

Forex Trading as seen in:



Dean Saunders's

L-M-T

FOREX

Formula



Hand Book

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All trade examples are hypothetical.

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Welcome

Congratulations on purchasing the L.M.T Forex Formula! You now have a very profitable yet simple to use trading formula that I've spent months developing, testing and years trading. Unlike other Forex related material you may have read previously, I like to keep everything in this course in a no fluff, straight to the point manner, no one likes to read hundreds of pages of drivel. I include everything you need to know to make money with the L.M.T Forex Formula, nothing more and nothing less.

This course is created in the form of an e-book and video tutorials. I suggest you read this e-book while watching the videos to ensure you understand everything.



Any time you see a video icon similar to the one on the left during the course material, you will be able to watch a related video in the member's area. This will help you fully understand the current section you are about to read. Please be patient, some of the videos may take a while to load depending on your internet connection speed. I find the best solution is to press play and then pause the video until it has fully loaded, you can then watch the video without interruptions.

Once you have finished this course please make sure you demo trade to gain confidence before trading on a live account.

I hope you enjoy using the L.M.T Forex Formula and I wish you much success with you trading.

Read on, enjoy and start making money... ☺

A handwritten signature in black ink, reading 'Ian Daw'.

What Is L.M.T?

L.M.T Stands for Low Maintenance Trading. This simple concept is behind the structure of this whole trading method. The L.M.T Forex Formula is a simple to use trend following system that requires very little time to manage and trade. The L.M.T Forex Formula was originally designed for trading the Daily charts but can also be used very profitably on the 4 hour charts.

If you currently have a demanding day job but still wish to trade Forex then you will want to focus on the daily charts. This allows you to only check your charts for 10-15 minutes a day (at the close of the daily candle). Trading the daily charts will also provide you with very profitable trades sometimes netting anything between 100 and 2000 pips profit. Trading 10-12 pairs on the daily charts you can expect around 8-10 trades a month which is 2-3 trades a week on average.

If you have more time to spare you may wish to drop down to the 4 hour charts giving you plenty of opportunities to trade, however this will also require a lot more time managing the trades as they progress.

L.M.T is designed so the odds are in your favor every time you make a trade. Using the power of the prevailing trend coupled with an accurate entry technique, gives you a high success rate in each trade. LMT is also designed so you have as little to do as possible. The special indicator will alert you via sound on your pc when any trades could be setting up so you can come to your computer and see if it meets our high probability framework. If it does and a trade is present, stop loss and profit targets are clearly stated on the screen saving you from doing all the hard calculations yourself.

You may be tempted to dive straight into the system section and just start trading but please try to take your time. Read the manual and watch the videos make sure you understand everything about this system before taking any trades. You have plenty of time to get proficient at this business, the markets will be here long after you have gone so there is no need to rush.

If you have any questions that are not answered clearly in this book or videos, you may find the answer on the FAQ page located at the link below.

www.lmt-forex-formula.com/faq.html

If you still don't find what you are looking for then feel free to drop me an email, I usually respond to emails within a few hours.

contact@lmt-forex-formula.com

I often get emails asking questions which are clearly answered in this book so please spend time reading everything before you email me. Thank you ☺

The Forex Market

In the following section we will be going over some of the basics of trading Forex, if you have been trading Forex for a while and you are familiar with the basics you may wish to skip this section.

The foreign exchange market is the "place" where currencies are traded.

Currency exchanges are important to everyone all over the world whether they realise it or not. Any produce purchased and brought into the country whether it is a piece of cheese or a car, currencies are exchanged during foreign exchange and business.

The huge demand for foreign exchange is the reason why the Forex market is the largest and most liquid financial market in the world. From 1997 to the end of 2000, daily trading volume from Forex trading has surged from 5 billion to 1.5 trillion dollars. Despite this unbelievable growth, the foreign exchange market continues to grow at a phenomenal rate. No other financial market has demonstrated this stellar growth in volume.

One unique aspect of this international market is that there is no central market place for currency exchange. Instead, trade is conducted electronically over-the-counter (OTC), which means that all transactions occur via computer networks between traders around the world, rather than on one centralised exchange. The market is open 24 hours a day, five and a half days a week. Currencies are traded worldwide in the major financial centres of London, New York, Tokyo, Zurich, Frankfurt, Hong Kong, Singapore, Paris and Sydney - across almost every time zone. This means that when the trading day in the U.S. ends, the Forex market begins in Tokyo and Hong Kong. As such, the Forex market can be extremely active any time of the day, with price quotes changing constantly.

Trading Forex is truly one of the best businesses in the world and one of the most profitable. Once you get it right it gives you everything you could wish for. You can run your business from anywhere in the world, as long as you have a laptop and an internet connection you are ready to make money. Not only will your broker open and close trades with little to no commission, they let you have control of large sums of money with little initial investment. You have no office space to rent, no employees to pay and no one to answer to. Yes, trading the Forex market is the ultimate job and there is nothing else quite like it in the world.

Forex is the world's largest and most liquid trading market. Even though it has been somewhat of a loosely guarded secret, every day more and more investors are turning to the all-electronic world of Forex trading for income and investment. This is because of its numerous benefits & advantages over traditional trading vehicles, like stocks, bonds and commodities.

When you get this business right, trading Forex can be as easy as picking money up off the floor. Others in the industry have also said "trading Forex is like having an ATM machine on your own computer." While both of these statements are very possible it is important to keep level headed and not let the pursuit of wealth get in the way of realistic goals.

What Forex traders do is much less risky than trading currencies on the futures market, much more profitable and a lot easier than trading stocks and equities. Forex provides the modern day trader with a much better and simpler alternative than stocks. First of all, there are only a few major currencies to trade; the U.S. Dollar, Japanese Yen, Euro, British Pound, and Swiss Franc are the most popular. A stock trader has to choose from a group of tens of thousands of stocks. This increases the complexity of selecting what to trade.

Let's carry on and have a look at the major currency pairs.

Currency Pairs

Each currency is paired against another, we make money by predicting whether that currency will gain or lose value against the one it's paired with. Below are the currency pairs I trade using the L.M.T Forex Formula. The system will work on other pairs but these are the ones I personally trade and this gives me plenty of trading opportunities.

EUR/USD

USD/JPY

AUD/USD

GBP/USD

USD/CAD

NZD/USD

EUR/JPY

EUR/CAD

GBP/JPY

AUD/JPY

The first currency in the pair is the base currency. The second currency in the pair is labeled quote currency or counter currency. Such a quotation depicts how many units of the counter currency are needed to buy one unit of the base currency.

For example the quotation EUR/USD 1.2500 means that one euro is exchanged for 1.25 US dollar. If the quote moves from EUR/USD 1.2500 to EUR/USD 1.2510, the euro is getting stronger and the dollar weaker. On the other hand if the EUR/USD quote moves from 1.2500 to 1.2490 the euro is getting weaker while the dollar is getting stronger.

The decimal place of the currency is called a pip, if we take the example from above and buy the EUR/USD at 1.500 then sell at 1.5010 we made a profit of 10 pips.

Each pip has a certain value in profit or loss depending on the size of your position in that trade. If we traded 1 standard lot which is \$100,000 of currency then the above trade would have given us \$10 per pip or \$100 for the trade. Please keep in mind that each pair moves on average hundreds of pips every day so there is plenty of opportunities to take money out of the market.

The currency pairs on the Forex market are quoted in Bid and Ask quotations.

Bid

The bid is the quoted price at which you can sell the base currency, in the example below it would be the Euro and buy the quote currency i.e. the US Dollar.

Ask

The Ask is the rate at which you can buy the base currency, in our case the Euro, and sell the quote currency i.e. the US Dollar.

Here's an example of how you would see a currency pair being quoted on your trading platform.

Currency Pair	Bid	Ask
EUR/USD	1.4671	1.4673

News Reports

News reports come out at all times of the day and generally shape the Forex market and the way it moves. Using the LMT Forex Formula we will not be opening any positions around news events, but if we have the time we should still manage any open positions to squeeze out extra profits during news events.

