CHAPTER 1

# Stereotyping the Retail Currency Trader



Stereotyping people is something I do not feel comfortable doing. It mainly comes from being wrong in the past about people whom I bucketed as being one way, only to find out they were not at all what I thought.

My biggest blunder occurred when I was offered a job at Citibank in London in 1991. I remember my wife and I being warned that the British were hard to get to know. They liked to keep to themselves. We would be better off living in an expatriate community and for our young sons to go to the American school.

When my wife and I went over to look for a place to live, we were sure we should live where the American school was located and settle in what we thought was our comfort zone—in a place where we would be happiest.

We arrived in London in early February 1991 and faced something we were very accustomed to—snow. It was the blizzard of 1991, and although the eight or so inches did not approach the snowfalls we experienced in the northeast United States, it crippled the city. Despite the distractions from shoveling out the family car, going sledding with their children, and stocking up on supplies, my new work colleagues made a special effort to immediately welcome me.

My wife and I both realized our preconceived thoughts about the people we would meet in our new home—our new country—bore no resemblance to the people we met. It was then we realized we did not want to live overseas in an American enclave. We wanted to do the total opposite and embrace living with the British people, sending our young children to British schools and respecting and learning about their customs and

traditions. We wanted to call cookies *biscuits* and french fries *chips*, do without American football and learn about British football, and figure out what a cricket score really meant.

We spent four years in the U.K. and met many wonderful British people. I wonder what it would have been like if we had kept our misguided stereotypical thoughts and moved into the American community. I am sure the experience would have been less memorable and rewarding.

Since that experience, my family and I have always welcomed a new adventure where the idea of change takes you forward—not backward. We may now be back to calling chips *fries* and biscuits *cookies*, but I still say "Cheers." I realized that introspection and change can often be a good thing.

So with my confession out of the way, it is with some apprehension that I have to stereotype retail currency traders. However, it is also done with more than 10 years of knowledge from monitoring retail currency traders, and from my share of trading blunders, that I try to right some of the wrongs before they send you down trading paths that will cost you money.

For some of you, the characteristics may strike a chord after your own self-analysis. I hope it helps force a change. For others, you may have already come to the realization and changed. For still others, you may look to stay the same. For those who may be reluctant, I only ask that you take a serious look at yourself and consider a change. You might like what you eventually see.



## THEY THINK TRADING CURRENCIES IS EASY

I often have retail traders come to me at trade shows or other events, put a chart in front of me, and say, "All I have to do is flip a coin. If the flip says 'buy,' either I will be right, and the price will go up, or I will be wrong, and the price will go down. I am willing to take that bet."

I have to stop them and tell them if it were so easy, this room would be empty, and everyone would be trading rather than looking for the next answer to the age-old question of how to trade successfully.

Nevertheless, on the surface it does seem easy. There is a price for the euro versus the U.S. dollar (conventionally displayed as EURUSD), say 1.3512, and that price is either going up or going down. If the event of the next price movement were isolated, and not dependent on any outside forces like fundamental analysis or technical analysis, a trader could flip a coin to determine whether he or she should be bullish and buy, or be bearish and sell.

Currency pairs like the EURUSD, GBPUSD, USDJPY, USDCHF, USDCAD, AUDUSD, and NZDUSD are quoted in the market in terms of how much of the base currency it would take to buy one unit of the counter currency. The base currency is the first currency in the currency pair, and is represented by a universally derived three character "name." EUR is short for the euro, USD is short for the U.S. dollar, GBP is short for the British pound, JPY is short for the Japanese yen, CHF is short for the Swiss franc, CAD is short for the Canadian dollar, AUD is short for the Australian dollar, and NZD is short for the New Zealand dollar. These currencies make up the major currencies. The combinations of any one of the major currencies to the U.S. dollar make up the major currency pairs.

The major currency pairs are quoted for trading in a consistent, universally accepted convention. For example, the EURUSD currency pair has the euro as the base currency and the U.S. dollar as the counter currency. The convention is that the value of the base currency remains constant at 1.0000. The value of the counter currency is floating. As a result, a price of 1.3512 would imply that 1.3512 U.S. dollars are equivalent to 1.0000 euro. If a trader thought the euro was going to appreciate versus the U.S. dollar, he would buy the EURUSD. If the price of the EURUSD went higher, say to 1.3525, he could sell the 1.0000 euro for that higher value of 1.3525 U.S. dollars. When this happens, the euro is said to be strengthening and the dollar is said to be weakening. Note that one currency in a currency pair is always getting stronger while the other currency is getting weaker. If another trader thought the euro was going to depreciate versus the U.S. dollar, she would sell the EURUSD. If the EURUSD did fall to 1.3500, the trader could buy back the euros she sold at the cheaper price of 1.3500 U.S. dollars for the same 1.0000 euro.

The pricing convention versus the U.S. dollar is the same for the EUR, GBP, AUD, and NZD. That is, it is in terms of how many dollars it would take to equal 1.0000 units of the foreign currency.

The JPY, CHF, and CAD pricing conventions are reversed versus the U.S. dollar. For these currency pairs, the USD is the base currency (i.e., USDJPY, USDCAD, and USDCHF) and the foreign currency is the counter currency. As a result, the price of the currency pair is in terms of how many foreign currency units it would take to buy or sell 1.0000 U.S. dollar.

If, for example, the USDCHF was at 1.0112, it would take 1.0112 Swiss francs to buy (or sell) 1.0000 U.S. dollars. If the USDCHF went up, the dollar would have said to strengthen. If the price went down, the dollar would have weakened.

**TABLE 1.1** Bid-to-Ask Spread Matters

| Buy Price – | Sell Price = | Loss on Trade |
|---|---|---|
| 1.31512 – | 1.3510 = | – 2 pips |

However, what is important to realize is that the 50-50 probability of the price moving higher or lower is for the next price change *only*, which is typically a one-pip move (a pip is the minimum a currency pair can fluctuate). That is, if the price is at 1.3512, there is a 50-50 chance the next price move will tick up to 1.3513 or down to 1.3511.

If there were no bid-to-ask spread, the 50-50 probability of making a pip or losing a pip from a standing start would be correct (all things being equal). However, in currency trading (and all trading for that matter), there is a bid-to-ask spread that skews the odds for success slightly against the trader. This spread is the property of the market makers or brokers who quote the market prices 24 hours a day, 5 days a week.

For example, the EURUSD, which is the most liquid currency pair, tends to trade at around a two-pip bid-to-ask spread. Assume the current price in the market is 1.3510 Bid/1.3512 Ask (see Table 1.1). If a trader flips a coin that has "buy" written on one side and "sell" on the other, and the random flip says to "buy," the trader would need to buy at the ask price of 1.3512.

