

Wiley Trading Series

17 Proven Currency Trading Strategies

How to Profit in the Forex Market

 **WEBSITE**



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eCHAPTER**

MARIO SINGH

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The key here is to discover which category you are in, based on your lifestyle and personality, so that you can flow with your dominant strength when trading the forex market. Failure to do this right will result in the single biggest stumbling block to achieving consistent profits when trading the forex market from the very start.

Would you like to find out your predominant trading style? Then take this short quiz to find out what kind of trader you are. Once you find out which category you belong to, the next step is to select the right trading strategy that flows with your personality and current lifestyle.

Are you ready? Then let's go!



WHAT KIND OF TRADER ARE YOU?

Answer these 25 questions as accurately as possible to find out.

1. At a social event, do you:
 - a. Find your best friend as soon as possible.
 - b. Move around and interact with as many people as possible.
 - c. Look out for interesting and popular people/groups.
 - d. Sit in one corner and wait for people to talk to you.
 - e. Find a group of friends and join in the conversation.
2. How often would you like to trade?
 - a. A few times a week
 - b. A few times a day
 - c. A few times a month
 - d. More than 10 times a day
 - e. A fixed time every day
3. If you could have it your way, what would you be?
 - a. Formula 1 racing driver
 - b. Accountant
 - c. Research analyst
 - d. Doctor
 - e. Professional chess player
4. Your favorite band releases a new album. How would you get a copy?
 - a. Plan a day to visit your favorite CD shop and get a copy.
 - b. Order it online.
 - c. Check around for any special promotion.
 - d. Download it immediately via the Internet.
 - e. Wait for a friend to buy it and borrow theirs.

17 Proven Currency Trading Strategies

How to Profit in the Forex Market

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5. You are in a long GBP/USD trade. You watch the news and discover that a famous fund manager is in a short GBP/USD trade. You:
 - a. Shift your stop loss to entry price and proceed to short GBP/USD.
 - b. Stick to your trading plan.
 - c. Start to research on CNBC and Bloomberg for any news concerning GBP and USD currencies.
 - d. Close your existing order immediately and short GBP/USD.
 - e. Change the channel to watch a movie.
6. You ride past a motorcycle showroom. You:
 - a. Ask the salesperson which models are on sale.
 - b. Decide to test ride a model you like.
 - c. Stop and take a quick glance.
 - d. Study the brochure for specifications.
 - e. Continue riding on.
7. Which sport helps you to unwind?
 - a. Bungee jumping
 - b. Basketball
 - c. Golf
 - d. You prefer watching sports to unwind
 - e. Tennis
8. How do you keep up with your social circle?
 - a. Write on their Facebook wall
 - b. Hang out with the same group once a week
 - c. Maintaining your social circle is not your priority
 - d. Meet up several times a year
 - e. Call them up regularly for a chat
9. You love a lifestyle that:
 - a. Offers a change only once in a while.
 - b. Doesn't disrupt your daily schedule of doing nothing.
 - c. Follows a fixed routine.
 - d. Packs your time with action and activities.
 - e. Throws regular challenges at you.
10. Someone cuts you off while driving. How do you typically respond?
 - a. You continue driving as per normal.
 - b. You step on the accelerator with your blood boiling and cut the driver off.
 - c. You steam quietly in your seat.
 - d. You flash your lights and toot the horn.
 - e. You take a deep breath and brush it off.

17 Proven Currency Trading Strategies

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11. You are waiting for a special date in a restaurant. You:
 - a. Order a glass of water and update your Facebook status.
 - b. Glance at your watch every three seconds.
 - c. Sit quietly and prepare for an enchanted evening.
 - d. Take out your seven-point checklist and tick off point 1.
 - e. Check that the table is set perfectly.
12. When you capture photos with your camera, you:
 - a. Take one shot and edit the picture to make it nicer.
 - b. Don't really care about the picture quality.
 - c. Adjust your position to get the best possible angle and lighting.
 - d. Always ensure that the flash is on.
 - e. Snap the shot a few times to ensure good quality.
13. Your primary reason for trading is:
 - a. To beat inflation.
 - b. Because you love the adrenaline rush when clicking the mouse.
 - c. To earn a second income.
 - d. To build up a sizable nest egg.
 - e. To follow a fixed set of rules every day.
14. You pass by a political group giving a speech. You:
 - a. Continue walking.
 - b. Listen attentively to what they are saying.
 - c. Make a note to watch the uploaded video on You Tube.
 - d. Pause and listen for 15 seconds.
 - e. Join the rally and make your voice heard.
15. You won the top prize in a lottery. You:
 - a. Check your number to reconfirm.
 - b. Jump up and celebrate.
 - c. Return to the same shop and purchase another ticket.
 - d. Collect your prize next week.
 - e. Hold an extravagant celebration for family and friends.
16. You have to present a new project idea to your boss. You:
 - a. Print out two copies of the 20-page proposal that you prepared in advance.
 - b. Speak in point form with animated body language.
 - c. Follow a standard template from your previous company.
 - d. Draw it out on the whiteboard.
 - e. Bring out the main points and emphasize the advantages.