Now this is not essential, if you are not able to watch the charts around these news events then do not worry, just make sure your stops are set and you will be fine. I traded without watching news reports for many years and it worked out just fine, however if you do have time to watch the charts then I will explain how I manage any open positions.

I only take notice of any news events that are rated as high under the 'Importance tab' on the Daily FX calendar. You can check out the upcoming news events and the currency pairs it will affect at the link below.

<http://www.dailyfx.com/calendar/>

I only manage positions that are already in profit. For example if I have a trade open on the GBPUSD that was well in profit and the NFP report was due out (NFP is the largest report and comes out on the first Friday of every month) I would make sure I can not lose on that trade if the news sent the market against my position. I do this by moving my stops to either break even or to protect some profit depending on how much profit I am in. I do this because often the news will push the market in my favour and now I can take advantage of it while being protected at the same time, it's a win-win situation.

Brokers & Charting Software

In order for us to trade the Forex market we are required to have a broker. A broker is an individual or firm that acts as the middleman between the buyer and seller trading in the Forex market. The foreign exchange market is similar to the equity markets, except that the majority of Forex brokers do not charge a commission. Forex brokers are usually tied to large banks or lending institutions, this is because of the huge sums of money traded in the foreign exchange markets.

With the L.M.T Forex Formula you may use any broker you wish to execute your orders into the market. However to generate trading signals you will need either a live or demo account with a Metatrader 4 broker. Don't worry its not expensive, Metatrader 4 is free to use and is in my opinion one of the best charting platforms available for trading Forex.

Metatrader 4 (or MT4 for short) is used by many Forex brokers. It allows you to access your broker account right from the platform, making it easy for you to adjust and track open positions as well as plotting currency movements on multiple charts. Metatrader 4 also allows you to use custom indicators and alerts, giving you more freedom to do things you enjoy and leaving Metatrader to alert you when a trade setup occurs. Another great feature of MT4 is if you have a smart phone you can download the platform onto your mobile phone allowing you to check trades and adjust positions on the go, sometimes vital for a trader on the move.

No matter which broker you choose you will find someone else who claims "they are not an honest broker," this is simply due to the fact that when people lose at Forex (especially newbie's) they naturally must find something to blame it on.

In my experience if you are trading 4 hour charts and above, you have far less to worry about. Traders trying to scalp the Forex market on the 1 minute charts are the ones who tend to get the bad end of the stick. This is very often due to the nature of their rapid buying and selling of currencies with small stops.

With the LMT Forex Formula I personally use Forexmeta as my MT4 broker, they have been very reliable for me using the trading techniques presented in this manual.

The L.M.T system is designed for use with the Metatrader 4 charting software which is totally free to use in my opinion. It is as good, if not better than most Forex charting packages that charge over \$100 a month. In the following section I will show you step by step how to setup and install Metatrader 4 platform on your computer with a free demo from 'Forexmeta' for you to start trading with. You can always open a live account at a later date if you wish.

Installing MT4 & Opening a Demo Account



Over the years I have used several MT4 brokers, currently one of my favourites is Forex-Meta. They offer micro lots which are great for very small accounts and if you open a live account they will give you a bonus of up to \$500!

Open your web browser and head over to

<http://www.forexmeta.com/deans-special>

Once the page has loaded you will see two options, on the left you can fill in your details to open a live account. On the right you can fill in your details and open a demo account. We are going to open a demo account so fill in your details and click on the 'practice account button'.

ForexMeta
FOREX TRADING SIMPLIFIED

Open Your Account Now!

- \$500 Bonus Opportunity
- Real-Time Executable Quotes
- 24 Hour Customer Support
- Competitive Spreads
- Ability To Open Any Account Type
- Extremely Reliable Platform
- Automated Trading Capability

Live Account

Open a Live Account w/ up to a \$500 Bonus:

First Name:*

Last Name:*

Phone:*

Email:*

Country:*

Metatrader 4

- Free Platform
- Fast And Easy Execution
- Advanced Charting with Numerous Indicators and Line Studies
- Capability To Trade From Your Charts
- Autostrategy Feature So You Can Program Your Own Strategies

Practice Account

Signup for a Practice Account:

First Name:*

Last Name:*

Phone:*

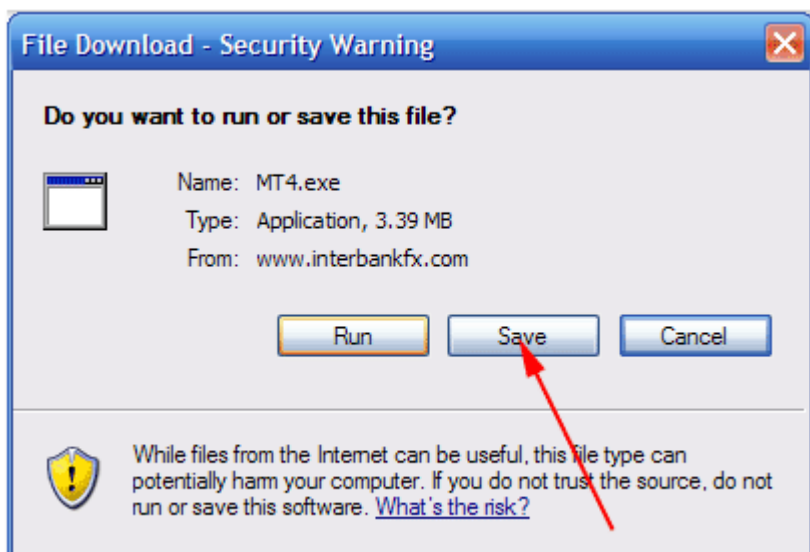
Email:*

Country:*

You will now be redirected to a page where you can download the MT4 Platform, click on the 'DOWNLOAD DEMO SOFTWARE' link that is displayed on the page



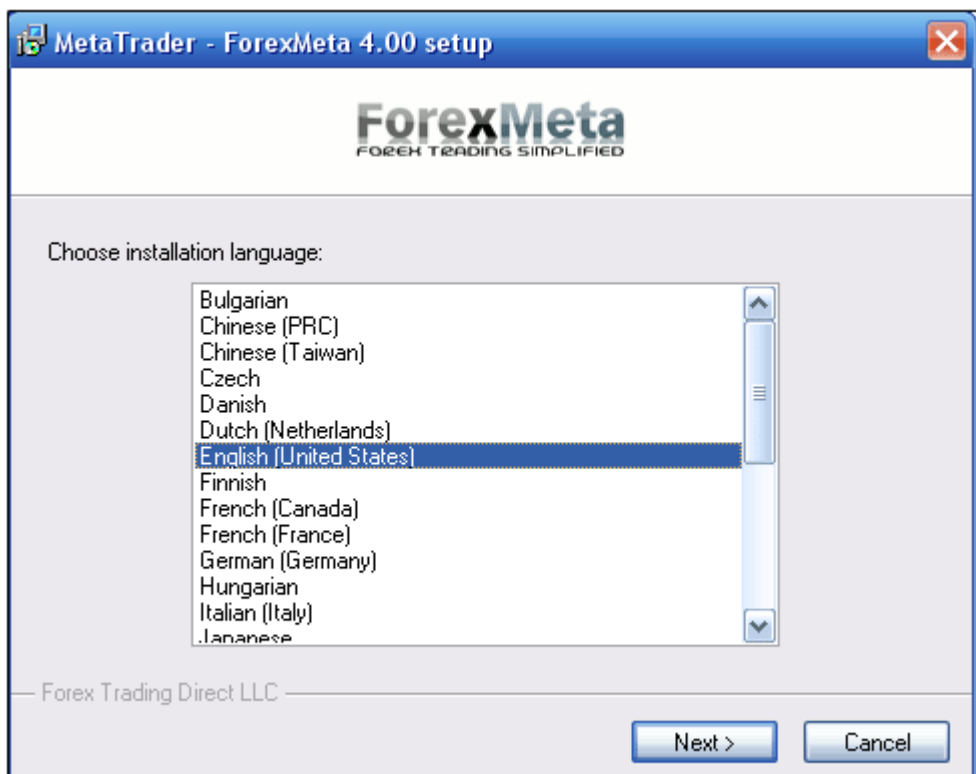
Save the file to your desktop or another location that you can easily recall it from.