If the deal were immediately liquidated, the best the trader could do would be to sell at the bid price of 1.3510. If this were done, the trader would incur a two-pip loss on his long position.

Taking a two-pip loss is not the definition of successful trading. A trader needs to make a profit to be successful. So where would his long position be profitable?

To make a profit of one pip, the trader would need the bid price to move up to 1.3513. This would be the minimum price that would guarantee the trader a profit. If the market bid-to-ask price is 1.3510/1.3512 when the trade is initiated, three successive price moves up would be needed to make a profit (see Table 1.2). That is not as easy as a 50-50 proposition from a standing start. Table 1.2 outlines those moves.



## What about the Trading Losses?

Let's take this example a step further. Assume the trader flips the coin and has a rule that as soon as he makes a one-pip profit, he closes the position. We have seen the trader has to have the price move three pips to make that one-pip profit.

**TABLE 1.2** EURUSD P/L Profile for a Three-Pip Move in the Trade's Favor

| Bid | Ask | Profit/Loss |
|---|---|---|
| 1.3510 | 1.3512 | –2-pip loss |
| 1.3511 | 1.3513 | –1-pip loss |
| 1.3512 | 1.3514 | 0-pip loss |
| 1.3513 | 1.3515 | +1-pip gain |

What about the stop loss? The same trader cannot just flip the coin, go long or buy, and if the price goes down, not have a stop loss price that limits the loss by squaring the position.

So let's assume that if the profit requires a three-pip move in the direction of the trade to take a profit, the trader will tolerate a similar three-pip move in the opposite direction of the trade before stopping the position out. Since there is a bid-to-ask spread in currency pair prices, and traders need to buy at the ask price and sell at the bid, the three-pip move in the opposite direction would create the loss profile shown in Table 1.3, assuming a purchase at 1.3512.

Initially, as soon as the trade is executed, the trader can sell at 1.3510 and incur a two-pip loss. Should the price move down one pip, it would bring the price down to 1.3509. A two-pip decline moves the price to 1.3508, and a three-pip move results in being stopped out by selling at 1.3507. For the same three-pip move in the opposite direction, the trader stands to lose five pips on his trade. The trader buys at 1.3512 and sells at 1.3507. Yikes. A three-pip move in the trader's direction equals a one-pip gain, while a three-pip move against the trader leads to a five-pip loss.



## How Would the Best Scalper in the World Do?

Let's say a trader was right an amazing 84 percent of the time with his coin-flip strategy whereby he either let the market move three pips in his favor and booked a one-pip profit or let it move three pips against him

**TABLE 1.3** EURUSD P/L Profile for a Three-Pip Move against the Trade

| Bid | Ask | Profit/Loss |
|---|---|---|
| 1.3510 | 1.3512 | –2-pip loss |
| 1.3509 | 1.3511 | –3-pip loss |
| 1.3508 | 1.3510 | –4-pip loss |
| 1.3507 | 1.3509 | –5-pip loss |

and booked a five-pip loss. That success rate is obviously well above the average for traders. On the 84 trading wins, the cumulative wins would result in 84 pips of profit (84 trades × 1 pip gain = 84 pips).

The losses for the remaining 16 trades would cumulate to minus 80 pips (16 trades × −5 pips = −80 pips).

A win/loss rate of 84 percent would be needed to eke out a four-pip gain. You are not exactly lighting the world on fire with those results.

Ironically, a lot of retail currency traders look to trade, or incorporate trading systems, whereby they rely on this pip-type strategy. After a while, they wonder why it all ends in tears with losses in their accounts. Sure they get a rush from the win/loss percentage—who wouldn't want to boast about being profitable 84 percent of the time at their next neighborhood cocktail party—but in this game called currency trading, it is not necessarily the win/loss percentage that wins the championships. It is the quality of the wins that really matters.

To prove it, take a win/loss percentage of just .400 with 40 wins and 60 losses over our fictitious 100-trade season. On the 40 wins, assume we require an eight-pip gain. Given our two-pip bid-to-ask spread, this would require a ten-pip move. That is, if you buy at 1.3412 ask price, you need for the ask price to go to 1.3422 to sell at the 1.3420 bid price for our eight-pip gain.

On the 60 losses assume we maintain our five-pip loss. So,

40 wins × 8 pip gain = +320-pip gain

60 losses × −5 pip loss = (300)-pip loss

Net Gain = +20 pips



By my math, the trader who comes in last in most sports leagues with a .400 win/loss percentage wins the trading league when compared to the .840 win/loss percentage trader. In fact, his net gain is five times more with a 20-pip gain versus 4 pips. It isn't just about wins and losses in currency trading.

## You Have to Work at It

The message from the example is this: The profitable trader has to make eight pips, not just one. How do you do that? By working at it. By trading smart. By having a mission statement and goals for achieving that mission statement. By following rules. By looking for and anticipating trends that make the eight-pip hurdle easier.

But the first thing you need to understand is trading is not easy. It takes effort. It is more than an auto-execute program that wins 84 percent of the time. It's not only about the wins in currency trading, but about the quality of the wins and about limiting those darn losses. Eighty-four wins and 16 losses would win any league in any sport. In currency trading it does not come close.

This simplified example illustrates the hurdle that traders have to overcome to make money. Traders who simply take the approach that trading is a 50-50 proposition and assume that trading is easy will soon find out that the bid-to-ask hurdle skews the odds against them. As a result, to be successful, traders need to do more. They need to look at the market with a more intelligent and logical focus and in the process skew the odds of success back in their favor by trading trends.

Look at yourself in the mirror. What do you see? A trader who thinks trading is as easy as making a pip or two, or a trader who realizes that to be successful it will require some work. It requires catching the trends. What is your bias? How do you trade? Maybe you should rethink your strategy.



## THEY HAVE TOO MUCH FEAR

Another characteristic I often find among retail currency traders is they assume they will have little or no fear of trading. It may be a "macho" thing to think this way, but I can tell you it is simply not true.

Most retail traders have fear, whether they realize it or not, and ironically, fear does not simply manifest itself in terms of losing money. It also is prevalent when most traders are winning. In fact, it is the *fear of success*—as I like to call it—or fear from profits that leads to retail traders not being able to remain on a trend for an extended period of time. This idea will be further explored in Chapter 2 and throughout the book as we build toward the theme of attacking the currency trends.

I can say that traders all have some fear. The fear is partly a result of the thought that the market price will move opposite to the trader's position. What most retail traders don't realize is the inherent fear they will have simply from the volatile price action.

