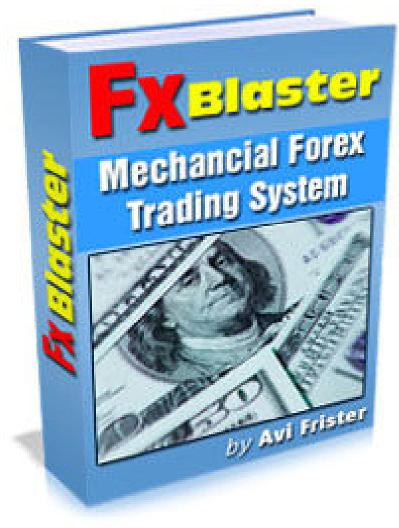
Fx Blaster Mechanical System

A [Forex Trading Machine] Product



By ***Avi Frister***

[Forex Trading Machine]

NEW!

Click on the below banner to learn about my revolutionary method to trade the forex market:

Fx Blaster Mechanical System
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Introduction

Trading the Forex (foreign exchange) spot market provides not only the opportunity to make a healthy living, but for those who are patient and disciplined enough, it provides the opportunity to create true wealth.

I consider trading forex as one of today's best income opportunities for the small investor because of 7 important reasons:

1. Minimal investment: You can start trading with as low as $300! Yes, almost every forex broker I know of will let you open an account with $300 and some with less.

2. Minimal time commitment: Well, this would not apply to all day trading strategies but certainly to swing trading strategies. Any other business you can think of requires work: 4-7-10 hours a day of hard work. Not that it's a bad thing to work, but wouldn't you rather make more money and work less?
If you have a day job, wouldn't it be nice if you could keep your day job and still be able to trade and create a secondary income or even create true wealth?

3. FAST results: No matter what type of business you start, results are often seen 6, 8 or even 12 months after establishment. Not in the forex trading business! Many times you will see profit from day one!

4. No employees, No office, No inventory: I guess I don't even have to elaborate here! It can sometimes be a true pain having to

manage a business. Be it a one man operation or a 50 man operation, the result is ultimately the same: a lot to deal with, a lot of headache, sleepless nights, hiring/firing, etc. If you had or have a business you are probably smiling now!

Trading forex requires a computer, a minimal amount of money to start with, and many times not more than one or two hours per week of your time (depending on what type of system you are trading; e.g. swing trading, day trading etc.). No hassles, no headaches and a BETTER income opportunity than any other business!

Using several strategies that I personally developed, I can trade from my home, office, swimming pool, or any other place you can imagine. Remember, a good trading strategy is not just one that produces profits, but one that also gives you the freedom to enjoy any other activity in life while still being able to make money!

5. Volatility: The forex market is incredibly volatile, resulting in amazing trends which are relatively easy to spot and join for great profits.

6. Liquidity: No other market in the world is as liquid as the forex market. It is estimated that USD $1.5 trillion is traded every single day! More than all the world's stock, bond and future markets together!

7. Profitable: With the right trading system it is possible to create an income of USD $1,000, $5,000 or even $20,000 per month. It only depends on how much you want and how much you are willing to do to achieve it.

I personally know three forex traders where two of them are averaging $40,000 per month and one is averaging over $20,000 per month! Yes, you read correctly, $20K and $40K! And I promise you this is not some made up story, I have actually seen their account statements.

Being a Successful Trader

There are three general things you must have in order to be a successful forex trader:

#1

You must have a good system. The system should be profitable in the long run and must be easy to implement. It should be of a mechanical nature, allowing little or no discretion or judgment from the trader's part. Especially if you are a starting trader, it is important that you follow **mechanical** hard-and-fast rules: if A=B then do C and D. The reason for this is simple. *There are a lot of emotions that come into play when trading*. If you have a set of rules to follow then you know exactly what to do and no matter what your feelings are telling you, you can ignore them and simply follow the precise rules dictated by your system.

All my trading systems are 100% mechanical, I do not use judgement or discretion. Not that there are no profitable discretionary systems, but I personally like mechanical ones.

