

Institutional Forex System

When I show you the strategy behind the Institutional Forex System, you will quickly realize how simple it is. Don't be fooled into thinking the simplicity makes it less powerful. In fact, the biggest mistake individual traders make is always feeling the need to be doing something. Increased trading does not mean better results nor does making the strategy complicated. The best professional traders will sit on their hands when a good opportunity is not there and the best strategies are those that are simple in nature. Most individual traders are wiped out by the institutions simply because they are trading too much, partly because of greed and partly because of the need to feel like they are involved in the market. Professional traders aren't looking for action; we go to Vegas for that. We are looking to take down other traders that are opposite our view on a particular trade and that is easy to do when you have individuals who are trading without a sound strategy. Another misconception is that professional trading strategies are based on tons of technical analysis and several technical studies acting together to give clear trading "signals". This couldn't be further from the truth. Most professional traders use simple mathematical trading strategies that put the odds in our favor. These "strategies" are based on highly probable events that happen in the market on a consistent basis and do not rely on guessing which direction price is heading. Any time you look at technical indicators or charts, you are still guessing the direction of price. My Institutional Forex Super System uses a highly probable event that happens consistently on 3 different occasions each month and the system makes money no matter what direction the price moves. As close to a guarantee as you can get in the financial markets and it completely eliminates the greed and human emotion of trading. This is how large corporations, banks and financial institutions trade the Forex.

Trading Philosophy

Currency markets continue to witness the highly negative correlations between the EUR/USD and USD/CHF exchange rates (one goes up, the other nearly always goes down and vice versa). A product of the dollar's similar *rate of change* vis-à-vis the euro and the Swiss franc, this relation has continued to hold much before and after the September 11 attacks, when the Swiss franc's safe haven status was firmly re-established.

What does this mean?

We aim to take advantage of the negative correlation between the USD/CHF currency pair and the EUR/USD currency pair in the short term on 3 days during the month when specific financial reports come out.

Why?

Since we know that if the EUR/USD currency pair goes up, the USD/CHF currency pair will go down and vice versa, we can play that movement without knowledge or concern for which direction any specific pair is heading. This eliminates uncertainty, which is the first test of a solid institutional strategy.

Putting on the Trade

The strategy consists of placing two trades on the same side of the market.

Trade 1- Short the EUR/USD

Trade 2- Short the USD/CHF

We don't care which direction the market goes as long as it goes. This may be the opposite of strategies you have tried in the past where there is an equal chance of you losing on the position as there is gaining. If you go long @ 1.2879, there is a 50% chance it will go up and a 50% chance it will go down. That's the same odds as playing black or red on a roulette wheel. While most individual investors are playing the guessing game and hoping the trade will go in their favor, the institutions know they will make money. This is why individual traders are so inconsistent in the long run because one month you may hit it big if you guess right and the next two months you may blow out your account. We are not interested in the big hit; we are looking for a small piece of the pie on a consistent basis.

What Needs to Happen for Success

For the strategy to work, we need volatility in the market. We need these pairs to move enough so that we can exit the negative side of the trade at a pre-determined point while allowing the positive side of the trade to continue to run until we hit our target profit. If we do not get this volatility, we run the risk of the positive side of the trade not reaching our target profit before it starts reversing thus stopping us out of two negative trades. This would be the max loss on the trade.

EXAMPLE:

Short the EUR/USD @ 1.2879

Short the USD/CHF @ 1.2213

If we say the most we want to risk is 50 pips on the trade (stop loss) and we hope to net 20 pips on the trade (profit target) then the trade would look like this:

Short EUR/USD @ 1.2879 Stop @ 1.2904 Limit @ 1.2834

Short USD/CHF @ 1.2213 Stop @ 1.2238 Limit @ 1.2168

To hit our profit target of 20 pips, we need one pair to go down by 45 pips before it starts reversing in the opposite direction. As you can see, the pair going against us will stop out before we reach our profit target. The total risk is having both legs of the trade go against us and be stopped out at -25 pips each or -50 pips total.

Increasing our probabilities and reducing risk

One of the first questions or comments we get from new traders learning this strategy is why we would risk 50 pips to gain only 20 pips. Many individual traders believe that a proper risk/reward ratio would be to have a profit target larger than your at risk amount with most "believers" quoting ratios of 2:1. This means that if you are risking 50 pips per trade on the down side you should be trying to at least make 100 pips profit on the upside. This is another misconception when it comes to professional trading. The trading situations we enter give us the best possible probability of hitting our profit target. Period. We do not look at how much is at risk compared to what we can make, we just aim to be right 90% or more of the time.

You have already seen how we make sure we are on the right side of the market by taking the same side of the trade on two pairs that move in negative correlation.

The worst situation for us would be a market that does not move hard and fast. If the market is moving slow or sideways, we have more chance of the negative leg of the trade stopping out at -25 pips and then before the positive side reaches +45 to net us +20 on the trade, it starts reversing and also gets stopped out, which would hit our max loss of -50 pips for the trade.

How do we minimize this risk?

By trading on days when major financial reports are announced at the exact time they are announced. Based on historical data, if you trade three specific financial reports that come out every month right before those numbers are announced, there is usually a large movement in the market in a short period of time (between 1 minute and several hours). The major movement in that short time period gives us a high probability that one leg of the trade (we don't care which one) will hit +45 pips before it reverses. These movements are not normally choppy, but straight down in our favor. This gives us a very high probability of success and pin points the exact three times per month

you should place a Forex trade. The rest of the month is free time for you to enjoy life.

Which Financial Reports are Traded?

There are three major reports that consistently get the type of outcomes we need for this strategy to be successful. We will show you charts of real trades in the next section so you can see how simple and powerful this strategy is.

Financial Report #1

The Employment Report

- **Importance (A-F):** This release merits an A.
- **Source:** Bureau of Labor Statistics, U.S. Department of Labor.
- **Release Time:** First Friday of the month at 8:30 ET for the prior month
- **Raw Data Available At:** <http://stats.bls.gov/news.release/empsit.toc.htm>.