As even the most novice of currency traders realize, prices do not always move in a consistent direction in the currency market. That is, prices move sporadically at times. In a normal market the price may go from 1.3512 to 1.3511, to 1.3510, back to 1.3511, up to 1.3512, back down to 1.3511, and 1.3510, and 1.3509, and back up to 1.3511, and 1.3512, and 1.3513 all in the time span of less than a minute.

With this sporadic volatile movement, it is no wonder the trader immediately hits the bid at 1.3513 and books a one-pip profit when given the first opportunity for a positive gain. Most new retail traders' minds are not ready for so many events in such a short time period.

## Trading Is Like Roulette on Steroids

I like to parallel trading ideas with analogies that most people can relate to. The best way to teach a new concept or to change a thought pattern is to relate the concept to something more universally known and accepted.

With the volatility of the currency market moving actively with many price changes over the course of a minute, hour, day, or longer, I liken the market movements in this fast-paced world to what it would be like playing a fictional game of "roulette on steroids." The analogy to roulette is not meant to compare trading to gambling. Gambling is a game of chance and luck. Trading successfully is much more calculated. It takes much more knowledge. We learned that two pages ago.

Let's assume bets of red for bearish or black for bullish are the only options on our fictional roulette wheel. You analyze the market and choose black because you think the market price will go higher. The croupier spins the wheel and the ball lands in a black or bullish slot immediately (our wheel does not need the time to settle in a slot). In currency terms, the price moves up a pip because black is a bullish move.

Now instead of the waiting for the pit crew to pay off the winners and for you to place your next bet, the croupier spins the wheel again, and you are forced to keep the same black or bullish bet on the table. The next spin is made automatically within seconds of the last. This time, within a second or so, it comes up red or bearish. The price moves back down a pip.

The pit crew takes your chip and automatically your bet is reestablished on black again. The wheel keeps on spinning and spinning as if it were hyped up on some sort of performance-enhancing steroid drug. On each spin either you win one unit or you lose one unit.

In the real world, a start-to-finish roulette bet might take a few minutes from the time a bet can be placed to when the ball settles in a black or red slot on the wheel. In between you are having a drink, chatting with the other people, having a good time. In currency trading there may be 30 "spins" or market price changes in that few-minute time period. There are usually no people with you, and I certainly would not recommend drinking anything other than a nonalcoholic beverage while trading.

I am not a big gambler, but if I go to Las Vegas and have a choice to sit at a blackjack table that has five players or one where it would be just me and the dealer, I choose the one with the five other players. Why? Fewer

hands are dealt with more people. Fewer hands slows down the potential for loss. With fewer hands and a more drawn-out game, I will have less fear.

Most retail traders when they start trading—and even after they have done it for a while—are not ready for the frequent price action, and their lack of preparedness manifests itself through increased fear. What does fear do to your trading? It often leads to trading errors.

Think of the initial and largest hill on a roller coaster. It causes the most fear. Each "tic-tic-tic" as the rollercoaster climbs intensifies that fear. It is the same when the currency market is "tic-tic-ticking," or more appropriately, "pip-pip-pipping." Fear intensifies. You need to control it.

### Know What Causes Your Fear

Fear is an emotion that traders need to control but most cannot or don't know how to. Most traders do not understand fully what causes the fear. Not knowing what causes fear makes figuring out ways to control it difficult, if not impossible.

Understanding that currency trading is like roulette on steroids is a step in the direction of understanding, facing, and controlling one aspect of traders' fear. If you know that the market will fluctuate and not just go up in a straight line or down in a straight line, you are more able to face those gyrations with less fear. In other words, you will not be as scared of the first hill on the roller coaster.

The fact is that most retail traders have fear, and that fear will lead to closing out positions too quickly. It will lead to overleveraged positions. It will lead to ignoring stop levels. It will lead to losses.

In this book, I will look to show how fear can be defined and, more importantly, controlled. Hopefully by the end, you will be able to look at yourself and honestly say "Fear? What fear?" rather than pretend you don't have any.



## THEY LOSE MONEY

I like to tell retail traders that there tends to be a bell curve of results when it comes to trading, just like there is a bell curve when it comes to other businesses or skills.

For example, most people know that opening a restaurant is risky. Common benchmark studies show that 60 percent fail within three years from opening. That number may be rising as a result of the harsh recession of 2009 and the tighter credit conditions from banks.

For demonstration purposes, let's assume 68 percent of restaurants fail over a certain time period (say three years). For those who have a rudimentary knowledge of statistics, that percentage represents a single standard deviation of a normal distribution.

The second standard deviation encompasses those restaurants that stay in business with some just barely surviving, while others do better. That pool of restaurants, if it is a normal distribution, makes up the next 27 percent, with 13.5 percent making, as an example, 1 to 8 percent profit and the other 13.5 percent making 8 to 15 percent.

Finally, the third standard deviation of the bell curve consists of 2.5 percent who make 15 to 25 percent and 2.5 percent who make more than 25 percent on average over three years. This pool contains the restaurants that hit the home runs in the culinary world, get four and five stars, and are packed night in and night out, recession or no recession.

The restaurants get to their respective buckets on the bell curve not by luck, not by hit-or-miss, but by running their business like a business in all aspects. This includes things like the restaurant's location, the decorations, the kitchen facilities, the personnel and customer service, the menu choices, the food suppliers, the pricing, and of course the most important aspect, the expertise in food preparation. All of the pieces come together to make the restaurant a success.

A similar story and distribution can be made with currency traders. It should be no secret that the biggest group of traders will not be able to make money trading currencies. The reasons can vary, but in Chapter 2, I will outline the "Six Attributes of Successful Traders." Lacking any one of the attributes is reason enough for potential failure.

If I were to bucket retail currency traders over the course of one month, there is likely a group of 68 percent or so who lose money. The next 27 percent of traders could be broken into 13.5 percent who make 1 to 3 percent and 13.5 percent who make 3 to 6 percent. On the far extremes are the 2.5 percent who make 6 to 10 percent and finally 2.5 percent who hit the home runs and make more than 10 percent.

The buckets are likely to include different traders each month. This will tend to make the numbers skew even more to the negative over an extended period of time. That is, someone who made a small percentage one month could lose a greater percentage the next month and be down overall.

I know I am not being too positive, but just like facing the fear of trading will make you aware of it, knowing the challenge of the profit/loss curve should be an encouragement to make yourself better.

What part of the bell curve of traders did you fit into last month? Were you in the fat part that lost money or were you in a group that made money? How about the month before? Can you consistently be in the groups that

make money? Do you have an idea of how to get there, like your favorite restaurant knows how to survive through the worst recession in decades?