Once the file has downloaded locate the fm4setup.exe file in the location you saved it and double click on it.



A menu will appear for you to select your desired language.



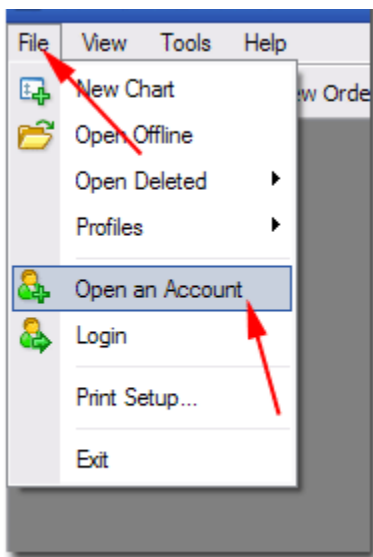
Once you have selected the language click next and follow the onscreen instructions to install Metatrader 4.

Once the program is installed on your computer you will have a desktop icon similar to the one below.



Double click on this icon to open the trading platform.

When you open the platform there will more than likely be several charts open. Close each chart down by clicking on the little cross in the top right hand corner, then go to File and select "Open Account"



A box will pop up asking you to fill in your details once again. Fill in every box and select the mini's account type with a realistic deposit of your choice. Remember even though this is play money you should only deposit an amount of money that reflects the amount you will be trading with in your first trading account. If you would prefer not to use your real details then use a false address and phone number. Once you are finished click next.

Open an Account

Personal details
To open an account, please fill out all the following fields:

Name: min 6 chars

Country: State: min 2 chars

City: min 2 chars Zip code: min 3 chars

Address: min 6 chars

Phone: min 6 chars Email:

Account Type: Currency:

Leverage: Deposit:

☒ I agree to subscribe to your newsletters

< Back Next > Cancel

Open an Account

Trading Servers
Select a more suitable trading server:

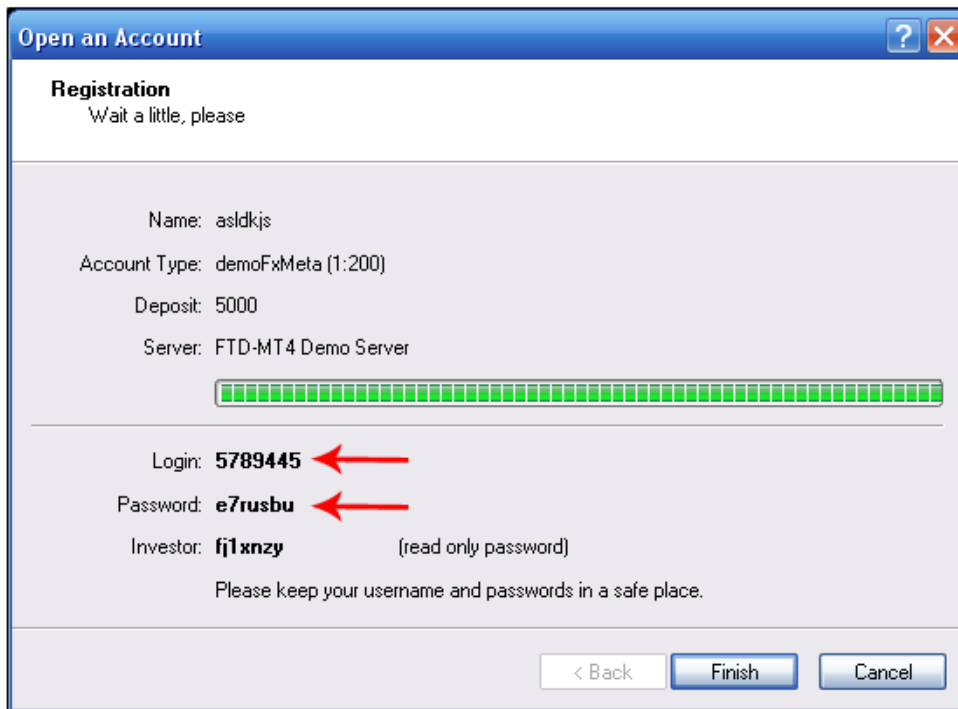
Address	Company	Ping
FTD-MT4 Demo Server	Forex Trading Direct LLC	141 ms

Scan

< Back Next > Cancel

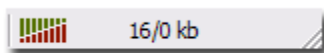
Once you click finish you will be prompted to select a server, just highlight the one on the list and click next.

You will now be shown the details for your demo account, make sure you write these down as you will need them to log in to your account in the future.



Ok you're finished.

Once you are logged on, in the bottom right hand corner you should see a green and red bar similar to the one below showing your connection status.



Open a chart for the EUR/USD and make sure the data is flowing by clicking on the following icon and selecting a currency pair.



Ok you are all set up and ready to start demo trading, have a play with the charting platform but don't make any trades just yet, let's carry on and learn more about the L.M.T Forex Formula.

Installing L.M.T Forex Formula



Ok once you have got Metatrader 4 installed successfully on your computer it is time to install the special indicators we will be using to trade the LMT Forex Formula. This is a simple process just make sure you follow the instructions step by step. You can also follow the video located on the member's area if you wish.

Step 1

If you followed the download instructions in the member's area correctly you should have downloaded 4 indicator files (as pictured below). Locate these files on your computer and have them ready for installing.

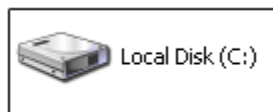


Step 2

Double click on 'my computer'



Once you are inside 'my computer' double-click on 'Local Disk C:'



Once you are inside 'Local Disk C:' double-click on 'Program files'

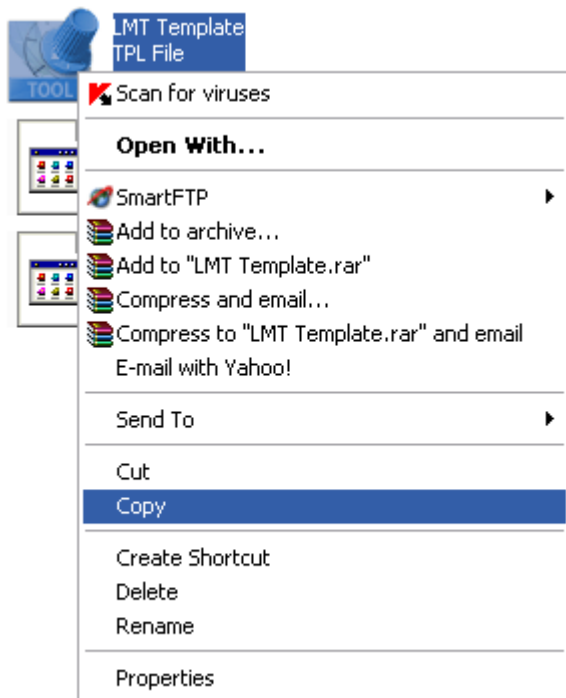


Look for a file called "MetaTrader – ForexMeta" and double-click on it' (If you are using a different MT4 broker this file may be named differently after the name of your broker)

Inside the "MetaTrader – ForexMeta" file you will see several files and folders, in the following steps we are going to copy each one of the 4 indicator files downloaded from the members area into a different folder.

Step 3

Once you are inside the "MetaTrader – ForexMeta" folder, double-click on the folder called 'Templates', now while keeping the 'Templates' folder open return to the folder which contains the indicator files you downloaded from the member's area. Locate the file called "LMT Template" and right click on the file, select "copy" from the menu which appears.



Now head back over to the "Templates" folder and right click anywhere inside the folder and select "paste". The "LMT Template" file should have appeared in the 'templates' folder.

Step 4

Now return to the "MetaTrader – ForexMeta" folder, you can do this by clicking on the "back" button in the top left hand corner of the window.

Once you are back in the "MetaTrader – ForexMeta" folder, open the "experts" folder and head back over to the 4 files you downloaded from the member's area. This time we want to right click on the "LMT 1.5.ex4" file and select "copy". Head back over to the 'experts' folder and right click anywhere inside the folder and select "paste", the file should appear inside the "experts" folder.