The employment report is actually two separate reports which are the results of two separate surveys. The household survey is a survey of roughly 60,000 households. This survey produces the unemployment rate. The establishment survey is a survey of 375,000 businesses. This survey produces the nonfarm payrolls, average workweek, and average hourly earnings figures, to name a few. Both surveys cover the payroll period which includes the 12th of each month.

The reports both measure employment levels, just from different angles. Due to the vastly different size of the survey samples (the establishment survey not only surveys more businesses, but each business employs many individuals), the measures of employment may differ markedly from month to month. The household survey is used only for the unemployment measure - the market focuses primarily on the more comprehensive establishment survey. Together, these two surveys make up the employment report, the most timely and broad indicator of economic activity released each month.

Total payrolls are broken down into sectors such as manufacturing, mining, construction, services, and government. The markets follow these components closely as indicators of the trends in sectors of the economy; the manufacturing sector is watched the most closely as it often leads the business cycle. The data also include breakdowns of hours worked, overtime, and average hourly earnings.

The average workweek (also known as hours worked) is important for two reasons. First, it is a critical determinant of such monthly indicators as industrial production and personal income. Second, it is considered a useful indicator of labor market conditions: a rising workweek early in the business cycle may be the first indication that employers are preparing to boost their payrolls, while late in the cycle a rising workweek may indicate that employers are having difficulty finding qualified applicants for open positions.

Average earnings are closely followed as an indicator of potential inflation. Like the price of any good or service, the price of labor reacts to an overly accommodative monetary policy. If the price of labor is rising sharply, it may be an indication that too much money is chasing too few goods, or in this case employees.

Financial Report #2

Retail Sales

- **Importance (A-F):** This release merits an **A-**.
- **Source:** The Census Bureau of the Department of Commerce.
- **Release Time:** 8:30 ET around the 13th of the month (data for one month prior).
- **Raw Data Available At:** <http://www.census.gov/svsd/www/advtable.html>.

The retail sales report is a measure of the total receipts of retail stores. The changes in retail sales are widely followed as the timeliest indicator of broad consumer spending patterns. Retail sales are often viewed ex-autos, as auto sales can move sharply from month-to-month. It is also important to keep an eye on the gas and food components, where changes in sales are often a result of price changes rather than shifting consumer demand.

Retail sales can be quite volatile and the advance reports are subject to rather large revisions. Retail sales do not include spending on services, which makes up over half of total consumption. Total personal consumption is not available until the personal income and consumption reports are released, typically two weeks after retail sales.

Financial Report #3

Consumer Confidence

Conference Board Consumer Confidence

- **Importance (A-F):** This release merits a **B-**.
- **Source:** The Conference Board.
- **Release Time:** 10:00 ET on the last Tuesday of the month (data for current month).
- **Raw Data Available At:** <http://www.tcb-indicators.org/>.

The Conference Board conducts a monthly survey of 5000 households to ascertain the level of consumer confidence. The report can occasionally be helpful in predicting sudden shifts in consumption patterns, though most small changes in the index are just noise. Only index changes of at least five points should be considered significant. The index consists of two sub indexes - consumers' appraisal of current conditions and their expectations for the future. Expectations make up 60% of the total index, with current conditions accounting for the other 40%. The expectations index is typically seen as having better leading indicator qualities than the current conditions index.

Risk/Reward

Here are the profit targets and stop loss levels we are looking for on each of these trades:

Employment Report- Stop Loss -25 Pips
 Profit Target +45 Pips
 Net Profit +20 Pips

Retail Sales- Stop Loss -25 Pips
 Profit Target +45 Pips
 Net Profit +20 Pips

Consumer Confidence- Stop Loss -25 Pips
 Profit Target +45 Pips
 Net Profit +20 Pips

Adjusted Stop Loss

We can reduce risk further by setting an adjusted stop loss once the positive leg of the trade has reached a certain point. We have set this point at 28 pips. So, on the way toward the profit target of 45 pips, if at any point, the price goes +28, we move the stop loss from -25 to our entry point. This makes the max loss on that side 0 while the max loss on the losing side remains at -25 for a total loss of 25 pips instead of 50 pips, thus reducing our risk by half.

Example:

Short EUR/USD @ 1.2876
Short USD/CHF @ 1.2248

The EUR/USD goes against us and stops out at a loss of -25 pips. The USD/CHF goes in our favor and is +32 pips (> 28 Pips), our stop loss automatically moves from 1.2273 (-25 pips) to 1.2248 (entry price).

If the price of the USD/CHF continues to go in our favor and hits our profit target of +45 then we will have a net profit of +20 pips. If price reverses and goes back up to 1.2248, then we will be stopped out at even and have a total net loss of -25 pips (from the stopped out EUR/USD side) and thus half of the normal max loss.

The disadvantage to this strategy is that if price reverses temporarily and stops us out at the adjusted stop loss (entry price) and then eventually goes in our favor once again and ends up hitting the profit target of +45, then we missed an opportunity to take our net profit of +20.

However, especially for those averse to risk, we suggest using the adjusted stop loss when trading our strategy. Based on percentages, the number of times that price will stop out at the adjusted stop loss and then continue to our profit target is very low, which makes it worth avoiding the 50 pip loss.

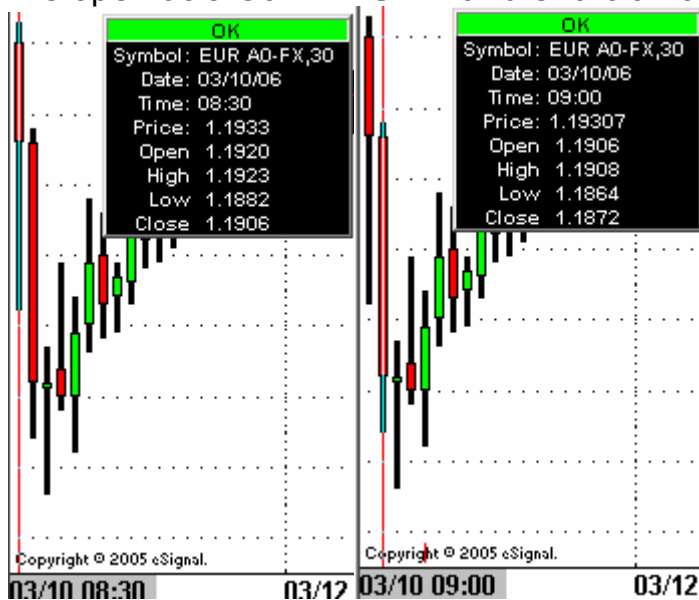
Historical Trades

Let's take a look at the charts for the past 5 months to see exactly how this strategy works and what the results were.