#2

You must have a good set of money management rules. Throughout my trading career I have come to learn that success in trading is not only about having a good trading system (of course that is VERY important) but also about having a good set of money management rules and principles. Trading without following these precise money management rules is a sure way to fail.

For those of you that are new to the business of trading, let me explain what I mean by money management. The term refers to the principles and discipline you use in order to control your risk exposure when entering a trade. How much of your total capital you will risk on any individual trade, where you will place your stop loss, where you will place your profit objective and the ratio between your profit objective etc.

#3

You must be able to control your emotions. This is a very important rule a trader must learn to master. While trading, you are constantly presented with feelings such as fear, greed, and excessive excitement (for example - as a result of a winning streak). The reason many traders experience these types of feelings is simple, they don't have a good trading plan. They don't have a good and clear set of rules to follow. They will trade based on emotions rather than on signals issued by a *robust and profitable system*. They will not respect stop losses, profit objectives or any other important parameters essential for profitable trading.

I strongly believe in emotion-free trading. It is essential for success and that is how you will be the best of the best, by following a precise set of rules that are easy to implement and require absolutely no discretion.

The Forex Broker

One of the biggest advantages of the forex market is the way the online brokerage industry has evolved with the birth of the internet. Not long ago forex trading was reserved for banks, commercial companies, large investors, and various types of funds. Unfortunately, the small individual trader had no access to this incredible trading opportunity.

Today however, the small trader like you and me can access this market and trade just as any large investor, funds or large commercial company would. **The opportunity exists equally for all**. No advantages to size. Small or big, all play by the same rules.

Today, forex brokers are very efficient in terms of cost and service. Many online brokers provide a 24 hour customer service, be it through the phone or online via their website. Forex trading is a booming industry and forex brokers know it. They will do anything and everything in order to attract clients. One of the best outcomes from this fierce competition is the low cost of trading. Let me explain.

Forex brokers will not charge a commission per trade as do stock and futures brokers. Instead, they will profit from what is called the “spread”. Spread is the difference between the bid and ask price and is measured in pips (the smallest move of a currency rate, we will expand on the issue of pips later in the course). While 8 or 9 years ago this spread could have been 6-7 pips for the most traded currency pairs, today depending on the forex broker you choose it can be as low as 2-3 pips! This is a huge advantage for us as traders since it represents a much lower cost of trading.

The Demo Account

Every single broker I know of will offer you a free demo account option to test their service. This demo account allows you to trade exactly as you would trade real money. Same market conditions, same fills, same software, all the same as in a live account.
The demo account option represents an incredible opportunity for every person wanting to profit from the forex market. Why? *Simply because you can test any trading system without having to risk one single dollar!*

Actually, this is the way I test trading systems when designing them. I create the system, test it on a demo account for about 3-4 months without risking a single dollar, if it works to my satisfaction I keep it and start trading it on a live account. What other business opportunity allows you to test your idea/product/service without having to risk money? And not only test it, but test it in real market conditions!

Leverage and Compounding for Impressive Returns

One of the true secrets of successful wealth building through forex trading is leverage and compounding on your profits. With the help of leverage you can buy much more currency than what your actual account size allows you on a 1 to 1 basis. When you use leverage, your FX broker allows you to increase your purchasing power by as much as 4,000%! As an example, for every USD $1 in your FX account, many brokers will allow you to purchase USD $ 400. This is very powerful and can be very profitable. However, you must have an excellent strategy to manage this leverage issue well so you can take advantage of its maximum potential but at the same time manage your money well for minimum risk exposure.

So, leverage simply allows you have a much greater purchasing power and increase your profits per trade accordingly. Compounding allows you to formulate a strategy with the objective of building wealth from your profits. So, instead of taking money out of the account every time profit accumulates, those profits are used for future trades. Let's look at an example of how leverage and compounding can dramatically grow a small account size over time:

The following is a projection of three scenarios over a three year period each. The first starting with a USD $3000 account, the second starting with a USD $7,000 account and the third starting with a USD $15,000 account. All three calculations are based on a 2% weekly net increase in account size. No profits are taken out of the account, ***they are re-invested in next weeks trades***.
So, in other words, we will see how these three accounts would grow over a periods of three years based on the above criteria.