Knowing that traders in the fat part of the bell curve lose money trading currencies gives you two choices right now. One is to put the book down, close your trading account, and find something else to do with your time and money. I do thank you for buying the book, however.

The second option is to not give up, but at the very least complete this book, take heed of what it has to say, and put the effort toward becoming successful by paying attention to the details, like the successful restaurant owner pays attention to all those things that make her restaurant a success.

This includes knowing the attributes of successful traders, having a mission statement, having a game plan to succeed in the mission statement, following the rules of the game, picking the right tools to be successful with the game plan, and finally, and most importantly, finding the ways to attack currency trends as they ultimately will make you the most money. If you can attack the trends and avoid trading on the wrong side of the trends, which causes the people in the fat part of the bell curve to Fail—fail with a capital F—you will move forward with a good chance of being one of the four- or five-star traders.

Can I guarantee you success? No. No one can give a 100 percent guarantee of success. However, you will take steps forward, be more aware of what needs to be done, and hopefully by the end of the book, you will have the skills and knowledge to be able to trade with more of a purpose and with the chance for greater success.

Most retail currency traders lose money, but so do most restaurants. Do you want to do the things like your favorite restaurant owner does, or do you want to quit or be satisfied with failure? That is what you are facing. The choice is yours.



## THEY ARE TOO FUNDAMENTAL (NOT TECHNICAL ENOUGH)

In the world of trading there are two types of trading analysis. The first is fundamental analysis, and the second is technical analysis. Fundamental analysis for currencies involves the study of influences that affect the price of a currency pair over a time period. The main fundamental influences include:

- Economic statistics
- Political policy and influences

- Central bank policy
- Intermarket relationships and influences
- Natural currency influences or uses

Fundamental analysis takes a collection of influences and throws them in a pot, and through cause and effect analysis, the trader creates a bias for the directional move of a security, or in our case a currency price.

For example, a currency trader might take a fundamental view that the price of the Australian dollar versus the U.S. dollar (AUDUSD) would go up because Australia's recent economic data is strong, central bank policy is being tightened, the country is running a trade surplus, and fiscal policy is under control. All of these fundamental reasons should cause a currency to be in demand and therefore rise. In comparison, the United States is mired in a recession with sluggish economic data, is running an increasing trade deficit, has rates at or near zero, and has a deteriorating fiscal position. All these fundamental influences should lessen the demand for the U.S. dollar. The divergence of the fundamental news should improve the value of the AUDUSD.

The other type of analysis used by currency traders is technical analysis. Technical analysis is the study of the historic prices of a traded instrument, in the form of a chart. Trend lines that connect lows and/or highs in a chart are one technical tool traders use to determine a bullish or bearish bias. Technical analysis also involves the study of mathematically derived indicators using historical prices. Calculated values such as Fibonacci retracements, moving averages, and the Relative Strength Index give directional bullish or bearish biases for traded instruments such as currencies. Technical traders use technical analysis to predict or anticipate price direction, to reaffirm a price trend, and to define risk.



Most traders have a bias toward using either fundamental analysis or technical analysis. To say that it is not good to have knowledge of both would be wrong. I use both fundamental and technical analysis each and every day. However, the one I will always base trading decisions on is technical analysis.

I tend to use fundamental analysis to support technical analysis and quite frankly I (and everyone) sound smarter when talking about the fundamentals that effect currency rates. This is why the people you will see on business television will talk fundamental analysis 99 percent of the time.

Can you imagine if CNBC's Larry Kudlow stopped talking about free market capitalism and instead spoke about the how the price broke a Fibonacci level? What if Ben Bernanke went in front of Congress and said how the stock market was oversold on a RSI basis and was due for a correction. Better yet, imagine if you and your spouse were invited to a dinner

party with new neighbors. After the host asked you what you thought of "the market," you went into a monologue on how the price moved above the Ichimoku Cloud, or how the hammer formation on the candlestick chart points toward a strong rebound—both technical tools. Most dinner hosts would think twice about the next invite. People sound smart knowing why the market did what it did from a fundamental perspective.

However, when trading, the fact is that if I had to do without either technical analysis or fundamental analysis, I would gladly rid myself of all fundamental analysis—and learn to keep my mouth shut at the dinner parties. The majority of retail currency traders are not willing to make this leap. There is something in the mind that says to retail traders "I need to sound smart" and find and use the fundamental reason before trading. Do me and yourself a favor and *change*.

Why do I use technical analysis over fundamental analysis? There is one simple reason. Technical analysis can always tell you what the "full" fundamental story is saying, whereas someone's specific fundamental analysis can run counter to what the technical charts are saying.

For example, if the dollar falls, oil prices should rise. The fundamental reason is that oil is denominated in U.S. dollars, so oil producers will need to demand a higher price to achieve the same revenue. As a result, the market will price in less supply in order to push up the price. Yet there are instances when the dollar can rise with higher oil prices. Government budget deficits in the United States can be surging, which should also be bearish for the U.S. dollar, yet the currency can instead appreciate. Unemployment can decrease in Canada, which from a fundamental perspective should lead to higher rates and a higher Canadian dollar, yet the Canadian dollar can instead decline. Portugal, Ireland, and Greece might be in the midst of a sovereign debt crisis that should lessen the demand for capital inflows into those European Union (EU) countries and therefore decrease the value of the euro, yet the EURUSD can instead strengthen. The U.K. election of 2009 ended in a hung parliament, which fundamental analysis would suggest would cause a lower pound, yet the GBPUSD rose. Australia may tighten rates, which from a fundamental perspective would be bullish for the Australian dollar, yet the AUDUSD can trade in a trading range or correct lower.

These fundamental events all have occurred in recent trading history, yet the fundamental story did not follow the expected price movement—at least for a time period. Sure, they may right themselves eventually, but they may not before you take a trading loss and exit your position. Most retail traders cannot stand the fear of waiting for "eventually" to happen, and this often leads to the retail trader panicking. In addition, there is also the chance that the fundamental analysis is wrong and the price simply trends the other way. What I like to say is that fundamental analysis can be

ambiguous at times. That is, the market price can go in the opposite direction of what is fundamentally expected from the news or events.

By using the proper technical tools, however, the fear of waiting for the market to turn likely can be avoided. We will learn what tools to use, why, and how to take the clues from them, so you don't have to wait for the market price (if it does) to support your fundamental analysis.

Making the technicals king, with the ultimate say in your positions, will allow you to trade the fundamentals only when the technical charts say you should trade—and not before it's time. It will also allow you to avoid the ambiguity that fundamental analysis can cause.

Are there technical tools that I do not recommend? Yes! Quite frankly there are some technical tools—and widely accepted technical tools as well—that I will not use or suggest you use. The reason is that they can be as ambiguous as fundamentals at times. Ambiguity begets fear. I will warn you of those technical tools as the book progresses.