March, 2006

March 10th, 2006. Employment Report 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.1920



The EUR heads south to a low of 1.1882 on the first candle opening at 8:30 AM EST and closing at 9:00 AM EST for a gain of 38 pips (1st chart). It starts to go back up and then on the 9:00 AM EST candle it has a huge drop to a low of 1.1864 (2nd chart) hitting our profit target of 45 pips at 1.1875. +45

We open at 8:30 AM EST with a short on the USD/CHF @ 1.3144



This side of the trade was stopped out on the 8:30 AM EST candle @ 1.3169 for a 25 pip loss.

Result:

Short EUR/USD @ 1.1920 Limit @ 1.1875 = +45 Pips

Short USD/CHF @ 1.3144 Stop @ 1.3169 = -25 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

March 14th, 2006. Retail Sales 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.1962.



It didn't do much on the 8:30 candle as it only got about 15 pips away from being stopped out. Then, the 9:00 candle started showing signs of an upward movement and that was confirmed on the 9:30 candle where it went to a high of 1.1988 and stopped us out for a loss of 25 pips. -25

We open at 8:30 AM EST with a short on the USD/CHF @ 1.3095



At the open of the 8:30 candle, this pair actually went against us for about 13 pips and then started to show its true movement for the session, which was down. On the 10:00 candle, price moved through our profit target at 1.3050 to a low of 1.3023. +45 Pips.

Result:

Short EUR/USD @ 1.1962 Stop @ 1.1987 = -25 Pips
Short USD/CHF @ 1.3095 Limit @ 1.3050 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: 1.5 hours

March 28th, 2006 Consumer Confidence 10:00 AM EST

We open at 10:00 AM EST with a short on the EUR/USD @ 1.2085



Here is a good example of a trade that whipsawed us around. It opened at 10:00 AM heading sharply lower, but not enough to hit our profit target. It started going north until it got right back to our original entry point and then bounced around in a tight range until 2:00 PM EST when it shot down 68 pips in a half hour. This got us out at our profit target of 1.2040. +45 Pips.

We open at 10:00 AM EST with a short on the USD/CHF @ 1.2999



It came within 1 pip of stopping us out on the 10:00 candle and finished the job on the 10:30 candle for a 25 pip loss. -25
Result:

Short EUR/USD @ 1.2085 Limit @ 1.2040 = +45 Pips
Short USD/CHF @ 1.2999 Stop @ 1.3024 = -25 Pips

Net Profit/Loss +20 Pips

Time in Market: 4 hours

March Results

<u>Trades</u>	<u>Date</u>	<u>W/L</u>	<u>Pips</u>	<u>Time in market</u>
Employment	3/10/06	W	+20	.5 hours
Retail Sales	3/14/06	W	+20	1.5 hours
Consumer Confidence	3/28/06	W	+20	4.0 hours
<u>TOTALS</u>		<u>3W 0L</u> <u>(100%)</u>	<u>+60</u>	<u>6.0 hours</u>

April, 2006

April 7th, 2006. Employment Report 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2188



This trade takes out our stop loss at 1.2213 on the first candle.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2928



The first candle almost stops us out (-20) and then hits our profit target exactly on the head at 1.2883 for +45 pips.

Short EUR/USD @ 1.2188 Stop @ 1.2213 = -25 Pips
Short USD/CHF @ 1.2928 Limit @ 1.2883 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

