

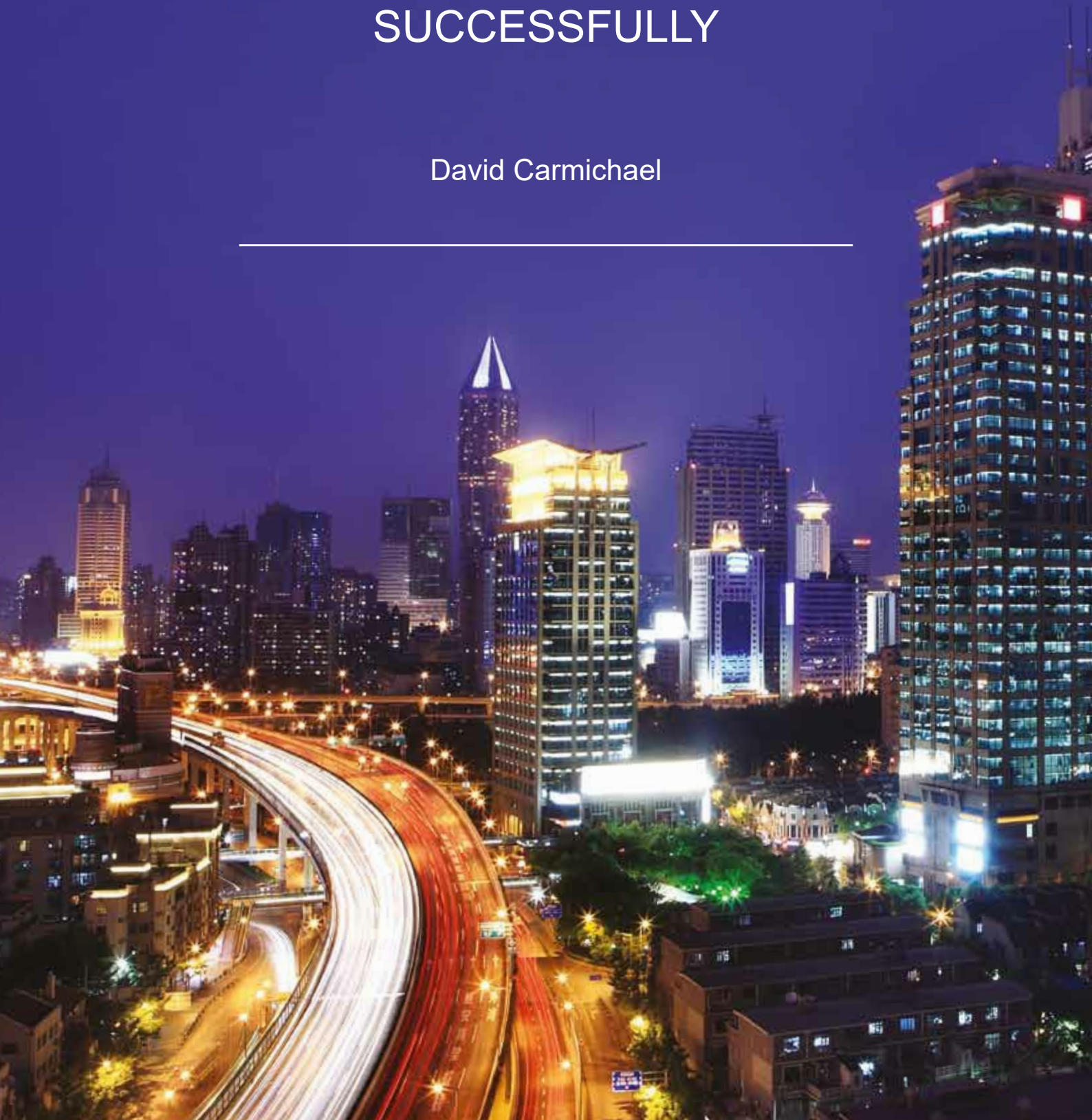
FREE GUIDE



FX, CAPITAL MARKETS AND COMMODITIES TRADING

THE FUNDAMENTALS YOU NEED TO KNOW TO TRADE THESE FINANCIAL MARKETS SUCCESSFULLY

David Carmichael





A BIT ABOUT THE AUTHOR

My name is David Carmichael and I am a Property, Financial and Investment Specialist who operates within the City of London, UK. As a successful FX Currency and Capital Markets Trader, I am in charge of managing a substantial Hedge Fund. I also have a passion for Personal Development and am a Wealth and Success Coach. I have been involved in hundreds of property deals and first dabbled on the London Stock Exchange in 1987. I have tutored numerous people in the fields of Financial Trading, Property and Finance and am the Author of several titles including the highly regarded “The Property Investment Manual”, “Trading the FX and Capital Markets Successfully” and many others.