17 Proven Currency Trading Strategies

How to Profit in the Forex Market

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17. What type of music do you love?
- a. Heavy metal
 - b. Sentimental
 - c. Classical
 - d. Rock and roll
 - e. No preference
18. Your idea of a vacation is:
- a. A shopping trip to Champs Elysees in Paris.
 - b. A heart-thumping trip to Six Flags amusement park in the United States.
 - c. A spiritual trip in India.
 - d. A spa trip in Bali.
 - e. The same place you enjoyed visiting last time.
19. You learn better by:
- a. Practicing past years' assessments.
 - b. Researching at home alone.
 - c. Asking a lot of questions.
 - d. Studying with a friend.
 - e. Group discussion with other people.
20. The following word describes your nature:
- a. Excitable
 - b. Temperamental
 - c. Calm
 - d. Predictable
 - e. Satisfied
21. You spot a promoter who's giving out a \$10 free gift in exchange for your contact details. You:
- a. Rush to get two gifts with your wife's details as well.
 - b. Whip out your mobile phone and pretend to call someone.
 - c. Smile/nod at the promoter and say "No, thanks."
 - d. Walk calmly and avoid any eye contact.
 - e. Stop to view the gift and check if you need it first.
22. When your boss scolds you, you:
- a. Think the boss has had a bad day.
 - b. Get upset and flustered.
 - c. Make a note to improve.
 - d. Analyze the speech and think of your retort.
 - e. Pretend to listen.

17 Proven Currency Trading Strategies

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23. Someone knocks on your door and asks for a donation. You:
- Ask what the minimum donation amount is.
 - Get your sister to open the door to deal with it.
 - Ask more about the donation and verify its particulars before deciding.
 - Donate \$10 without hesitation.
 - Invite the person in for a drink to learn more about the donation.
24. You take a ride in your friend's new Porsche. He floors the pedal and hits 125 miles (200 kilometers) per hour. You:
- Ask him to slow down.
 - Warn him of potential dangers along the way.
 - Sit back and enjoy the scenery.
 - Tell yourself this will be the last ride in your friend's car.
 - Turn up the music and bob away ecstatically.
25. What comes to your mind as you answer all these questions?
- Are these the only questions?
 - I wonder which category I'll fall into?
 - I'll probably repeat the assessment and answer some questions differently.
 - I wish the options were only limited to true or false.
 - Just tell me what kind of trader I am already!

Tally up your points using this table:

Questions	A	B	C	D	E
1	5	1	3	4	2
2	3	2	4	1	5
3	1	5	3	2	4
4	2	5	3	1	4
5	2	5	3	1	4
6	2	1	4	3	5
7	1	2	4	5	3
8	1	3	5	4	2
9	3	4	5	1	2
10	5	1	3	2	4
11	3	1	4	5	2
12	4	1	3	5	2
13	4	1	3	2	5
14	5	2	3	4	1
15	3	2	5	4	1
16	4	1	5	2	3
17	1	3	4	2	5
18	2	1	4	3	5

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17 Proven Currency Trading Strategies

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Questions	A	B	C	D	E
19	5	4	1	3	2
20	2	1	4	5	3
21	1	5	3	4	2
22	3	1	4	2	5
23	1	3	2	5	4
24	3	2	4	5	1
25	4	2	3	5	1
Total Score:					

Scorecard

25–34: Scalper

You are a true-blue scalper. You like to have fun and variety is the name of the game. You get bored easily, which is why you live a life filled with activities. As an individual, you are not afraid to be original or contrarian. However, you display a mildly aggressive nature when things don't go your way.

You like the excitement of fast-moving markets, and you don't like it when trades take too long to exit. Your ability to focus on the charts for several hours at a time is an important part of your success.

Impatience stands out as one of your characteristics, because you expect your trades to become profitable immediately. As a scalper, impatience can work in your favor too, because you will exit trades promptly if they go against you. Additionally, this quick-thinking helps you to maintain a flexible mind-set when setting up new trades in the opposite direction when the need calls for it.

35–46: Scalper/Day Trader

You are an excitable and passionate individual. You are a person who does not do well with details as your current lifestyle does not have a fixed routine yet. As a scalper/day trader, you embody characteristics in both categories. Sometimes you love the action when markets are moving fast. At other times, you tend to get stressed in the same market conditions.

Due to your time flexibility, on some days you can commit several hours looking at the charts. However, on days when your schedule fills up, you can only afford to glance at the charts for several minutes each time. You like to vary your trading style according to the time you have. When time permits, you prefer to spend hours looking at the charts and scalp, taking a few pips each time. When time is a factor, you prefer to pick the best trade setup for that day.

You are extremely delighted when your trade registers a profit, but your mood sours considerably when you hit a loss. The good news is that when you are wrong, you don't have a problem owning up to it. As part of your personality, you like to experiment with different trading strategies and systems to keep your interest from waning.