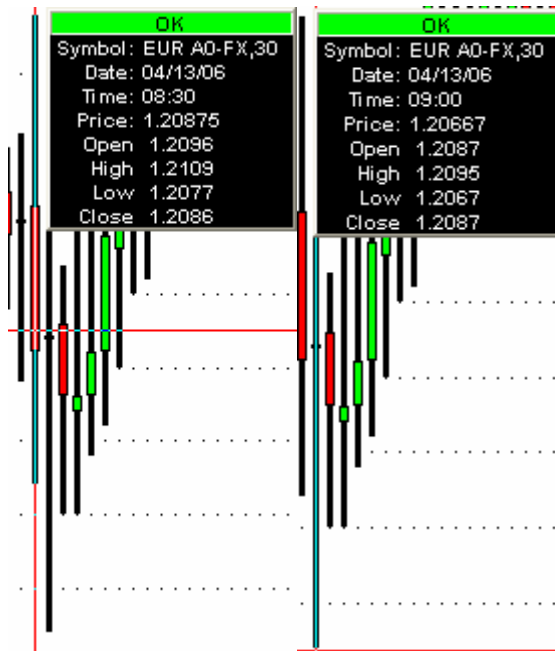
***NOTE**

The previous trade shows us how major financial reports can move quickly in either direction and sometimes sharply in both directions in a short amount of time. This is the worst case scenario for our strategy. If that USD/CHF did not hit our profit target, which it did exactly, then it would have gone back up sharply on the next candle and stopped us out. We would have already been stopped out of the EUR/USD side and therefore the result would have been a max loss of 50 pips (without the adjusted stop loss) or 25 pips (with the adjusted stop loss). A key factor in our results is using a charting package that is a third party system (meaning it's not receiving data from a specific brokerage firm). We use E-signal. The reason why is that E-signal gets it's pricing from all the market makers/brokerages dealing in Forex (i.e.: Gain Capital, FXCM, etc) and then shows you the highest and lowest price at the time. It also does not account for the spread that the brokerage firms use. For instance, I can almost guarantee that if you were trading on your own at Gain, you would have never seen the buy at 1.2883 because it may not have been Gain's quote and it also may not have been on the buy side (for example if the quote read "Sell 1.2883 and Buy 1.2886") then E-Signal will show the lowest price at 1.2883 but in the real world, your best price to buy back the currency would be 1.2886, 3 pips short of our target and then it would have went against you. This is why the results will be accurate if you use our auto trade system (explained later). We can actually hook your account to our auto trade system and have the orders entered at the exact entry and exit prices that we need so that you can make sure you are taking profits. The reason why this works is because our auto trade software triggers an order at Gain through E-Signal. In other words, once a price is hit on E-Signal it triggers an exit in your Gain account. Now, that exit price may not be exactly at our profit target, but it will protect you from the trade going against you. For example, in the previous trade as soon as E-Signal hits 1.2883, it signals an exit to Gain and it will buy back the currency pair in your account at the next available price. So, in this case, it won't be right at 1.2883, but probably at 1.2886 or a couple pips higher by

the time it exits. You may only have made 40-42 pips on the positive side of the trade for a net profit of +15-17 pips instead of the full 20, but in this case it would have protected you from a loss.

April 13th, 2006. Retail Sales 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2096



This trade starts in our favor and then continues to a low of 1.2067, but still 16 pips away from our profit target of 1.2051. That's as low as it went and then it heads up from there. Since it did go at least 28 pips in our favor at 1.2068 our adjusted stop loss got us out at 0.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2982



The USD/CHF trade comes within 5 pips of stopping us out on the 8:30 AM candle and finishes the job on the next candle. -25 Pips.

Short EUR/USD @ 1.2096 Stop @ 1.2096 = 0 Pips

Short USD/CHF @ 1.2982 Stop @ 1.3007 = -25 Pips

Net Profit/Loss -25 Pips

Time in Market: 1.5 hours

April 25th, 2006. Consumer Confidence 10:00 AM EST

We open at 10:00 AM EST with a short on the EUR/USD @ 1.2416



This is a perfect trade for our strategy. The EUR/USD opened at 1.2416, never went any higher and within 30 minutes (it probably only took several minutes) price dropped to our profit target @ 1.2371 for a +45 gain.

We open at 10:00 AM EST with a short on the USD/CHF @ 1.2667



Of course, the USD/CHF went the complete opposite way and stopped us out immediately for a 25 pips loss.

Short EUR/USD @ 1.2416 Limit @ 1.2371 = +45 Pips
Short USD/CHF @ 1.2667 Stop @ 1.2692 = -25 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

April Results

<u>Trades</u>	<u>Date</u>	<u>W/L</u>	<u>Pips</u>	<u>Time in market</u>
Employment	4/7/06	W	+20	.5 hours
Retail Sales	4/13/06	L	-25	1.5 hours
Consumer Confidence	4/25/06	W	+20	.5 hours
<u>TOTALS</u>		<u>2W 1L (67%)</u>	<u>+15</u>	<u>2.5 hours</u>

May, 2006

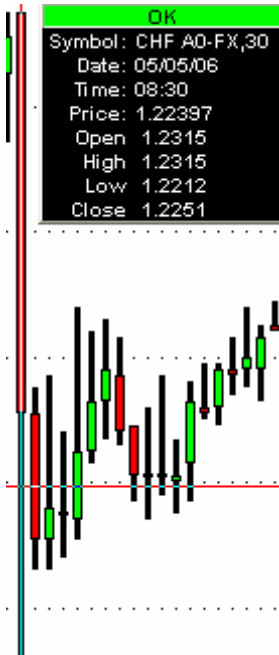
May 5th, 2006. Employment Report 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2683



Strong move up immediately after the 8:30 open stopped us out. -25 Pips.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2315



Another perfect trade set up as the USD/CHF moves quickly to our profit target of 1.2270 and continued to a low of 1.2212 (103 pip move). +45 Pips.

Short EUR/USD @ 1.2683 Stop @ 1.2708 = -25 Pips
 Short USD/CHF @ 1.2315 Limit @ 1.2270 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

May 11th, 2006. Retail Sales 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2724



A sharp move at the open takes us out early. -25 Pips.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2243



An equally sharp move in the USD/CHF in our favor hits our price target of 1.2198. +45 Pips.

Short EUR/USD @ 1.2724 Stop @ 1.2749 = -25 Pips
 Short USD/CHF @ 1.2243 Limit @ 1.2198 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

May 30th, 2006. Consumer Confidence 10:00 AM EST

We open at 10:00 AM EST with a short on the EUR/USD @ 1.2874



This pair raced up early and stopped us out at -25.

We open at 10:00 AM EST with a short on the USD/CHF @ 1.2109



The pair heads south and hits our target with no room to spare @ 1.2064 for a 45 pip gain.

Short EUR/USD @ 1.2874 Stop @ 1.2899 = -25 Pips
 Short USD/CHF @ 1.2109 Limit @ 1.2064 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

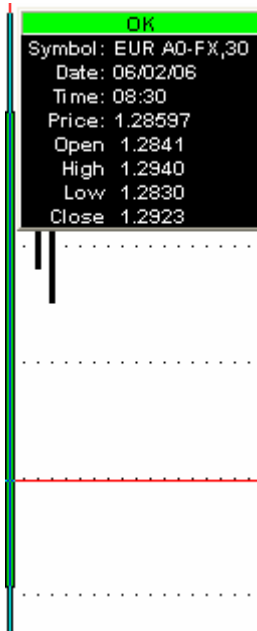
May Results

<u>Trades</u>	<u>Date</u>	<u>W/L</u>	<u>Pips</u>	<u>Time in market</u>
Employment	5/5/06	W	+20	.5 hours
Retail Sales	5/11/06	W	+20	.5 hours
Consumer Confidence	5/30/06	W	+20	.5 hours
<u>TOTALS</u>		<u>3W 0L</u> <u>(100%)</u>	<u>+60</u>	<u>1.5 hours</u>

June, 2006

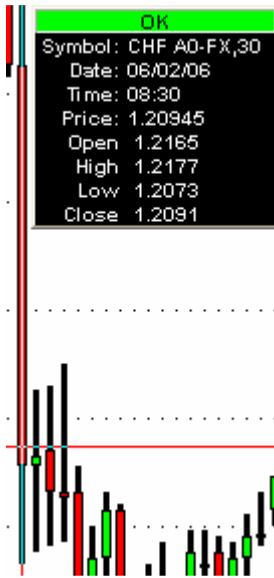
June 2nd, 2006. Employment Report 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2841



A huge move of 99 pips from the open stopped us out quickly at -25.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2165



The USD/CHF moves almost the same as the EUR/USD in the opposite direction and hits our profit target of 1.2120 easily. +45 pips.