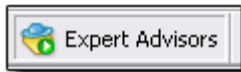
Step 5

Inside the 'experts' folder you will see another folder called "indicators", double click on this folder to open it. Head back over to the 4 files you downloaded from the member's area, right click on the "trigger.ex4" file and select "copy". Head back over to the "Indicators" folder, right click anywhere in the file and select "paste", the file should appear inside the "Indicators" folder. Now last of all go back over to the 4 files you downloaded from the member's area, right click on the "trend.ex4" file and select "copy". Head back over to the "Indicators" folder, right click anywhere in the file and select "paste", the file should appear inside the "Indicators" folder.

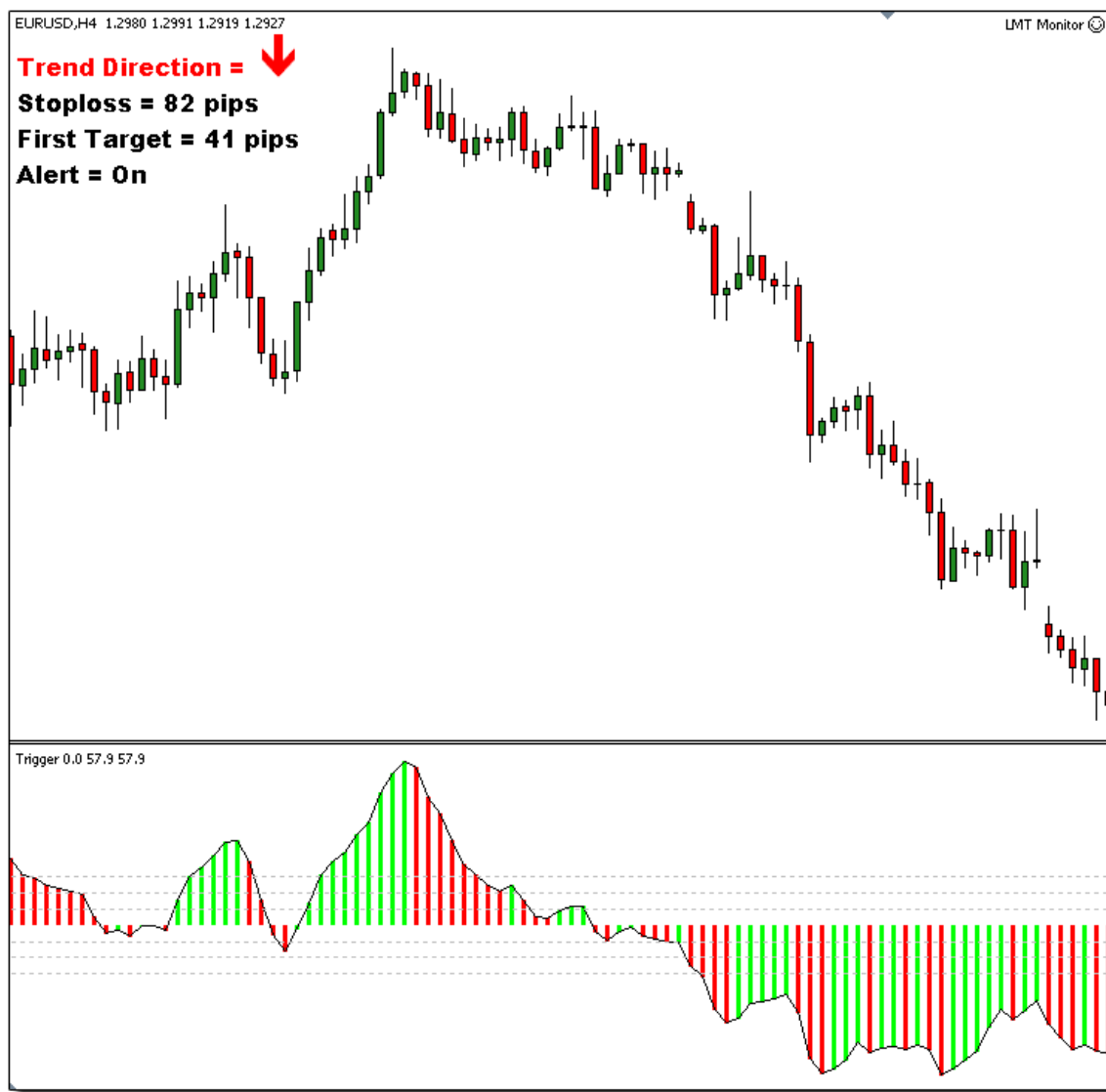
That's it you are finished, to test it and make sure you have installed everything correctly restart your MT4 platform and open a chart by clicking on this icon.



Right click anywhere on the chart and select "Templates" from the menu, you will see a template called "LMT template", select it. Your chart should now change and look like the one below (except it won't be white). It will take a few movements in the market before the indicators kick into action. Make sure you have a smiley face in the top right hand corner of your chart, if you don't, check you have this button pressed on the tool bar at the top of the screen.

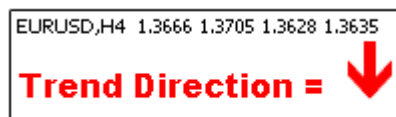


Your chart should now look like this but with a darker background.



Trading With the Trend

I'm sure many of you have heard the expression "The Trend Is Your Friend" Trading in the direction of the current trend has shown to increase your chances of a profitable trade by up to 30%. The problem is many people have trouble identifying the current trend, they get confused switching between higher and lower time frames and end up actually trading against the trend instead of with it. Well this is something you no longer have to worry about. If you have followed the instructions in the previous chapter correctly you should see several items in the top left hand corner of your chart one of which is the trend indicator as pictured below.



IMPORTANT: If it is the weekend you will have to wait until the markets open on Monday for the indicators to be displayed on the chart.

The trend indicator is constantly monitoring the trend to ensure you are always trading on the right side and gives you a red arrow down for a down trend and a green arrow up for an up trend. When ever a signal is generated, before the system will alert you the first thing it checks is that the signal is with the trend. If the trade is not in the direction of the trend then it will pass on the trade without alerting you.

Using the power of the trend will often be banking profitable trades in excess of 1000 pips! This is only possible because we are cutting losses short and letting profits run.

Money management

When I say to many traders "my average risk per trade is about 100 pips" they go white with fear, "surely that is too much risk" they say.

Before we go any further you must understand no matter if you have a 50 pip stop or a 200 pip stop your risk should never change. You should never risk more than 2% of your account on any one trade and I recommend if you can, try to keep it at 1%. I understand a lot of you may have small trading accounts and you are eager to build it faster, so you may want to use a larger % until your account grows large enough to reduce your risk.

After talking and corresponding with thousands of new traders I found they almost all had difficulty trying to figure out how many lots to trade, so their risk stays consistent on every trade no matter what size the stop was. So I am going to try and explain it as simply as I can in this section.

When you sign up for an account with a broker you will have the option to trade a standard account or a mini account. If you are trading a standard account then 1.00 lots on the EURUSD would be \$10 a pip, 0.10 lots would be \$1 a pip.

If you have a mini account then 1.00 lots on the EURUSD would be \$1 a pip and 0.10 lots would be \$0.10c a pip.

No matter how much money I have in my account to trade, I always prefer to have a mini account as it gives me far more flexibility in my position size.

Your stop loss is what will determine the position size you can trade, first we need to find out what 2% of our account is so grab a calculator and follow along.

We will pretend we have an account of \$10,000. To find out what 2% is we simply divide 10,000 by 100 and then times it by 2, this gives us \$200. We now

know we can risk \$200 on a trade, every time you make a trade you must recalculate this figure, as your account grows, so will the amount you risk on each trade.

Let's pretend we have just had a trade setup with the LMT Formula and the stop required is 90 pips including spread. To find out how much to risk on this trade we simply divide \$200 by 90 pips which will give us \$2.22 per pip. Round this number down to the nearest \$0.10c which is \$2.20.

When making the trade your lot size on a mini account would be 2.20. If you have a standard account you would have to round it down to the nearest \$1, so in this case it would be \$2.00 and the lots traded would be 0.20

Once the trade is completed you will recalculate the lot size for the next trade.