Admittedly, technical analysis can be boring and a buzz-kill at dinner parties. However, if the goal is to make the most money you can as a retail currency trader and keep fear to a minimum, save the Larry Kudlow story for the dinner party, and focus on the technicals for your trading. Too many retail traders focus too much on the fundamental analysis and not enough on the technicals. Make a change!

There is a saying in golf that you "drive for show but putt for dough," meaning that those who are great putters on the greens will often beat those who can pound the ball 300 yards down the fairway. The fact is, 99 percent of the golfers out there would choose a 300-yard drive over five fewer three-putts per round. In the world of trading, the analogy is the same. That is, 99 percent of the traders out there will justify a losing position by talking about the fundamentals, when if they simply focused on the technical charts, they would beat the heck out of the fundamental trader.

So start believing in "fundamentals for show and technicals for dough." It will save you money and also make you more money.



## THEY DON'T KNOW ENOUGH ABOUT KEY FUNDAMENTAL REQUIREMENTS

How can I say retail traders are too fundamental and then say they don't know enough about fundamentals? Hear me out before you close the book.

The distinction is that I firmly believe traders should not base trading decisions on the fundamentals, but they should not be totally blind to fundamentals, either. For example, not knowing that U.S. unemployment figures are due for release at 8:30 AM EST is an example of being totally

blind to the fundamentals and irresponsible as a trader. If risk is increased, traders should be aware of that risk and, if need be, refrain from trading until more normal risk levels return.

Technicals will tell the true market bias story all the time, but there are fundamentals that certainly can help the retail currency trader judge risk, prevent stupid trades, and give a bullish or bearish bias for a trend type move. In the next section I will give a broad stroke lesson on fundamental influences and point out some influences that retail traders should be aware of and prepared for.

## Economic Statistics

Each month a collection of economic statistics are compiled by each country or region (such as the Eurozone). The values, which are normally published on a month on month (MoM) and year on year (YoY) basis, are released according to a specific schedule. The important thing to note is there is a calendar of economic releases.

In the United States, economic statistics are generally released at 8:30 AM, 9:15 AM, or 10:00 AM EST. There can be some minor exceptions. In other countries and the Eurozone the releases are also generally released at set times. In the U.K. and Eurozone, for instance, the normal times for release are at 9:00 to 10:00 AM GMT.

The statistics are compiled from various sources. For example, the U.S. Bureau of Labor Statistics (www.bls.gov) compiles the weekly and monthly U.S. Unemployment statistics. The U.S. Commerce Department (www.commerce.gov) will release statistics like Retail Sales, Durable Goods Orders, GDP, and the U.S. Trade Balance.

In the Eurozone, Eurostat (http://epp.eurostat.ec.europa.eu) releases most of the statistics for the EU.

Each country's statistics can be found online. Some can be found at the central bank's site. Others are found elsewhere. Below are the main country websites that show key economic statistics. Bookmark them on your computer and visit them. They are good sources to see how macroeconomic trends for a country are shaping up. However, do not base trading decisions solely on the data.

- Japan: www.stat.go.jp/english/index.htm
- U.K.: www.statistics.gov.uk
- Switzerland: www.bfs.admin.ch/bfs/portal/en/index.html
- Canada: www.statcan.gc.ca
- Australia: www.abs.gov.au/
- New Zealand: www.treasury.govt.nz/
- United States: www.bls.gov and www.commerce.gov
- Eurozone: http://epp.eurostat.ec.europa.eu

## Daily Economic Releases

The majority of the global economic releases are compiled on a monthly basis, but there are some that are quarterly releases, like GDP, and a few that are weekly, like the U.S. Initial Claims for Unemployment.

Most of the releases are lagged. For example, the U.S. Retail Sales release would be the change for the month preceding the release date. Most of the releases are revised and seasonally adjusted. The seasonal adjustments can also be revised each year, which can make the original number a shadow of its original self. Does that matter for your trading? Not really, as trading is about what we know now versus expectations. If the fundamentals paint a different picture of today six months from now, it does not matter.

It's important for retail traders to know that major news services will often have an estimate of the daily releases compiled from surveys of chief economists from global banks. The economists employ statistical modeling in their analysis and are well versed in the nuances of the data.

Most traders will use the estimates as the benchmark to base bullish or bearish sentiment after data is released. That is, if the U.S. Nonfarm Payroll change in jobs is expected or forecast to show a gain of 100,000 jobs and the actual data shows a gain of 150,000 jobs, that number is stronger than expectations and the market should act accordingly. I would anticipate that the dollar should get stronger. The fundamentals from the data don't necessarily guarantee a move in the anticipated direction as there are other influences for direction other than the economic number. Plus, one never knows if the number was fully discounted by the market already.

Most retail currency brokers will review the key economic events and releases each day on their websites (I know I do). In addition, most will also have a calendar of economic releases along with the estimates from a survey of economists.

There is often also a level of importance noted for each release. Some use colors with red being most important, orange being next in importance, to yellow being not important at all. Others may use a number system or other symbol designation that determines a rank of importance. Figure 1.1 is an example of such a web site, www.fxddondemand.com.

In Figure 1.1, take note of the level of "Importance." The importance is a proxy for risk. The greater the importance, the greater the risk, both before (as positions are squared) and after the release.

The "Forecast" in Figure 1.1 is the next most important piece in an economic calendar. The forecast is generally what the market will base the relative strength or weakness on after the fundamental data is known.

The bigger the deviation of the "Actual" value from the "Forecast," and the greater the importance, the larger the likely jump or fall in price. This