MY PERSONAL THOUGHTS ON TRADING

Learning to trade successfully is a fantastic journey. It is about learning self control which will enable you to just go with the flow. Trading successfully is not about knowing the future, it's about relaxing and allowing the future to reveal itself in front of you. Trading is about seeing and being able to describe from your experiential perspective what's in front of you purely and simply. Trading is your best friend or your worst enemy that could steal your house and/or your spouse. Trading can take you to hell or to paradise because if you follow the rules it is a blessing but if you ignore the rules it is a curse. Trading is about timing, learning to be patient and knowing when not to trade. Once you enter a trade you will learn that thinking is not necessary and can throw a spanner in the works. Trading is excruciatingly emotional when done wrong but it is tauntingly tedious when done right. Ultimately it is a journey of self discovery. I wish you every fortune in your quest to accomplish this.

I have created this unique guide based on my personal experiences. I believe that anyone who is looking to trade should read this as it is extremely important to know fundamentally the common things that successful traders do and what unsuccessful traders do. I sincerely hope that this will be one of the tools that guides you towards becoming a profitable trader, because when you learn to be a profitable trader, you have then learned what you need to take control of your financial destiny, which will create many more options for you you in your life.

David Carmichael



THE TWO BIG MISTAKES TRADERS MAKE

In my opinion, the first mistake I made boiled down to how I identified myself.

The thing is statistically most traders lose money. The successful traders talk about the 90/90/90 rule, which is that 90% of traders will lose 90% of their capital within 90 days of starting to trade. This is a genuine statistic!

After struggling for a while wondering why it was so difficult to be consistently profitable I realised that I had to change my mindset. In my opinion having the right psychology makes up 95% of the ingredients which you require to be a successful trader. Even if you have a successful trading strategy, without having the right mindset you will fail.

This was when I started to put all of my energy into having the right mindset. I stopped seeing myself as a trader (as most traders fail), and started seeing myself as a specialist at consistently extracting money from the multi-trillion pound a day money markets, and I completely changed my intent to ensure that this would be the case. When I've introduced my students and mentees to this type of thinking, their success rate has improved substantially. I would suggest that this type of thinking may also work for you.

The next "trading" mistake that traders make is that when they lose money on a trade, they lose more money on their trades that lose than they win on their trades that win. Now the way to overcome this is basically to cut the losers short and to let the winners keep going. This is a lot easier said than done and there are techniques that I do teach which allow you to do this with minimal psychological stress.

The problem is that cutting the losses short and letting the profits keep running actually goes against our natural human instinct. This is because we will want to hold on to running losses in the hope that the trade will turn around and become profitable or at least break even, and when we're in profit we'll want to take the profits quickly because of the fear of losing the profits which are already there. This is a stressful situation when trading. In the absence of using techniques to trail profits and cut losses short, what you should do at all times is to use Stop Loss limits and Take Profit limits so that you force yourself to trade with a risk reward ratio of at least 1 to 1.1. Now this may sound like common sense, and it is, because with this ratio if you achieve a 50% success rate you will make a profit. I know of many people who have that kind of success rate and still make quite substantial losses (madness!).

Now I know that you'll probably find this valuable piece of advice in almost every trading book. The fact is that if you risk losing an equivalent amount of pips as you hope to gain then you have to be right 50% of the time in order to break even.



If you target a profit, which is double the amount which you've placed at risk, then even if you're wrong half the time you will still be very profitable.

WHAT RISK/REWARD RATIO SHOULD YOU USE?

In my experience and from years of analysis done with successful traders it is my opinion that you should not use a risk reward ratio which is less than 1:1

If you are utilising a range trading strategy, which I would categorize as a high probability strategy I would use a ratio of 1:1.5.

If you are utilising a trend trading strategy, which I would categorize as a lower probability strategy I would tend to use ratios of between 1:2 and 1:4. On occasions I have even traded with ratios of 1:8 and higher, when I've managed to trail the profits a long way, while locking in my "stop loss" level to a level where only profits are guaranteed. I must say when this happens it is a beautiful thing.