Update: For those of you who are like me and hate having to work this out manually on each trade, I have some great news. I recently came across a little web site that will work out your exact position size for you depending on what percentage of your account you wish to risk. All you have to do is input your account and trade details and your exact position size is calculated for you.

<http://www.forexcalc.com>

Time Frames

As I said earlier I recommend you use the LMT Forex Formula on daily or 4 hour charts. These time frames provide very large trends which we are trying to ride. The time frame you choose to trade will depend on the amount of time you are willing to commit to your trading.

Daily Charts.

Trading the daily charts is perfect for someone who has a demanding day job or someone who just wants lots of free time (me). It only requires you to check the charts at the close of each daily candle which is usually at 5pm EST. When you come to your charts at the close of the daily candle you will know within a few minutes if there are any trades or not. When trading 10 pairs on the daily charts, you can expect to make about 2-3 trades a week on average after avoiding some of the not so great trades. This may not sound like much but remember some of these trades will make a lot of pips.

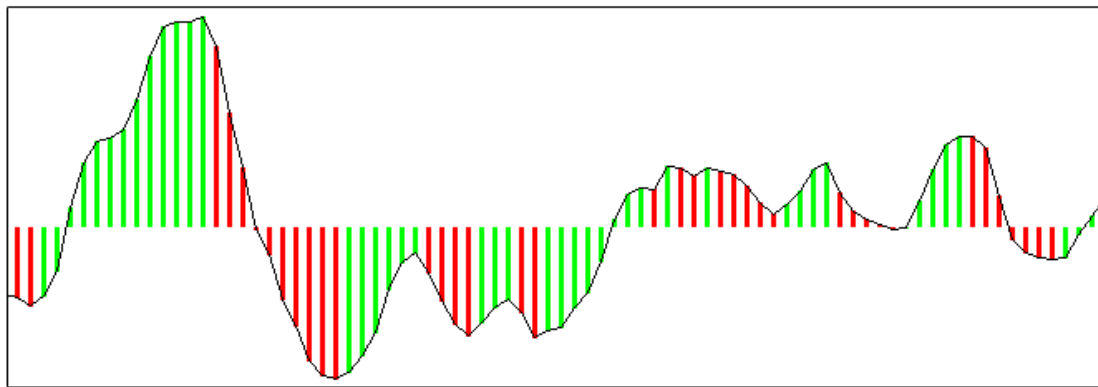
4 hour Charts.

Trading the 4h charts require a little more time than the daily charts but can still be done around a day job if you have the time. Trade signals will only develop on the close of a candle so you should check the charts every 4 hours if possible. Sometimes you may miss a trade because you couldn't make it to your computer but there are so many trades setting up every month that it doesn't really matter if you miss a few. If you decide to trade both the 4h and daily charts you will often find that the 4h charts will give you an entry into a trade which you are already in from the daily charts. This gives a great opportunity to add to a winning position as long as your current position on the daily chart is at break-even so you can no longer lose on that trade.

Entry Signals



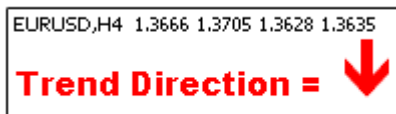
To identify entry signals we are going to use the "Trigger" indicator at the bottom of your chart which looks like the picture below.



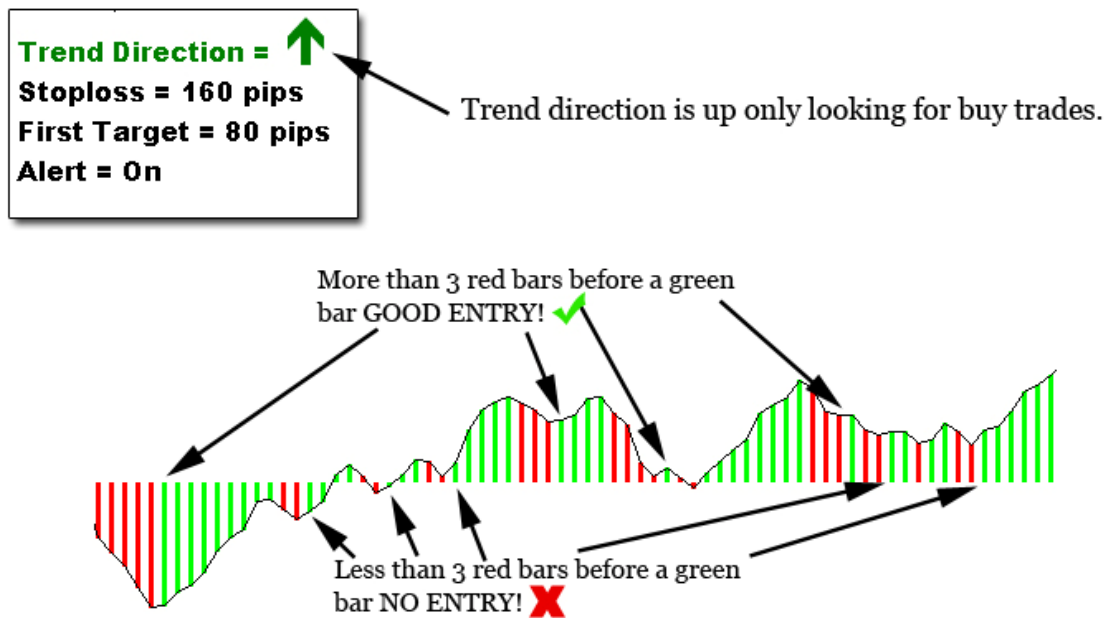
As you can see from the above picture the L.M.T Trigger is constantly oscillating like a wave and changing colour depending on its direction. The indicator gives possible signals as it changes from red to green, but there are several things that must be checked before it can even be considered a trade setup.

1. The entry signal must be in the direction of the current trend as indicated by the trend direction indicator (See picture below).

For example, if we have a sell entry we can only take it if the main trend indicator is also down. If we have a buy entry we can only take it if the main trend is up.



2. There must be at least three red/green bars on the L.M.T Trigger indicator before the signal is given. For example if the trend is down, there must be three or more green bars before a red bar forms to signal a sell entry. If the trend is up, there must be three or more red bars before a green bar forms to signal a buy entry. If there are only two bars or less before the entry bar, then the signal is invalid. Below is an example of entries with an up trend.



3. On a chart each candle represents a period of price action, for example on a 4 hour chart each candle represents 4 hours of price action. Every 4 hours one candle closes and a new candle opens. Before a signal can be generated the current candle must have completed and closed for the signal to be valid. Often it may look like a good signal is forming but price can reverse before the candle is closed so never jump in early.

Each of the following rules are checked by the software before a signal alert is ever given. If one of the following important rules is not present, then the software will not alert you as there are no possible trades present. Even though the software does all this work for you, I think it is important that you know what is going on behind the scenes. Once all the rules are met, the software will alert you with a sound alarm and a pop-up box indicating which pair has the signal, then you can investigate the possible trade further. Once a signal has been generated by the L.M.T Formula, it's time for you to go through 3 manual checks to ensure the trade has a high probability of hitting our first target. You could simply take every setup the L.M.T Formula generates without question and you will more than likely be profitable. But by doing a few simple visual checks of the setup, you can cut out the vast migratory of the losing trades giving you a far smoother equity growth and a higher win %.

Once the L.M.T Formula has given me a signal, here are the final manual checks I make to ensure the trade has a high chance of success.

- 1.** Make sure the candle which gave the signal is not a huge bullish/ bearish candle. As a guide, if the candle is more than twice the size of the current stop value avoid the trade. These large candles will often retrace a long way before going in the predicted direction and there is a high chance that your stop loss may be hit before the trade goes into profit. This step is essential, if you see these huge bars on the entry signal don't take the trade. (See example below)



2. For a great entry I like to see a candle formation either on the entry candle or a couple of candles before our entry signal. Candle formations by themselves are very powerful signals that the market is changing direction, when you join them with a L.M.T signal you end up with a very high probability trade. This check is not essential, you don't have to see a candle formation to take a trade but it gives me lot of extra faith in a trade. There are hundreds of different candle formations but I only take note of the following 3 formations.