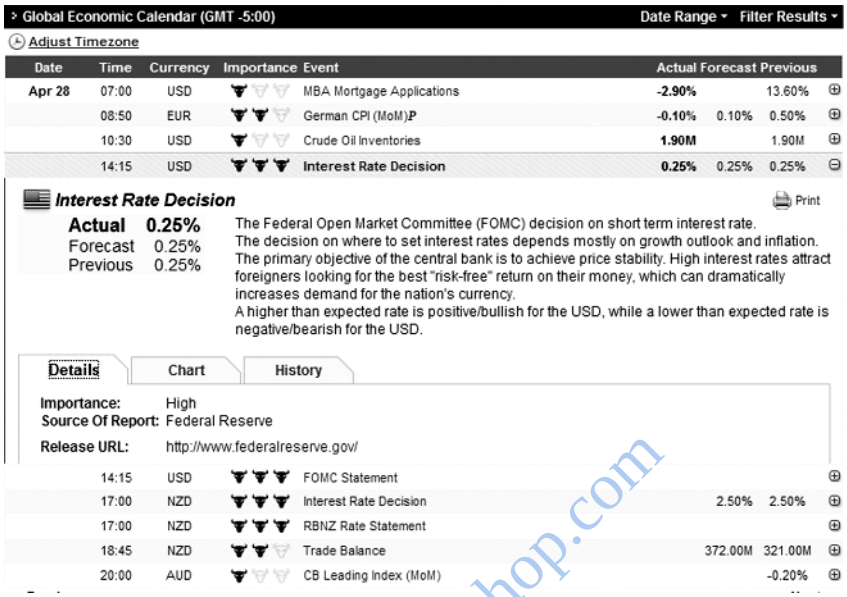


**FIGURE 1.1** Example of Economic Calendar
*Source:* www.fxddondemand.com.



is termed *event risk*. In addition, the volatility generally increases after an important economic release. That is, the price can move sharply higher, then come down sharply, before rising again. This is what I term *volatility risk*. The bid-to-ask spreads for the currency pairs can also widen due to a reluctance to quote with the increased uncertainty. This is called *liquidity risk*. Finally, it is not unusual for the price to gap. When a gap occurs, the trader is often exposed to slippage. The term *slippage* refers to the difference between an order price—like a stop loss order—and the actual fill or trade execution price. Traders, not brokers, are responsible for slippage risk because a stop order simply triggers a market order. If the price gaps through a stop order, the next price where the market trades is the fill price. It can be materially different from the order price, especially if the data is a surprise. This is another risk that traders should be aware of through the more important economic releases such as GDP, unemployment, and inflation. With all these added risks, doesn't it make sense to be aware of those that are most important? I would think so.

Should traders be paranoid about all economic releases? I think there are times when taking on the risk is justified and other times when it is not. For example, if you have an unrealized gain on a position and the economic and technical bias is in the direction of your position, it can make good sense to keep the position through the increased risk.

Traders need to weigh the risk more carefully when trading through the more important economic releases. In most cases the risk and reward is the same or similar, but the magnitude of risk is often larger than what is customary during normal market conditions. That is, instead of 25 pips of risk, the risk could be two, three, or even more times the market exposure.

What tends to happen is the ego of having a position through the more important economic numbers is too overwhelming for a lot of retail traders, and large trading mistakes can be made.

In general, what I like to tell retail traders is that trading should not be based on luck, but on risk management. In all my years of trading I had no sound reason to deviate from what the survey of economists' forecasts had projected, and I can tell you that 99.9 percent of retail traders will not have an empirically sound reason to doubt any forecast either.

Therefore, any retail trader who has the ego to go long the U.S. dollar versus the Japanese yen (USDJPY) just prior to U.S. Nonfarm Payroll because he thinks it will show a strong +250,000 jobs when the survey of economists says it will be +75,000 is just betting black on the roulette wheel.

Economic statistics help move markets, and traders look for those movements especially when trading trends. However, it is important to weigh the relative risks from the data before trading.

Too many retail currency traders consider the risk in normal times equal to risk through an important economic release. It is not.

My suggestion is to change. Do the smart trades. Don't gamble needlessly unless there are a number of winning chips in front of you, and it makes sense from a technical and fundamental perspective. But whatever you do, don't let your ego get in the way of sound trading decisions and cloud your judgment.



## Political Influences

Politics is also a fundamental influence that traders should have some knowledge of. The balance of power via the election process and fiscal policy decisions enacted by governments are both potential political influences on the value of a currency pair.

The U.K. general election in 2010 is one example, as the shifts in power had an influence on the currency rates before and after the election. There were several instances where surprise weekend polls sent the GBPUSD to a gapped Sunday opening. Be aware of the political risks during elections, especially over weekends. It will help you avoid the big surprises on the new week's opening.

The Greek debt crisis of 2010 is another recent politically initiated influence that had a major impact on the value of the EURUSD as the crisis

unfolded. In the short term, the fluidity of the news kept a negative bias on the euro. However, it also increased volatility risk for the currency as political comments from Greek, German, ECB, EU, and IMF officials kept traders guessing.

There are many instances where market sentiment can focus on the political influences on currency rates. Generally speaking, the bias from politics on a currency rate tends to be more negative than positive for the currency in focus. Perhaps it is the cynicism that the market has toward politics in general. After all, politicians tend to be political.

However, when politics are the fundamental focus, there also tends to be room for increased volatility because people who are in charge of the crisis are there to solve the problems. As a result, their efforts can lead to sharp reversals of the seemingly obvious trend. For example, while Greece was in crisis and the euro was being sold, it ultimately was an injection of aid from the European Central Bank (ECB) and the International Monetary Fund that quickly turned the market around. Retail traders should be aware of these politically motivated moments to anticipate the increased risk and volatility from the solutions. Don't be too married to the position; be aware and be prepared for quick changes.

Another temptation for retail traders is to make a directional currency play on a fundamental political idea that is not a major focus now. Betting that the dollar will be fundamentally weak because Social Security will go broke is not what a retail currency trader should focus trading decisions on today. Betting that the EU will fall apart and the EURUSD will go to parity is also not what a retail trader should be concerned about. It may be the case in the long run, but as John Maynard Keynes once said, "In the long run we are all dead." Therefore, the retail traders should keep focusing on the short run first, and if the bias is so overwhelmingly bearish or bullish, they can be sure that the charts and the political fundamentals will be saying the same things for a long time and they will ride that trend.



## Central Bank Influences

Central bank influences include interest rate changes, comments from key central bank figures like the chairman of the Federal Reserve, Ben Bernanke, or the president of the ECB, Jean-Claude Trichet, and direct currency intervention.

In the 2008–2010 period, the central banks of the world also became more entrenched in other nontraditional stimulative measures, including the use of quantitative easing whereby purchases of financial instruments were done as a way to add liquidity into the economy. The reserve requirement rate is also a new rate that will likely become more important, especially in the United States, when monetary policy starts to be reversed

from easing to tightening. In fact, it is likely to be the new "change in interest rates" for the Federal Reserve Bank, when they do look to be less accommodative.

These fundamental influences from the central banks have effects on currency rates in the short term and as a result, being aware of when they occur and the potential impact is an important requirement for retail currency traders.

**Changes of Interest Rate Policy** Global central banks control interest rate policy by lowering or raising a short-term interest rate, which is the rate that money is targeted to be borrowed and lent in the interbank market for one day, or what is called overnight. The raising or lowering of this rate is thought to control other interest rates along the yield curve. As such, changes in interest rate policy are thought to stimulate or restrict economic activity, which in turn influences currency rates.