A SUCCESSFUL TRADING STRATEGY

Now, I'll let you in to a little secret. Once you have your mentality correct, all you actually need is ONE profitable trading strategy and you can literally become Financially Free. Now throughout the years I've traded with so many different strategies and in my book "Trading the FX and Capital Markets Successfully" and on my courses, I detail many, many strategies which are all profitable. What you have to do as an aspiring trader is to find a strategy which fits in with your personality and psychology. The strategy you choose will be absolutely critical to your success because you have to know if you are the type of individual who can trade long term (have a trade on for weeks), or do you want to be out of the trade within hours or even minutes. This will determine if you'll use a long term trending strategy or a short term scalping strategy. Whatever your make up, there is a strategy which will gel with you, and once you have it then all you have to do is to ensure that you **STICK TO THE RULES** of that strategy and you'll find that you will be consistently profitable.

HERE'S A PROFITABLE STRATEGY JUST FOR YOU.

THE BREAKOUT (Breaking out of the Range into a Trend)

Now breakout trading is a very easy to execute trading strategy which you can utilise in all markets. This strategy is great because when you enter a trade with one of these setups the potential "Take Profits" can far outweigh the actual capital that you've put at risk. This means that you can comfortably achieve the sort of risk / reward ratios which I discussed earlier. Note that some of the greatest traders in history traded "The Breakout". This means that they would immediately enter a trade when the price action indicated that a trend could be starting. Traded correctly, just executing this strategy will make you rich.

When do I enter a trade?

One of the fundamental things which we have to determine before we think about entering any trade is if the price action of the market is trending or if the price action is oscillating within a range. If we're looking to trade a Breakout then the assumption is that the market has to be currently and recently oscillating within a range. What you have to then do is to identify what the range is (This is the upper and lower price points in which the price action has been moving). Once you determine these upper and lower price action points you need to draw a rectangle which actually visibly clearly shows this range. This is important because then you will immediately know when the market looks like it's breaking out of the range.

Your Entry Point

You need to enter the trade at the close of a strong candlestick/bar. This candlestick/bar must have closed outside of the range. Then you have to ensure that the risk / reward ratio is ideally 1:2 or greater and definitely greater than 1:1.



IN SUMMARY

Your Entry Point:

- a) You have to look for a clear range
- b) Then you have to wait for a candlestick/bar or the price action to break out of that range and subsequently close outside of the range.
- c) Note that the signalling candlestick should be longer than the bars contained within the range, as well as not having a long wick. Not having a long wick is important because it shows that the candlestick had a strong close.

Here is an example of a breakout I traded recently on the EUR/USD



As you can clearly observe the entry point is just after the signal bar, which I have marked with an arrow, has closed. It is clear that this entry point fully complies with all of the 3 criteria which I detailed above. You can even see that the market was ranging in that rectangular area for quite a long period before the rectangle.

In my opinion your stop loss should be approximately 25% back into the range and your take profits should be ideally at least 2 times what your stop loss is.

This particular trade clearly worked but there are still a few other things that you should be aware of to determine if you should trade at that particular moment.

Numerous examples of ways to trade breakouts are contained within my Book “Trading the FX and Capital Markets Successfully”. I’ve also included examples of things that you should look for which would indicate that the trade may fail. To detail all of these things in this guide would go far beyond the scope of this guide, but if you follow the criteria which I’ve detailed here then you can actually trade successfully.



OVERALL SUMMARY

So from my personal subjective experience the four important pieces of advice are:

1. See yourself as a specialist at extracting money from the markets.
2. Cut your losses short and ride your profits. Or alternatively utilise stop loss limits and take profit limits so you have a risk reward ratio, where the reward is greater than the risk (AND THEN STICK TO IT).
3. Use a successful trading strategy like the Breakout strategy which I have detailed and ensure that you rigidly STICK TO THE CRITERIA when trading it.
4. Make sure you learn from any mistakes you make and then adapt your trading accordingly.

LEARN TO TRADE

I hope that this guide has been useful to you. As you read these words, if you decide that you really want to trade profitably, and that you want to eliminate as much of the emotional turmoil and heartache as possible you should purchase a copy of:

“Trading – *The Long and the Short of it*” by David Carmichael.

This can be obtained from www.davidacarmichael.com.

This Manual contains numerous resources and clear explanations so that you can learn to trade profitably. It goes into great detail to convey to you exactly what you need to really be a successful trader. It has been described as “One of the best books on trading that currently exists”

Additionally feel free to reserve a place on one of my courses. I have tutored numerous individuals from beginners to experienced Fund Managers. A schedule of my upcoming courses is available at www.thetradingacademy.co.uk

If you do have any questions whatsoever I will do my utmost to help. You can email me directly at mail@thetradingacademy.co.uk or contact me at The Academy of Trading.

Good fortune to you all.



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