Engulfing



An engulfing candle is a strong change in momentum in the market often seen off of strong support/resistance levels. For a buy confirmation the first candle would be red followed by a green candle that completely engulfs the previous one. For a sell confirmation, the first candle would be green followed by a red candle that completely engulfs it. This formation indicates good volume and momentum in the market.

Pin formation



The pin formation is one of my favorites, it shows huge emotion of the market indicating a sign of a reversal. In this case the bulls pushed the market high but failed to hold it so price returned to around the open leaving a pin formation. The pin always points away from where price may be heading, the opposite is true for a bullish pin formation. You will often see these formations after a strong move.

Doji's



The Doji is generally a small candle indicating indecision with not much movement, the open and close should be at the exact same price but it is acceptable within few pips.

I like to see 2 or more Doji's next to each other after a strong move, which is a great indication that the market could be changing direction.

3. If you are trading the Daily charts and you have a signal form on the Friday which is the last day of trading for the week, then wait until the following Monday to enter into the market. If there is a large gap in price on the open of the market avoid the trade and wait for the next signal.
4. If you are trading the 4 hour charts avoid taking any trades close to the end of the week. If it is Friday and there are only a few candles left before the markets close, there will be less chance of the trade moving into profit. This does not apply to the daily charts.

When you are confident that your trade meets these requirements, a trade signal is present and you will be entering the market immediately with a market order.

Stops Loss

As I said earlier the L.M.T system is constantly monitoring the market and adjusting the required stop loss levels depending on the volatility and current market conditions. This ensures that your trade has plenty of breathing space adding to your chances of a successful trade. Below is a picture of the stop loss value as shown on your chart.

Stoploss = 112 pips

In the top left hand corner of the chart you will see the current recommended stop value in pips. This value will change depending on the time frame you are trading and the current market conditions. If you switch to the 4 hour charts you will notice that the stop loss will be lower than the daily chart. This is normal as it requires a slightly smaller stop.

Remember to ensure you are using the correct position size so you are not risking too much of your account on each trade.

IMPORTANT: Please ensure that you never leave a trade open without setting the stop loss. As soon as you open a position make sure the first thing you do is set the stop loss and double check it.

Trade Management

The L.M.T Formula is a trend following system therefore it is important that we make the very most of a trend when it presents itself. Not all trades will end in a massive profit, so we need to use a clever trade management plan to ensure we let our profits run while cutting our losses short.

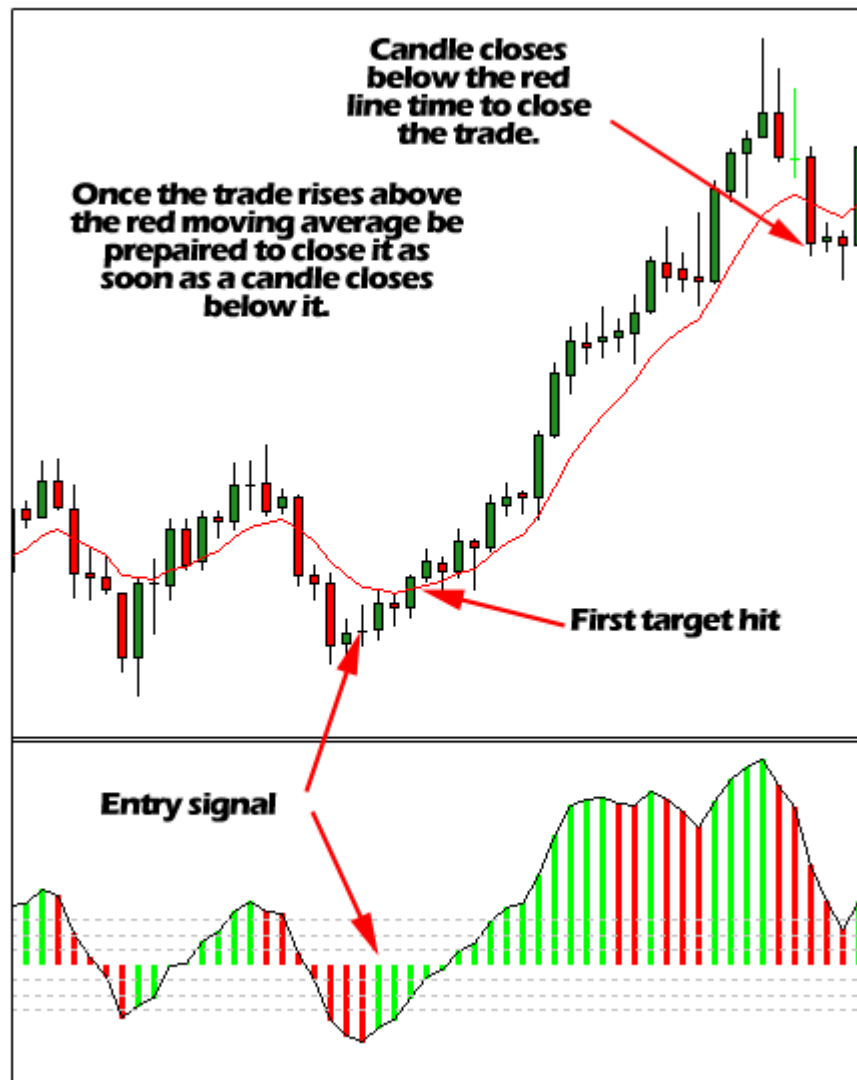
You will notice under the stop loss value on the chart in the top left hand corner that there is another value called "First Target" (example below), this is used for trade management. At the first target you will want to at least move your stop to break even. I think it's important not to let a winning trade turn into a losing trade and this also helps keep your win % nice and high.

First Target = 56 pips

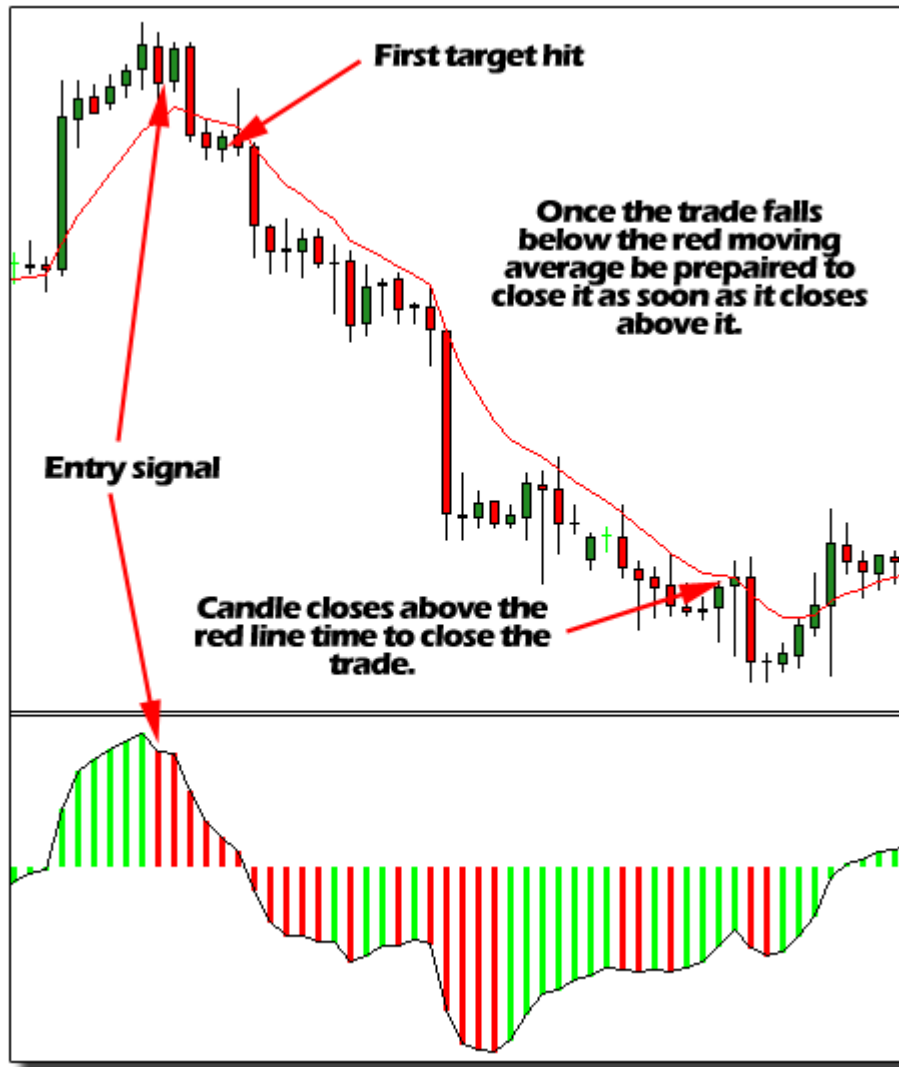
On the chart you will also see a red moving average. This is only used to manage the trade once your position is open, it has no importance for entering trades. We will be using this red line as a kind of dynamic trailing stop loss once your position is at break even. If you are in a sell position you will not exit the position manually unless a candle closes above the red line. If you are in a buy position you will not exit the position manually unless a candle closes below the red line.