The central bank interest rate decisions are generally made after scheduled central bank meetings. This, however, is not always the case because sometimes the immediacy of a change demands action before a scheduled meeting in order to allay market fears. Usually, however, these changes are well anticipated by the market and often spoken about by economists and market analysts. That is, they are not a surprise.

Generally speaking, a rise in interest rates should lead to a higher currency value, while lowering interest rates should lead to a lower currency value.

Rising interest rates imply a strong economy. A strong economy is often synonymous with a strong currency. One way to slow a strong economy is to make exports more expensive abroad in an attempt to slow sales overseas. The rising domestic currency does this because foreign importers have to pay more for the exporter's currency in order to buy the exports. They will look for cheaper alternative—perhaps within their own countries.

Rising interest rates also imply an elevation of inflation risk. If inflation is expected to rise, a higher currency should lower the cost of imports and in turn lower import inflation down the road.

Finally, rising interest rates are thought to be an attraction to capital as global investors look to benefit from *carry profits*. Carry profits involve buying, or being long the higher yielding currency and short the lower yielding currency. The carry trade has been influential in recent years.

The opposite dynamics should occur if a central bank lowers interest rates due to a slowing economy. That is, the currency should fall. A falling currency makes exports more competitive abroad, which should stimulate economic activity. The United States used a weaker dollar in 2008 and 2009 to keep the economy on life support while domestic consumption declined.

With inflation likely on the decline, a lower currency should increase the cost of imports, and this should keep deflationary forces from taking hold. Finally, a declining currency should dissuade capital investment because investors earn less from the carry trade by being long a lower yielding currency.

When rates are first changed, retail traders often neglect to anticipate the potential for future changes. When rates are changed from declining to rising, or vice versa, that trend will likely remain for an extended period of time. This should lead to a trend-type move for the currency. Traders should be biased for a trend move, especially if the change is one of the earlier changes and if the market has not fully discounted the move already.

However, as each successive change is made in interest rates, the impact from the changes can lose its directional momentum for the currency. This is simply because the impact of the currency and interest rate change starts to be felt in the economy. That is, if rates are being raised, the currency should increase. Eventually, the higher currency will slow exports. The higher rate should also slow economic growth. Eventually, the central bank will need to look toward steady policy and perhaps reversing rates.

Finally, retail traders should be aware that a raising or lowering of interest rates loses its currency significance if the change is done in conjunction with other countries doing the same thing. That is, if interest rates are being lowered in the United States while they are being lowered in the Eurozone, as happened during the global market meltdown in the 2008–2009 period, the market will likely focus on other fundamentals because there is no interest rate advantage as a result of the interest rate differential changing.

Changing interest rates is like changing a ship's course on the open seas. It takes a while to do, but once it is done, it tends to continue in the direction for a while. Retail traders should not be surprised by this and get caught trading against the trend—especially when the ship has just turned around.

**Comments from Central Bank Officials** Central bankers will often speak publicly, and when they speak the market listens. They might be required by law to speak in front of government officials to explain their policy actions. They might give speeches at economic forums or roundtables. They might make public comments after interest rate decisions, either in the form of a press release or, with some banks like the ECB, during a full press conference. Obviously, central bankers' comments can have an impact on currency rates.

Like with government statistics, there is a schedule of speaking engagements published for key central bankers. Retail traders should all know the

schedule. The significance of the comments can generally be tied to where the economy is in the business cycle and the topic of the comments. If the market perceives the economy is at a turning point, the risk from the comments increases in significance. If, however, comments are made during the normal midcycle period, they often tend to sound like comments made previously and are less important.

As mentioned, most interest rate decisions from central banks usually come with published comments. In recent times, the comments have come under microscopic scrutiny from financial wordsmiths who dissect—sometimes word for word—what is released and what it implies about future monetary policy action.

The U.S. Federal Reserve purposely worded comments that rates would remain low for an "extended period of time" during 2009 and 2010 (and likely into 2011 too). This was done to assure the market that a tightening was not imminent even if the economy improved.

The Bank of Canada used a more direct approach. In its comments starting after its April 2009 meeting, bankers said the overnight rate "can be expected to remain at its current level until the end of the second quarter of 2010." Rates stayed the same until the second quarter of 2010.

One problem retail traders experience with comments from central bank officials is they often do not have access to the comments—especially those from interviews. The cost of real-time headline news is often prohibitive for retail traders. This is a risk traders face and quite frankly nothing can be done. However, like economic releases, moves may be anticipated by knowing the schedule and taking into consideration any risk. A surprise comment with no warning obviously cannot be anticipated but it will be reflected in the market move, often within seconds.

I find it beneficial to get a feel for what the central bankers are thinking by reading their speech transcripts. Below are the names and websites of the major global central banks where speeches from central bankers typically can be found.

- Federal Reserve Bank (Fed): www.federalreserve.gov/
- ECB: www.ecb.int/home/html/index.en.html
- Bank of England (BOE): www.bankofengland.co.uk/
- Swiss National Bank (SNB): www.snb.ch/
- Bank of Canada (BOC): www.bank-banque-canada.ca/en/index.html
- Reserve Bank of New Zealand (RBNZ): www.rbnz.govt.nz/
- Reserve Bank of Australia (RBA): www.rba.gov.au/
- Bank of Japan (BOJ): www.boj.or.jp/en/

## Central Bank Intervention

Central banks generally try not to interfere with market forces. However, there are instances where they feel compelled to reverse the trend of their

currency so as to prevent adverse economic impact from the move. To do this, the central banks will intervene directly in the interbank market by buying or selling in order to influence the direction of their currency.

The most notable intervention in recent history was the periodic intervention from the Swiss National Bank to lower the value of its currency in 2009–2010. The reason for the intervention was that the higher currency was thought to be slowing export growth at a time when the domestic economy was sputtering. In addition, the higher currency was also dampening the cost of imports at a time when inflation was slowing. A similar move by the Bank of Japan was also taken in 2010 as it too worried about the impact of inflation (or deflation) and growth.

On March 12, 2009, the SNB tested the market's desire to sell in the face of warnings and intervened in the market, buying EURCHF at the 1.4765 level. The action led to a whopping 565-pip move higher in one day, with little relief.

The Bank of Japan intervened on September 15, 2010 for the first time in six years and the USDJPY soared from 82.87 to 85.90. Moves like this can be dangerous for unsuspecting currency traders.

The good news about central bank intervention is that it does not happen very often, and at times the central bank may give verbal warnings. The bad news is that it is hard to time intervention, and if you are on the wrong side of the trade, the losses can be significant.