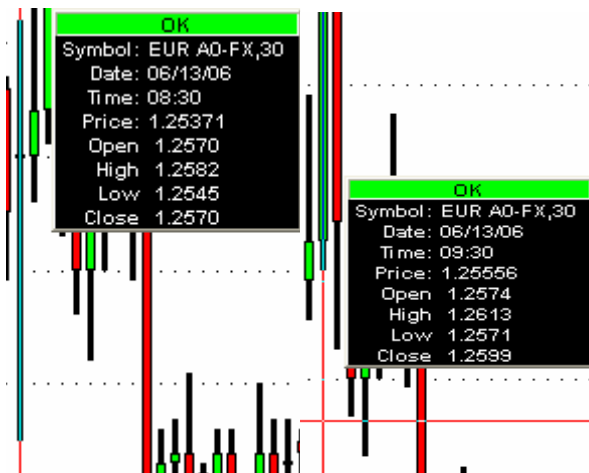
Short EUR/USD @ 1.2841 Stop @ 1.2866 = -25 Pips
Short USD/CHF @ 1.2165 Limit @ 1.2120 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

June 13th, 2006. Retail Sales 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2570



This is an interesting trade. Initially at 8:30 it goes down within 3 pips of hitting our adjusted stop loss level and then pops back up. It finally stops us out @ 1.2595 on the 9:30 candle.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2347



The USD/CHF comes within 1 pip of stopping us out and then heads lower. On the 9:30 candle, it finishes the job and hits our profit target at 1.2302. +45 Pips.

Short EUR/USD @ 1.2570 Stop @ 1.2595 = -25 Pips
 Short USD/CHF @ 1.2347 Limit @ 1.2302 = +45 Pips

Net Profit/Loss +20 Pips

Time in Market: 1.0 hours

June 27th, 2006. Consumer Confidence 10:00 AM EST

We open at 10:00 AM EST with a short on the EUR/USD @ 1.2589



Sometimes you need a little more time and patience to hit your profit target. We almost get stopped out at 10:00 AM (-21 pips) and then it finds a tight range and heads slowly down over the next several hours. Finally, at 8:30 the next morning (6/28) it hits our profit target of 1.2544. +45 Pips.

We open at 10:00 AM EST with a short on the USD/CHF @ 1.2432



The USD/CHF also kept us in the game for a while finally stopping us out at 3:00 AM EST on 6/28, 5 ½ hours prior to us hitting our profit target. -25 Pips.

Short EUR/USD @ 1.2589 Limit @ 1.2544 = +45 Pips

Short USD/CHF @ 1.2432 Stop @ 1.2457 = -25 Pips

Net Profit/Loss +20 Pips

Time in Market: 22.5 hours

June Results

<u>Trades</u>	<u>Date</u>	<u>W/L</u>	<u>Pips</u>	<u>Time in market</u>
Employment	6/2/06	W	+20	.5 hours
Retail Sales	6/13/06	W	+20	1.0 hours
Consumer Confidence	6/27/06	W	+20	22.5 hours
<u>TOTALS</u>		<u>3W 0L</u> <u>(100%)</u>	<u>+60</u>	<u>24 hours</u>

July, 2006

July 7th, 2006. Employment Report 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2815



A 47 pip move at 8:30 took our stop out at 1.2840 for a 25 pip loss.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2230



We hit our profit target a few minutes later at 1.2185 for a 45 pip gain.

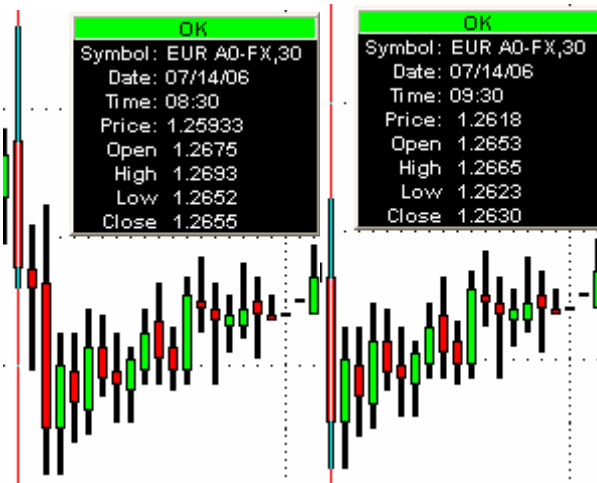
Short EUR/USD @ 1.2815 Stop	@	1.2840	=	-25	Pips
Short USD/CHF @ 1.2230 Limit	@	1.2185	=	+45	Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

July 14th, 2006. Retail Sales 8:30 AM EST

We open at 8:30 AM EST with a short on the EUR/USD @ 1.2675



The 8:30 candle opened lower, but it took until the 9:30 candle to hit our profit target of 1.2630. +45 Pips.

We open at 8:30 AM EST with a short on the USD/CHF @ 1.2314



The USD/CHF stopped us out on the 8:30 candle. -25 Pips.

Short EUR/USD @ 1.2675 Limit @ 1.2630 = +45 Pips
Short USD/CHF @ 1.2314 Stop @ 1.2339 = -25 Pips

Net Profit/Loss +20 Pips

Time in Market: 1.0 hours

July 25th, 2006. Consumer Confidence 10:00 AM EST

We open at 10:00 AM EST with a short on the EUR/USD @ 1.2663



This is what we like to see. The EUR/USD goes straight down right at 10:00 AM and hits our profit target of 1.2618. +45 pips.