Example 1:

Starting Account Size – USD $3,000
Weekly increase in account size: 2%.
Account growth after 1 year: $ 8,401
Account growth after 2 years: $ 23,526
Account growth after 3 years: $ 65,879

Example 2:

Starting Account Size – USD $7,000
Weekly increase in account size: 2%.
Account growth after 1 year: $ 19,602
Account growth after 2 years: $ 54,893
Account growth after 3 years: $ 153,718

Example 3:

Starting Account Size – USD $15,000
Weekly increase in account size: 2%.
Account growth after 1 year: $ 42,005
Account growth after 2 years: $ 117,628
Account growth after 3 years: $ 329,396

Can you now see the power of compounding over time? I repeat, this is one of the greatest tools a trader has for building wealth. An account of USD $3,000 could grow to $ 65,879 in three years using correct money management rules and a good trading system(s). Same goes for an account of $ 7,000 (to $153,718) and an account of $ 15,000 (to $ 329,396).

Use a good money management system, a robust trading system, be disciplined and you could be amongst the 5% of traders who live the dream of creating true exponential wealth in the FX market.

The Fx Blaster Mechanical System

The Fx Blaster system takes advantage of a special pattern that occurs in the FX market. Now, if you are a seasoned trader you are probably familiar with the general pattern the system is based on. However, and this is very important, I have taken a different and advanced approach to it which allows me to **quantify** the information and **adapt** the pattern to the specific currency pair which I believe it works best on. This gives the trader the option to trade the pattern through a complete **mechanical approach** instead of having to do extensive guess work. I will not be covering elemental areas of forex trading here such as what is a pip, how a currency trade works, types of orders etc. You can find this information for free on many websites on the internet.

When you trade forex or any other financial vehicle you have what I call *universal strategies* and *market specific strategies*. Universal strategies are trading methods that apply and work with most markets. Of course there must be some type of broad filters (such as volatile and non-volatile markets) but the idea is that the trading strategy fits a broad range of markets. Specific strategies are designed for a specific type of market. These strategies are based upon the principle that every market has its own personality and

characteristics. In my opinion, both approaches are valid; it's just a matter of your approach to trading.
Throughout my career I have used both general and market specific trading strategies. I personally like to explore a market's behavior and adapt a strategy to it. But again, this is very subjective and there is no right or wrong in this area. In fact, in trading as a whole there is no right or wrong. There is works and does not work!

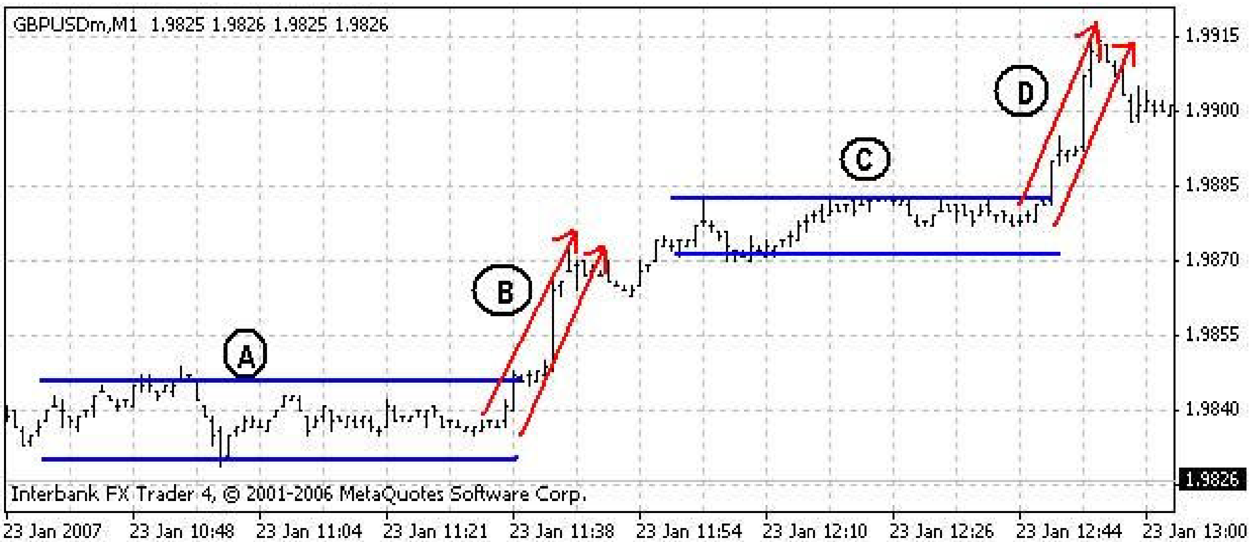
The ***Fx Blaster* mechanical system** is a market specific strategy. This means that I have decided that it works best on a certain currency pair and with certain ***unique*** filters that derive from this pair's behavior. The currency pair is GBP/USD and you will later understand why.