Common sense says to heed central bank intervention warnings and consider the risks too great to even trade the currency, no matter the profit potential. The reason is that you never know when the intervention will take place and the central bank may watch the currency drift down (or up) and intervene when the market is least expecting it, maximizing the impact.

Currency traders always have options to trade high-risk currency pairs or more stable currency pairs. If risks are elevated from potential intervention, I strongly suggest either don't trade the pair or lower the trading amounts, but never trade against the central banks' warnings when intervention is possible. Also, after intervention be aware that there can be large corrections as traders on the right side take profits. Intervention risk is often not a good time to trade. Use common sense and let the allure pass until more normal markets with less risk prevail.



## Intermarket Influences

Intermarket influences such as stock markets and prices of commodities such as gold, copper, silver, and oil can affect the value of currencies. Generally speaking, the commodity prices of gold, copper, silver, and oil will have an influence on the commodity currencies. These include the Australian and Canadian dollars and to a lesser extent the New Zealand dollar. Needless to say, these countries are reliant on the exporting of

commodities and therefore their currency value becomes tied to them. If prices trend up, the commodity currencies tend to go up. If prices of commodities are going down, the commodity currencies tend to go down.

The stock market is another intermarket influence on currencies, but it can vary. At times a robust stock market can mean a stronger currency and a weaker stock market a lower currency. In recent times, however, a stronger stock market, often led by the U.S. stock market, led to a flight into what became considered risky currencies. Risky pairs included anything with yen, such as USDJPY, GBPJPY, EURJPY, CHFJPY, and AUDJPY. The British pound; euro; and commodity currencies like the Australian, Canadian and New Zealand dollars also tended to benefit from the move into risky currencies.

Conversely, a decline in the stock market led to a flight into quality, with quality defined as anything with the Japanese yen, Swiss franc, and U.S. dollar, in that order. The other currencies all declined, including the euro, pound sterling, Canadian dollar, Australian dollar, and New Zealand dollar.

Although it is nice to know the relationship—especially in a trend-type market in commodities—retail currency traders should remember they are trading currencies and not commodities or stocks. The stock, commodity, and currency markets can have their own quirks and corrections, and there may be other influences that may diverge from the expected relationship. For example, oil prices can decline and should lead to a higher USDCAD (lower Canadian dollar). However, it does not always happen.

I think it may help retail traders' results if they are more aware of intermarket relationships, but should this be the main focus for trading currencies? *No*. Don't make the intermarket relationships your focus.



## Traditional Foreign Exchange Influences

There are natural foreign exchange uses that affect the value of currency rates. For example, Coca-Cola is a multinational corporation that may look to remit foreign currency back to the United States periodically. Japanese exporters to the United States are known to sell the USDJPY pair periodically to remit funds back to Japan. Other natural foreign exchange uses occur from mergers and acquisitions. A Canadian company may purchase a U.S. company (or vice versa) and affect the value of the USDCAD exchange rate when the payments are made to complete the purchase and sale. Options expirations where the value of a currency is near a strike price can cause a currency pair to move as traders defend the levels. These are some examples of the traditional influences on currency rates. Can a retail trader anticipate these fundamental influences? No. There is little the trader can do with respect to anticipating them without insider knowledge.

In summary, fundamental influences are many (I just reviewed a small list), and combined they are thought to influence the direction of a currency pair's value. For retail traders, knowing the key things that can move rates is a comfort or can influence a bias (in conjunction with technical analysis), but this knowledge can also steer traders in the wrong direction.

Be aware of the key fundamental influences, understand how they affect risk, and then trade accordingly. If the risk is too high because of the threat of intervention, then don't trade. If the risk from an economic statistic is too great, don't trade.

Understand that your assessment of fundamentals may not be what is driving the market. For example, you may have all the reasons in the world to expect that the USDCAD should go up, but because of a big merger, it goes down. The only protection is the technicals in this instance; this is why I favor them over fundamentals.

However, if you can get an edge and the edge comes from a deeper understanding of fundamentals, make that extra effort, learn, and reap the rewards.

## THEY FAIL TO ANTICIPATE TRENDS

The final thing that most retails traders don't do is anticipate trends. Anticipating a trend is not all that revolutionary. It does not necessarily mean you need a magical crystal ball. After all, most successful businesses, whether they are large or small, anticipate trends.

Google anticipated the need for an efficient search engine and also anticipated that businesses would pay to have sponsored links to their sites. Facebook anticipated the need for a social networking site. Amazon anticipated a need to download books online and manufactured the Kindle to satisfy that demand. Apple seems to magically anticipate trends with all its product offerings.

Trading with the trends is the most important thing a retail trader can do. There are two big reasons for this.

One, trends are generally fast and directional, and follow along a fairly consistent path of higher highs and higher lows for an uptrend and lower lows and lower highs for a downtrend. If a trader catches a trend and is able to stay on it, profits can be a multiple of the risk taken at the outset of the trade.

The second reason that trading with the trend is so important is that doing so prevents oversized losses in the account from trading against the trend. It goes to reason that if the profit-to-loss ratio of trading with the trend is potentially high, then the reverse would be true if a trader positioned against the trend.

The fastest way to fail in trading is to be on the wrong side of a trend, not recognize the trend, fight the trend, overleverage against the trend, and ignore the trend. In addition, the longer a trader delays the process of getting on the trend, the greater the chance the market will reverse and really whip the trader's mind into mush as fear is increased.

So how do improve your chances of trading a trend?

The best way to catch a trend, trade a trend, and stay on a trend is to anticipate the trend. Just like Apple anticipates trends in consumer behavior, retail traders need to anticipate the trends in their market. Look at any chart. There are trends.

Most retail traders recognize a trend in hindsight. What most retail traders do *not* do is anticipate a trend. If you don't anticipate a trend, how do you know when one may be developing? You don't. In all likelihood you see a nontrending market that begs you to sell a high or buy a low. Why? Because that is what the market has been doing during the sideways market.

Do you look to anticipate a trend? Do you know of any market clues that would help you predict a trend-type move? If you had an idea a trend was on the horizon, the only thing you would need to do would be to get the direction right. Wouldn't knowing the market was poised for a trend allow you to attack the currency trend more successfully? Later in the book I will explain ways that traders can anticipate trends from the price action and the use of trading tools.



## DON'T BE LIKE THE REST . . . CHANGE!

Do you want to be the stereotypical trader who thinks trading is easy, who doesn't understand fear, who relies too much on fundamental trading yet does not pay attention to the important fundamental requirements that will keep risk down? Do you want to say you want to trade the trends but never can? Do you want to be in the fat part of the bell curve and continue to lose money doing it your way?

If you want to change from the norm—from the stereotypical retail trader—then take that look at yourself and make that change.