We open at 10:00 AM EST with a short on the USD/CHF @ 1.2432



The initial candle at 10:00 AM takes out our stop. -25 pips.

Short EUR/USD @ 1.2663 Limit @ 1.2618 = +45 Pips

Short USD/CHF @ 1.2432 Stop @ 1.2457 = -25 Pips

Net Profit/Loss +20 Pips

Time in Market: .5 hours

July Results

<u>Trades</u>	<u>Date</u>	<u>W/L</u>	<u>Pips</u>	<u>Time in market</u>
Employment	7/7/06	W	+20	.5 hours
Retail Sales	7/14/06	W	+20	1.0 hours
Consumer Confidence	7/25/06	W	+20	.5 hours
<u>TOTALS</u>		<u>3W 0L</u> <u>(100%)</u>	<u>+60</u>	<u>2.0 hours</u>

<u>Months</u>	<u>Trades</u>	<u>W/L</u>	<u>Pips</u>	<u>Time in market</u>
March 06	3	3W 0L (100%)	+60	6.0 Hours
April 06	3	2W 1L (67%)	+15	2.5 Hours
May 06	3	3W 0L (100%)	+60	1.5 Hours
June 06	3	3W 0L (100%)	+60	24 Hours
July 06	3	3W 0L (100%)	+60	2.0 Hours
<u>TOTALS</u>	<u>15</u>	<u>14W 1L</u> <u>(93.3%)</u>	<u>+255 Pips</u>	<u>36 Hours</u> <u>(7.2 hrs avg per month)</u>

Money Management

The advantage to this strategy is that you already know your max loss and max profit potential before you enter the trade which allows you to choose your risk reward level.

The first step is to figure out the maximum number of lots you can trade on your account (the max deal). To find the max deal, simply multiply the total dollar amount of your account by 100. (EX: a \$1,000 account has a max deal of \$100,000 or 1 standard lot). This would not even be enough to trade our strategy since you need at least 1 lot per side or 2 lots total.

Let's say you start with a \$10,000 standard lot (100K) account. You will be able to deal \$1,000,000 worth of currency (1 standard lot = \$100,000) so you can trade 10 lots at a maximum.
(1,000,000/100,000)

Since you are placing 2 trades at the same time in this strategy, that is 5 lots per side.

The max loss is 50 pips (25 stop loss on both sides) which equals a \$1,250 loss per side of the trade (5 lots x \$10 per pip x 25 pip stop) or a total of \$2,500 (We are using \$10 per pip for ease of calculation (the USD/CHF calculation will be different since its pip value is variable, see forex basics).

If you decided to take the max risk on this trade you could lose \$2,500 or 25% of your total account value (\$10,000 - \$2,500 = \$7,500) and you could profit a maximum of \$1000 or 10%. This offers you with the highest risk/reward ratio. However, be careful with trading the maximum leverage because if you do lose the 25%, you will only be able to trade on \$7,500 next time (max deal of \$750,000 or 7 lots total).

So, if you hit all three trades for the month at the max leverage, you would make \$3,000 (\$1,000 max profit x 3 trades) for a monthly gain of \$3,000 or 30% (\$3,000/\$10,000).

This strategy will also work on a mini account. A mini account for those that don't know trades the same way a standard (100K) account does but it uses 1/10th the contract size. So, basically, everything would be divided by 10.

Using the same example from above, if you traded 5 mini lots on each side with a \$1,000 account ($\$10,000/10$), your max loss would be \$250 (reduced risk from 25% to 2.5%) but your max gain would only be \$100. $5 \text{ lots} \times 20 \text{ pips} \times \1 (instead of \$10) = \$100 profit or 1%.

This is what I mean by "choose your own risk/reward". Since you know your max loss and max gain before you place the trade, you can figure out how much you want to risk and how much you can potentially make. For some people, risking 25% per trade in this strategy where there is a high probability that you can make 30% per month on your money is a good proposition. For others, risking only 5% per trade while looking to make a solid 6% per month on their money is more attractive.

Capital Requirements

Standard (100K) account

\$2,000 USD is the minimum (we strongly do not suggest trading standard lots with the minimum since you only have 1 risk/reward choice and that is max deal). \$2,000 would give you a max deal of \$200,000 which is 2 lots. You can trade 1 lot on each side and your max loss would be \$500 or 25%. But that is the only choice you have.

We suggest at least \$10,000 to trade standard lots.

Mini (10K) account

\$300 USD is the minimum at most Forex brokerage firms, but again, that level would put you at only the max deal option.

We suggest at least \$1,000 to trade mini lots.

Risk/Reward Scenarios

10/25 PLAN

\$10,000 standard (100K) account (10% profit, 25% risk)

Max Deal: 1,000,000 (10 lots)

Max Gain: \$1,000 (5 lots per side x 20 pip profit x \$10 per pip)

Max Loss: \$2,500 (5 lots per side x 50 pip loss x \$10 per pip)

8/20 PLAN

\$10,000 standard (100K) account (8% profit, 20% risk)

Max Deal: 800,000 (8 lots)

Max Gain: \$800 (4 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$2,000 (4 lots per side x 50 pip loss x \$10 per pip)

6/15 PLAN

\$10,000 standard (100K) account (6% profit, 15% risk)

Max Deal: 600,000 (6 lots)

Max Gain: \$600 (3 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$1,500 (3 lots per side x 50 pip loss x \$10 per pip)

4/10 PLAN

\$10,000 standard (100K) account (4% profit, 10% risk)

Max Deal: 400,000 (4 lots)

Max Gain: \$400 (2 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$1000 (2 lots per side x 50 pip loss x \$10 per pip)

2/5 PLAN

\$10,000 standard (100K) account (2% profit, 5% risk)

Max Deal: 200,000 (2 lots)