The Basics

Most of us are familiar with market consolidations. What happens is that at any given time frame, at some point, the market is directionless. This means that there is sideways movement instead of trending market action. The sideways movement can be an indication that the market is catching it's breath in order to A) continue the trend, or B) reverse from its original direction.

Let's look at some examples of what market consolidations are and their visual appearance.

A). Market consolidations on a one minute bar chart GBP/USD



The above one minute bar chart is a perfect example of how price movement can consolidate and trend a few times in a short period of time. At point **A** we can see that the GBP/USD moves in a range between 1.9848 and 1.9830 for about two hours. Point **B** illustrates the breakout from the range, in this case up. Then again, the market ranges between 1.9885 and 1.9870 as seen in point **C**. The upwards trend continues with a breakout at point **D**.

B). Market consolidations on a 4 hour bar chart GBP/USD

Here we can see almost the same market action we saw on a one minute chart but on a four hour chart. At point **A** the pair is trending upwards from around 1.7500 to around 1.7940. The market pauses at point **B** and ranges between 1.7750 and 1.7940. After four days of ranging we can see at point **C** that the pair breaks out of the range and continues its trend upwards to around 1.8415. I must point out that in this specific occasion the trend continued. However, this is not always the case and as you will see later, many times the trend reverses after a consolidation. Sometimes, a reverse move yields a much bigger move than a continuation move. This is important for you to understand. Why? Simply because many traders are taught to think that large moves, most of the time, derive from trend continuation. Not true. I have seen as many large moves derive from a reversal as from a continuation of a trend. *Don't lock yourself into a mode of thinking which originates from mass market psychology*. Be different and you will be light years of the heard!

The above market actions show us very simple technical analysis principles. Markets consolidate, catch their breath, and either continue the original trend or reverse, allowing the trader to catch very profitable moves. Nothing new here. However, *the problem with these patterns is that they look good on a chart in hindsight but are rather difficult to pinpoint in live trading*. This is exactly what the ***Fx Blaster*** mechanical system aims to provide a solution for. Through ***Fx Blaster*** you will learn how to trade consolidations of the market in a mechanical mode. The idea is to take any interpretation and discretion out of the trade. As you will learn later, ***Fx Blaster*** provides a solution to the following problems:

A.) How to know **exactly** when a valid consolidation has formed.
B.) How to know **exactly** were to place your entry order.
C.) How to know **exactly** were to place your stop loss.
D.) How to know **exactly** were to place your profit objective.
E.) When not to trade.

All these without any discretion, judgment or interpretation making it a stress free mechanical trade.

The System

As I mentioned earlier Fx Blaster trades the GBP/USD. Why this pair? Well, simply because this is the most volatile pair of all currency pairs. The volatility is extraordinary. The liquidity is very good and most important these are constants rather than exceptions. Other major currency pairs do have good volatility as well, but the big moves they experience are not as constant as with the GBP/USD. In my personal opinion this currency pair is a traders dream in all aspects.

One other aspect I really like about this pair is that is that its breakouts are very predictable. This means that when a consolidation occurs you can almost be certain that a big move is ahead. Remember I talked earlier about general and market specific strategies? Well, this is exactly what I am referring to now. When you study the GBP/USD market you can see that it has its own specific "personality". This "personality" is perfect for a system like Fx Blaster.

Let's now dive into the steps for identifying, entering and exiting the trade. Remember, all these are rule based.

