames. But don't use this system for 5-minute, 15-minute, 30-minute timeframes. It's because with these short timeframes, a lot of noise and whipsaws will occur, and render the system ineffective.

## Here is an example of this system in action:



### **6 trades in 12 days. ALL WINNERS!**

This was our chart from the period Nov 15<sup>th</sup> to Nov 29<sup>th</sup>. Over a two week period we made 6 trades, profiting on every trade.

Follow the rules for the MACD indicator and you will be able to profit on 85% of your trade. Again, this will work if you are trading hourly, four-hour, daily, weekly, or monthly.

Here is an example of another trade using the Easy Pip Gainer:



24 trades in the span of the month of November. We charted this one using the **OSMA indicator**. You can use the MACD or the OSMA to make the trade, use whichever one you feel more comfortable with. The first green dot resembles the first trade we made as a buy. Each dot after that resembles when we sold/bought/sold/bought.

# Chapter 6 – The Forex Supreme System #2- Double Indicator Assurance



**16 trades in 23 days. ALL winning trades! Green Dots represent buying or selling**

This system is really reliable. I've found it to rarely fail me in all the years I've been trading. Above is an illustration. We call it the double indicator assurance because you have to examine two indicators before you can make the trade. The success rate of this system has been very good, you just really have to make sure you are following the rules accurately.

**Here are the steps to the system:**

1. Your trade times will vary. There are some trades that can last just a few hours, or there are trades that can last a couple of days.

2. Okay, you setup the MACD (5,12,100) indicator.

Fast EMA: 5

Slow EMA: 12

Signal SMA: 100

3. Setup your RSI 21-period indicator.

4. Place a long (buy) trade when your MACD crosses "UP" and your RSI moves ABOVE 50. I have drawn a red line on the graph above to indicate the 50-value line. There are plenty of trade opportunities when the RSI is above 50 and MACD is crossing upward.
5. Place a short (sell) trade when MACD crosses "DOWN" and your RSI moves BELOW 50. You can easily see when this is about to happen, you just have to keep a good eye on both indicators.
6. Close your trades at a profit/loss of 40 pips.

If you are going to use this method, you need to make sure you have a close eye on your charts. For example, on October 31, the indicators said to BUY, and then later that day they told you to SELL. On the other hand, the chart indicated to buy on Nov 3<sup>rd</sup> and not sell until mid-day Nov 5<sup>th</sup>. Your trade times will vary based on how the indicators respond to the market.

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Here is another example of a winning trade, these trades were done in the EUR/GBP

**9 winning trades in a month! Time your trades at the right time using the right indicators and you'll always be a winner!**

As you can see, this system will work with any currency market you are comfortable with. Be strict and make sure you follow the MACD and the RSI. Both indicators must work together to make the trade.

## Conclusion

We've tried to outline everything you need to know about Forex to be a successful trader. We believe the most important factor to keep in perspective is in order to be successful, you need to have a plan. Forex Trading can be compared to any other investment out there, without planned entry and exit points, it will be hard to ever come out ahead.

Forex Currency Trading is very fun and can be very lucrative. I recommend learning everything possible out there about Forex before getting heavily into trading. The systems we outlined above are what we believe to be two of the best out there today. Be prepared with all tools and a great learning attitude and you should thrive in the wonderful currency exchange market.

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Good luck!

Best Regards,

Ethan Wilson