Max Gain: \$200 (1 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$500 (1 lots per side x 50 pip loss x \$10 per pip)

To figure out which risk/reward scenario you want to apply to the total capital you have in your account, calculate:

Total Account Value X 100 / \$100,000 = Total Number of Lots or Max Deal

Max Deal x 100% / 2 = 10/25 Plan

Max Deal x 80%/2 = 8/20 Plan

Max Deal x 60%/2 = 6/15 Plan

Max Deal x 40%/2 = 4/10 Plan

Max Deal x 20%/2 = 2/5 Plan

Example:

You deposit \$18,000:

$\$18,000 \times 100 / \$100,000 = 18$ Total Lots

$18 \text{ Lots} \times 100\% / 2 = 9$ lots per side (10/25 Plan)

$18 \text{ Lots} \times 80\% / 2 = 7$ lots per side (8/20 Plan)

$18 \text{ Lots} \times 60\% / 2 = 5$ lots per side (6/15 Plan)

$18 \text{ Lots} \times 40\% / 2 = 3/4$ lots per side (4/10 Plan)

$18 \text{ Lots} \times 20\% / 2 = 2$ lots per side (2/5 Plan)

Of course, depending on the capital you will not always have exact amounts, but you can round up or down accordingly.

For Mini accounts, divide everything by 10.

Risk/Reward Scenarios w/Adjusted Stop Loss Applied

10/25 PLAN

\$10,000 standard (100K) account (10% profit, 12.5% risk)

Max Deal: 1,000,000 (10 lots)

Max Gain: \$1,000 (5 lots per side x 20 pip profit x \$10 per pip)

Max Loss: \$1,250 (5 lots per side x 25 pip loss x \$10 per pip)

8/20 PLAN

\$10,000 standard (100K) account (8% profit, 10% risk)

Max Deal: 800,000 (8 lots)

Max Gain: \$800 (4 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$1,000 (4 lots per side x 25 pip loss x \$10 per pip)

6/15 PLAN

\$10,000 standard (100K) account (6% profit, 7.5% risk)

Max Deal: 600,000 (6 lots)

Max Gain: \$600 (3 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$750 (3 lots per side x 25 pip loss x \$10 per pip)

4/10 PLAN

\$10,000 standard (100K) account (4% profit, 5% risk)

Max Deal: 400,000 (4 lots)

Max Gain: \$400 (2 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$500 (2 lots per side x 25 pip loss x \$10 per pip)

2/5 PLAN

\$10,000 standard (100K) account (2% profit, 2.5% risk)

Max Deal: 200,000 (2 lots)

Max Gain: \$200 (1 lots per side x 20 pips profit x \$10 per pip)

Max Loss: \$250 (1 lots per side x 25 pip loss x \$10 per pip)

As you can see, the adjusted stop loss brings the risk significantly closer in line with the profit potential.

Entering Orders

Market Entry Orders

The easiest way to enter these positions is with a market order. Place a market order to short ("sell") the USD/CHF and the EUR/USD about 3-5 minutes prior to the time the news report comes out. So, if the report is coming out at 8:30 AM EST, make sure the orders are entered somewhere between 8:25 AM EST and 8:27 AM EST. We don't want to enter the orders too early and risk unnecessary price fluctuation and we also want to leave enough time to place our exit orders. ***It is critical that you are not still trying to place an order when the news report is released or you may be stuck in a bad position. In addition, due to the fast market conditions during a major news report and all the activity on the brokerage platform at the same time, you may not be able to enter orders at all once the report is released.**

Here is how you enter orders on the Gain Capital Platform



Bring up the quote box for the EUR/USD and USD/CHF by checking those symbols in the box on the far left column. The boxes will appear like above where you see the buttons to **"Sell Eur 29 32 Buy Eur"** and the same for the USD/CHF.

Simply enter the number of lots by using the drop down menu or by typing in the value. Double check this before you place the order. Then, hit the button that says Sell Eur 29. Caution: once you hit this button, the order will go through so make sure it's correct. Repeat this step for the USD/CHF. You will then see the open positions in the position management section. (next figure)

GAIN CAPITAL		Gain Cap								
Position		Economic Calendar			Charting					
Position Management										
Currency	Net	Av'ge Rate	Reval Rate	P/L (\$)	Limit	Stop	PO	SQR	P&S	
AUD/JPY	0	0.00	89.00	0.00	0.00	0.00	PO	SQR	P&S	
AUD/USD	0	0.0000	0.7667	0.00	0.0000	0.0000	PO	SQR	P&S	
CHF/JPY	0	0.00	93.54	0.00	0.00	0.00	PO	SQR	P&S	
EUR/AUD	0	0.0000	1.6619	0.00	0.0000	0.0000	PO	SQR	P&S	
EUR/CHF	0	0.0000	1.5815	0.00	0.0000	0.0000	PO	SQR	P&S	
EUR/GBP	0	0.0000	0.6731	0.00	0.0000	0.0000	PO	SQR	P&S	
EUR/JPY	0	0.00	148.01	0.00	0.00	0.00	PO	SQR	P&S	
EUR/USD	0	0.0000	1.2729	0.00	0.0000	0.0000	PO	SQR	P&S	
GBP/CHF	0	0.0000	2.3486	0.00	0.0000	0.0000	PO	SQR	P&S	
GBP/JPY	0	0.00	219.82	0.00	0.00	0.00	PO	SQR	P&S	
GBP/USD	0	0.0000	1.8906	0.00	0.0000	0.0000	PO	SQR	P&S	
NZD/USD	0	0.0000	0.6334	0.00	0.0000	0.0000	PO	SQR	P&S	
USD/CAD	0	0.0000	1.1235	0.00	0.0000	0.0000	PO	SQR	P&S	
USD/CHF	0	0.0000	1.2421	0.00	0.0000	0.0000	PO	SQR	P&S	
USD/JPY	0	0.00	116.24	0.00	0.00	0.00	PO	SQR	P&S	
Total				0.00						

Follow the line across for the EUR/USD and USD/CHF positions and you will see the net position (quoted in contract size), so if you are trading standard lots and you entered 2 lots, you will see -200,000 (\$100,000 per contract and the - is showing that the position is short). The column titled "Av'ge Rate" shows the price you entered at, the next column titled "reval rate", shows the price you could close the position out at currently. The next column titled P/L (\$) shows the current amount you are + or - in the position in USD. This amount will be negative and in red right after you place the order to reflect the spread (difference between where you sold and where you could buy back). The figure will turn to black once you are positive.