Below are examples of a buy and sell position being closed using this method.

BUY Trade Example



Sell Trade Example



This method of closing a trade will not get you out at the exact high/low of the move, but it will allow you to ride very large trends. I have often made profitable trades of over 1000 pips using this method.

After meeting hundreds of Forex traders I have found the way they manage their trades depends hugely on their personality. For example, some traders like to see a little profit taken out of the trade early, it gives them a boost of moral and helps keep their head straight while managing trades. Other traders prefer to leave on the whole position until the end or even add to it as it goes into profit.

Usually it boils down to the conservative traders who want to see profits cashed in early and keep up a high win %, and the aggressive traders who would rather miss some small wins and have a larger pay day further down the line. Only you can decide which trader you are. I am going to outline two methods of managing your trade, one for the conservative and one for the aggressive. These methods of trade management are not set in stone, feel free to experiment and find the method that suits you best as a trader.

Conservative

With this method of trade management we will be splitting our normal position into 2 halves, so if you are currently planning on trading 2% risk on each trade you will use two positions of 1% each.

One position will be used to take some profit out of the trade at the "First Target" as shown in the example picture below.

First Target = 56 pips

This first target will be hit with a very high win percentage and at the same time this target is hit, you will want to move the other half of the position to break even. This gives you a free ride on the trade from that point onwards. Once you are at break even the second position will be given plenty of room to ride, we will be using the red moving average line on the chart to close the second position as explained previously.

The advantages: This method of trade management gives you an almost guaranteed little payment on each trade and also gives you chance to cash in on larger moves that may present themselves.

The Disadvantages: You are missing out on some profits when the larger moves occur.

Aggressive

With this method of trade management, we will be using the full position for the entire trade and possibly adding to the trade as it progresses.

Once a trade signal is present, open one full position. We will be using the 'First Target' as a point to move our position to break even. From this point on, the trade is risk free and you are in a position to add to the trade if the opportunity presents. Once your position is at break even you can begin using the red moving average line on your chart to close the whole position as explained previously.

The advantages: When the trend takes off you will have a very large winning trade as your full position will be on all the time.

The Disadvantages: You will get more trades stopped out at break even without making any profit.

Important Tip: I understand that many of you can not sit and watch the markets and therefore will not be around to move your stop to break even when the target is hit on the first position. So here is a tip that I use to ensure it will happen automatically. In your MT4 platform, bring up the terminal where your open positions are shown. Right click on the position which is our long term position and select trailing stop. Now select custom and set it to exactly the same value as your first profit target. What this does is trigger the trailing stop at exactly the same time your first target is hit which moves your stop on the remaining position to break even. However your stop will then trail behind by the set amount of pips until you come and remove the trailing stop.

Please note that this will only work while your MT4 platform is running. If you close the platform the trailing stop will no longer function. If you are using a different broker then you should check with them to be sure your trailing stop will still function even when you are logged out of your account.

Alternative Trailing Stop

I decided to add this section after the L.M.T Forex Formula was tested on the first small group of traders. Some of the group were uneasy about letting their trades ride with such a wide trailing stop loss. As an alternative I introduced the 2 candle stop which will allow you to use a much tighter trailing stop. The only disadvantage is you will not have the ability to catch such large runs as you would with the original red SMA trailing stop. Both methods of trailing stops work well, so it's up to you to decide which one you would prefer to use.

To implement a 2 candle trailing stop, simply count back 2 closed candles from the current open candle. If you are in a sell trade, find the highest point of the last two closed candles and place your stop 10-15 pips above it. If you are in a buy trade find the lowest point of the last 2 closed candles and place your stop 10-15 pips below it. Recalculate your stop on the close of each new candle and move it accordingly.

Only start implementing the 2 candle trailing stop if it allows you to move your stop beyond the break even point. This might require 2-3 candles to form before it is possible.

System Rules

Let's run through the system rules quickly so you can make sure you fully understand what's involved in the trade setup and management.

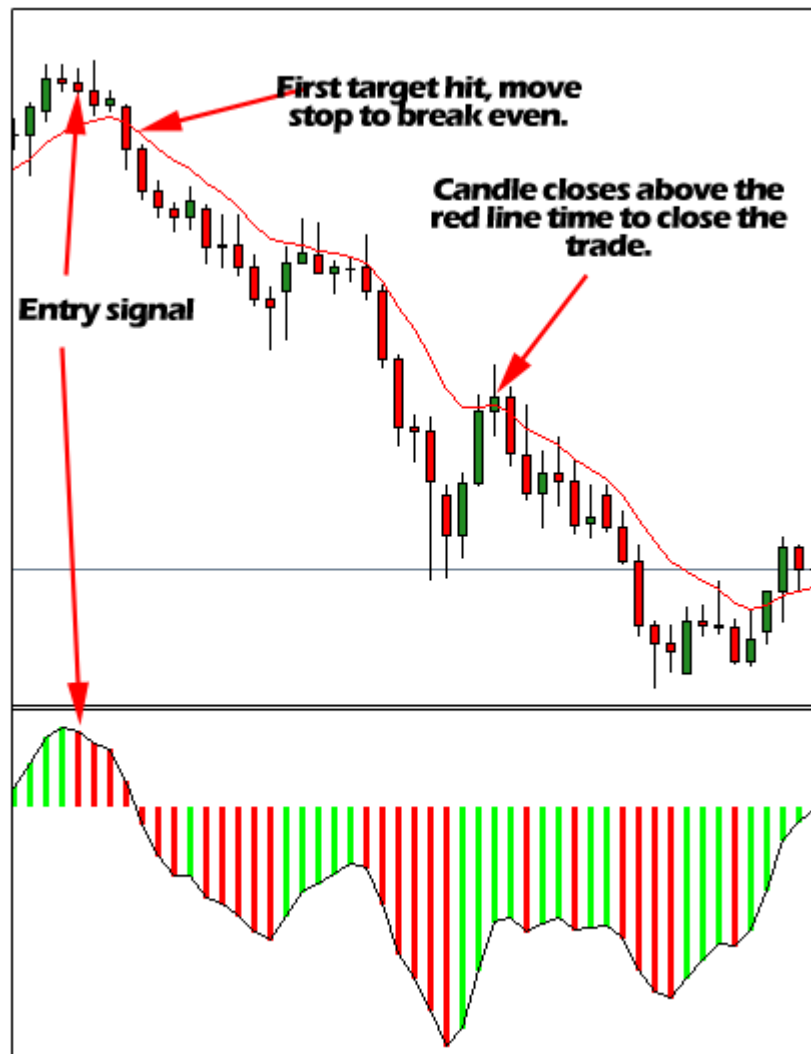
- 1.** Wait for the L.M.T system to signal an entry.
- 2.** Check the chart and confirm it is in fact a good setup using the 4 manual checks discussed earlier.
- 3.** Calculate your position size.
- 4.** Set the stop loss for all positions as indicated on the chart in the top left hand corner.
- 5.** Set the target for the first position if you are using the conservative trade management method. If you are using the aggressive method then make a note of the first target so you can move your stop to break even at that point.
- 6.** Use the red moving average line to close the remaining part of your trade or if you prefer use the 2 candle trailing stop method.
- 7.** Spend the rest of your day doing things you enjoy.