17 Proven Currency Trading Strategies

How to Profit in the Forex Market

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47–56: Day Trader

You are a true-blue day trader. You like to keep abreast of news and watch the markets for any moves throughout the day. As a tech-savvy individual, you love your gadgets and probably own at least a laptop, a tablet, and a smart phone. These devices help you to stay on top of the markets. Analytical and unbiased, you take pride in crunching the numbers after you have done your research and data mining.

Sometimes you take it a step further and calculate all possible scenarios and outcomes for each trade before triggering it. You are not afraid of risk. In fact, one of your strengths lies in effective risk management because you might have a couple of open trades in a day. You are not known for reckless trading, but at odd times you throw caution to the wind and enter a trade when not all the rules have been met. During those times, you find it difficult to cut your losses because of your nature to defend your decisions.

The great part about you is that you like to face and solve challenges. Life is an adventure, and you look forward to new things every day. Your zest reveals your personality as an individual who does not allow problems to weigh you down.

57–68: Day/Swing Trader

You are an optimistic person who is dedicated to improving yourself every day. You are well-read and street-smart, and your life has pretty much settled down into a fixed routine in terms of work and play. As a busy person, you pride yourself in effective time management, and you usually keep a daily to-do list that helps you prioritize your activities. Due to your working hours, you are content to take a smaller number of trades daily or weekly.

You like to plan ahead, and the main reason for you starting to trade is to build up a second income to complement your active income. Occasionally, when you have some spare time, you tend to overanalyze your trade setups. This sometimes results in a tendency to abandon your game plan because you are swayed by different sources of information.

69–78: Swing Trader

You are a true-blue swing trader. Your day job takes up most of your time, but you enjoy trading on the side. In fact, because of your lack of time, you actually like it that you don't have to analyze the market too much.

You are comfortable to sit and wait for the best trade setup and are not at all bothered with how prices fluctuate during the day. In fact, you know too well that too much time spent looking at the charts can bring about the danger of emotional trading.

You classify yourself as a conservative person who doesn't enjoy taking unnecessary risks. Unlike most traders, who don't have a trading plan, you thrive on having a solid trading plan. Rules are clearly defined, and you know exactly when to enter and exit a trade.

Once you decide on a trade, you are not easily swayed to change it. You are perfectly fine to see your trade fluctuate between profit and loss, as your main concern is whether you followed all the rules and executed the trade correctly. Your eye is firmly fixed on a favorable risk to reward ratio.

17 Proven Currency Trading Strategies

How to Profit in the Forex Market

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The best thing that you like about forex trading is that it doesn't cause you to alter your lifestyle. After all, when you execute a couple of trades a week, the result is a steady increase in part-time income.

79–90: Swing/Position Trader

You are an independent thinker who ignores popular opinion. As a rational and practical individual, you make your own decisions after taking in all the relevant information. You are fully aware that frequent trading leads to more mistakes. Hence, you adjust your trading style to take fewer trades with bigger gains. An avid reader of the markets, you have a good grasp of the fundamentals and how countries are managing their economies.

However, your depth and insights on the markets can sometimes be a double-edged sword. Due to your analysis of mid- to long-term trends, procrastination sometimes can set in. This keeps you from executing the trade even though all the rules have been met.

If left unchecked, your procrastination can slowly take root in your character. You now tend to look for more reasons to substantiate each trade entry, or lack thereof. This vicious cycle can affect your trading style if you don't take steps to rectify it.

97–100: Position Trader

You are a true-blue position trader. You are a calm soul who's sensitive to feelings and don't enjoy conflict. As an individual, you are more intuitive than analytical. Stress is a foreign word because you don't have much of it in your life. You are able to detach any emotional highs and lows you experience in trading.

Due to your trading style, you prefer to trade with a large account size to help you weather fluctuations of hundreds or even thousands of pips. You hardly ever look at technicals as your main focus is on the fundamentals of how governments run their countries.

You are able to see the big picture of how monetary policies and fiscal policies affect currency movements farther down the road. Your biggest virtue is patience, as you don't mind waiting several weeks or months for your reward.

101 and above: Mechanical Trader

You are a true-blue mechanical trader. You like routine and structure in life. Sometimes, eating your favorite food every day for a week makes you happy.

As a newbie in the forex market, you get overwhelmed with all the information out there. You want to get started, but you're just not sure how. Hence, you depend on a robust system to help you make educated decisions. The system you settle for either requires you to spend a few minutes a day to trigger the trade or trades on its own via automated software.

You have tried to make sense of the news that impacts the market, but that has been the cause of your stress. This is because you realize that news occurs on a daily basis, and you either can't keep up with it or you don't want to do so.

News is the main reason you have a love-hate relationship with the forex market. You know that fundamental news causes the prices to move, but you can't manage the unpredictable way in which it does. You settle for a trading methodology that disregards the impact of news. Doing this takes the stress out of trading and puts the focus on delivering a style that is both profitable and system driven.