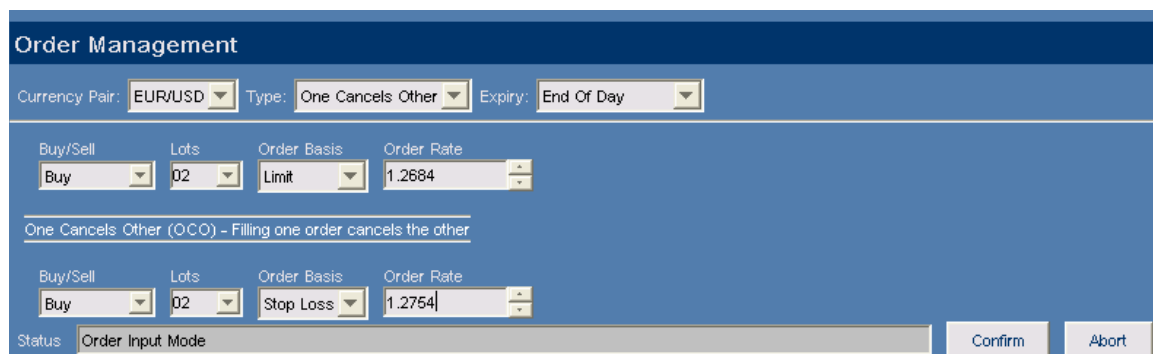
Once you are entered short on both the EUR/USD and USD/CHF, immediately place your exit orders.

OCO Exit Orders-Set it and forget it

OCO stands for "One Cancels Other". This is a way to place our stop loss and profit limit orders at the same time and when one is hit, the other side of the order is automatically canceled.

These orders will be placed in the section of the platform titled "Order Management" near the bottom left corner.

If we entered at the prices seen on the previous screenshot of the platform, which was to Short EUR/USD @ 1.2729, the OCO order would look this:



The screenshot shows the "Order Management" window with the following details:

- Currency Pair: EUR/USD
- Type: One Cancels Other
- Expiry: End Of Day
- Buy/Sell: Buy
- Lots: 02
- Order Basis: Limit
- Order Rate: 1.2684
- Order Type: One Cancels Other (OCO) - Filling one order cancels the other
- Buy/Sell: Buy
- Lots: 02
- Order Basis: Stop Loss
- Order Rate: 1.2754
- Status: Order Input Mode
- Buttons: Confirm, Abort

Make sure the currency pair is set correctly in the first box to EUR/USD (or USD/CHF if you are entering that order). The next box is order type, make sure it reads "One Cancels Other" and leave the expiry to End of Day. The first side of this trade is the limit, which will lock in our profit of +45 pips. So, under Buy/Sell make sure it reads "Buy" since you will be buying back your open short to close the position. Also, make sure the lot size is exactly the same as your open position. If you are currently short 2 lots, make sure it reads 2 lots here. If you put less lots here, then you will only close part of the position and if you select more lots, the original short will be closed and you will now be long the difference. For example, if you put 3 lots here instead of two when you are currently short 2 lots, it will close the short position of 2 lots and then put you long 1 lot. Pay close attention to this. Order basis should be "limit" and it will be pre-filled. The last entry will be "Order Basis" and you will enter 45 pips below where you entered to reflect the 45 pip profit target you want to hit. In this example, it's 1.2684, which is 45 pips lower than the entry price of 1.2729.

You will enter the same way on the next order ticket, which is the stop loss. Again, it should read "buy", make sure it's the same number of


lots as you are open currently. "Stop Loss" will be pre-filled under Order Basis and finally under order rate, the price should reflect 25 pips above the entry price. In this example, it would be 1.2754.

Once you hit confirm, you will see the order sitting in the Order Management section of the platform until it gets executed. Once 1 side of the trade (either the stop loss or limit) gets executed, the other side automatically cancels.

Obviously, make sure you set the same order for the USD/CHF pair. This is why you need to make sure you give yourself a few minutes prior to the news report for entering orders and making sure they are correct. Once the report is out, the market will move too fast and you don't want it to move without you.

You can view your profit and loss, both realized (after the trade is closed) and unrealized (while the positions are still open) in the Margin Analysis section of the platform

Here is an example:



Margin Analysis	
Account Balance	\$ 406,535.00
Realised Gain/Loss	\$ 0.00
Unrealised Gain/Loss	\$ 0.00
Margin Balance	\$ 406,535.00
Total Available Position	\$ 40,653,500
Open Position	\$ 0
Max Deal Available ⓘ	\$ 40,653,500

Your account balance is the first line. Realized Gain/Loss is the next line and this shows the total gain or loss on closed transactions. Please note that you will see a loss show up here when the first side of the trade gets stopped out since it will most likely occur before the other side hits the profit limit. You will see the unrealized gain on the next line and then once that side closes, the total net Gain/Loss will show beside "Realized Gain/Loss". Your margin balance will equal your account balance. The total available position will show how much currency you can trade with your balance (max deal). As you can see, it is 100 times the balance like we showed you earlier.

Conclusion

The Institutional Forex System gives you everything you need to trade like a pro. A simple strategy that works in live trading that anyone can do. In addition, it teaches how to set up proper money management, the key to long term successful trading. This system completely eliminates the human emotion out of your trading, which is critical when trading your own funds. This system is a solution for the 3 biggest factors that cause retail traders to lose in the Forex market:

1. Lack of a concrete trading plan
2. Lack of or improper money management
3. Allowing emotions to dictate trading decisions

Stop following the herd of sheep into the slaughter house and start trading with the Smart Money.