Trade examples

Here I am going to show you a couple of trade examples so you can see how everything works. These examples will be using the aggressive method of trade management on the daily charts.

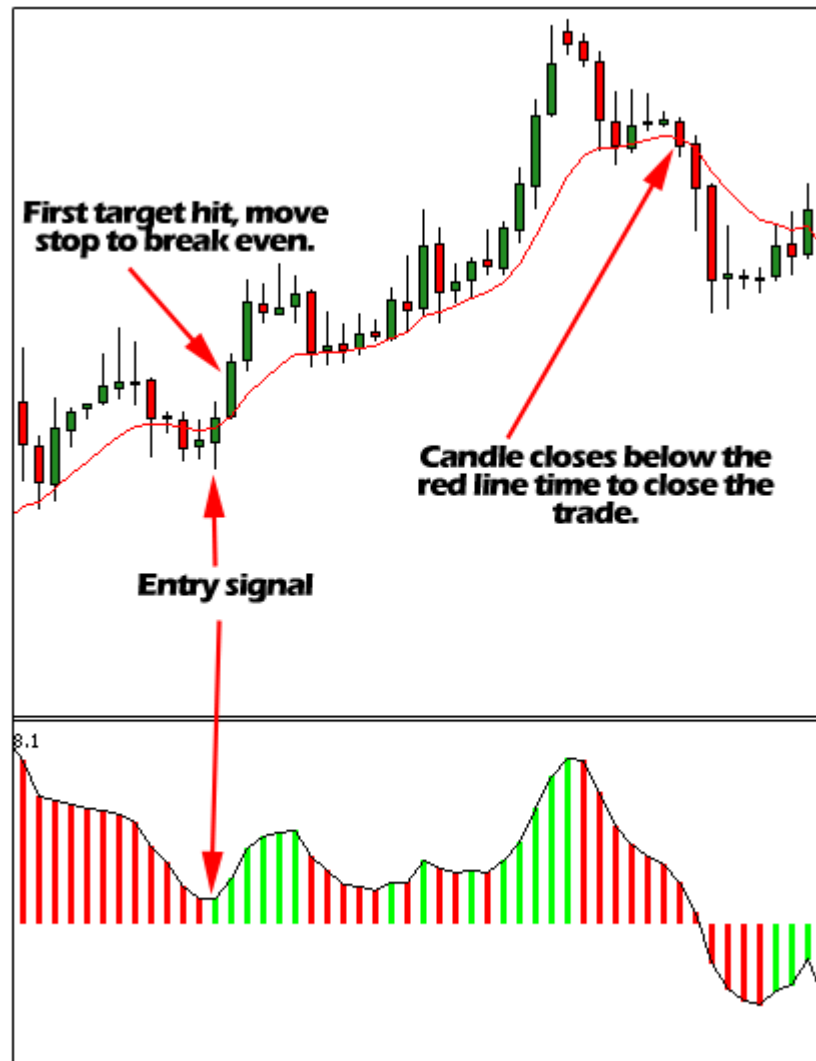
This was a great trade on the GBPUSD Daily chart which netted **2012 pips!**

Main trend = Down



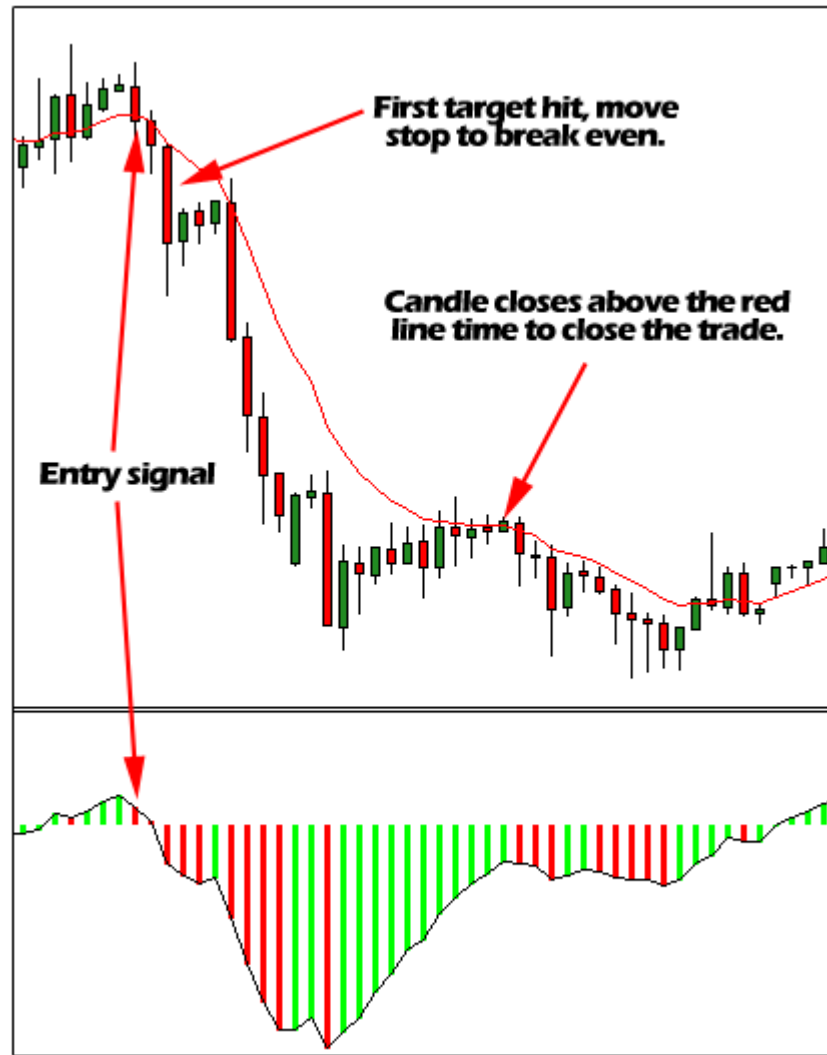
Another great trade on the EURUSD Daily chart which netted 440 pips

Main trend = Up



Another great trade off of a 4 Hour chart which netted 270 pips

Main trend = Down



One at a Time

When trading the LMT Formula you will often have several trade setups at the same time. It is important that you don't over trade and take all the trades as they present themselves. Although you may think it is easy to track and manage several trades at a time, it becomes a lot of work and can result in bad trading decisions.

Sometimes currency pairs are correlated and move together, this can result in you doubling up your risk without even realising. For example, you may have a signal on the EURUSD and the USDCHF. These two pairs are highly correlated so if you take both trades and one is a loss there is a high probability that the other will lose too, and instead of losing 2% of your account you have lost 4%.

In order to avoid these major draw downs on your account you should follow the 'One at a Time' rule. If you have a trade open do not take any other trades until the stop on the current trade is at break even, meaning you can't lose on the trade. This will help you keep focus on your trades and avoid big draw downs on your account.

Conclusion

Making money in the Forex markets may take some time and dedication but it beats any other job in the world as far as pay and freedom. No one should ever need to be at the charts for more than a few minutes a day in this business to make extraordinary money. Once you have defined your edge trading is all about consistency. If you are feeling fear at all in your trading then you need to reduce the amount you risk per trade, make it 1% or less until you gain consistency and have little to no emotion in the trade. Keep in mind that you are learning a skill that will provide you with wealth for the rest of your life.

I have done my very best to explain how I trade the Forex market using the L.M.T Forex Formula. I'm sure you will agree that this is a very simple system, and I can assure you if you stick to it you will see your account grow fast through the power of compounding. I hope that you have enjoyed this book and video tutorials.

If you have any questions then please check the FAQ page located here before emailing me.

www.lmt-forex-formula.com/faq.html

The FAQ page is constantly updated with any new questions, but if you can not find the answer to your question then feel free to send me an email and I will help you out as best as I can.

Have fun and I wish you much success with your trading.