Identifying an Fx Blaster Set-Up

The time frame we use for this system is a one hour bar chart. I have found that this time frame is the best for Fx Blaster trades. I don't like trading this system on smaller time frames simply because there is too much noise and many fake moves; in other words, the market whipsaws causing the trader to experience unnecessary losses.

This setup is what I call a sequence of inside bars. However, this is not in the conventional approach to the inside bar concept. Let me explain the idea with the help of illustrations.

Illustration A:

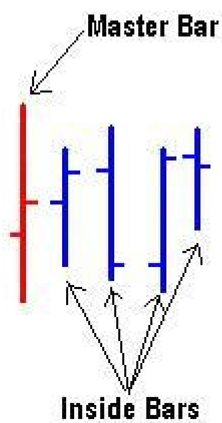
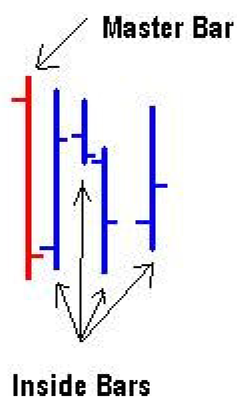


Illustration B:

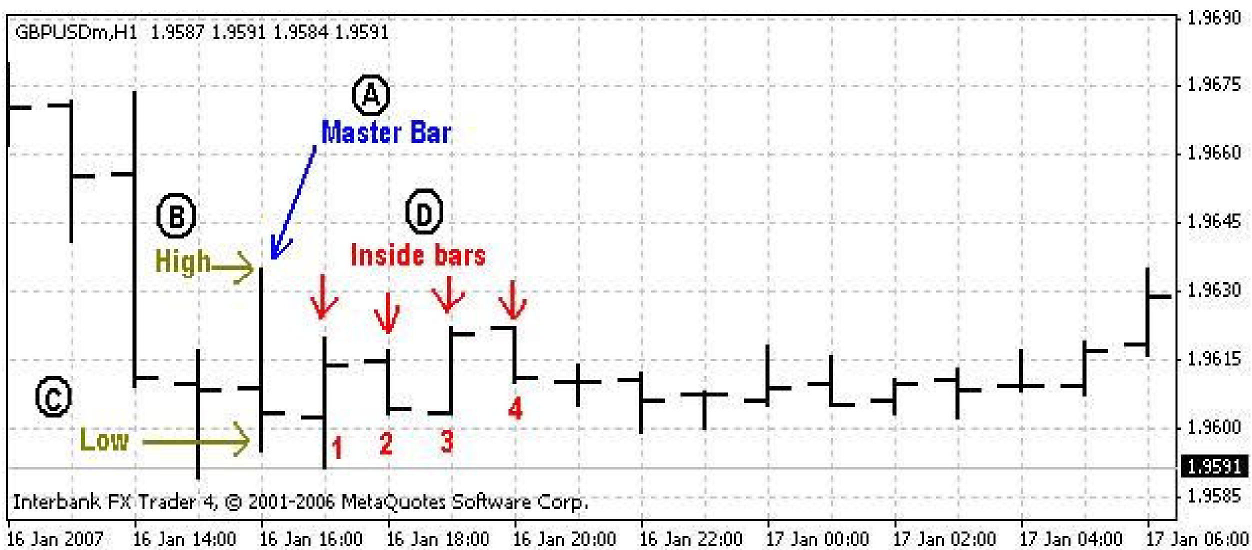


There are two components to the setup. The master bar and the 4 inside bars. The master bar will always contain the 4 inside bars. As you can see from the above illustrations the inside bars can be in any order and any size as long as they are contained within the master bar (red bar). So, the perfect setup is 4 inside bars **completely** contained within the master bar. However, this "perfect" setup does not occur very often so we will be a bit more flexible. We will add a filter. Any or all of the inside bars may (but don't have to of course) also penetrate any side (top, bottom or both) of the master bar **as long as this penetration is not greater than 4 pips**. Why 4 pips? Simply because on an hourly bar chart a 4 pip penetration is negligible.

Most probably your question now is, how do you identify a master bar? Well, it's a process. As soon as you see a bar contained in a previous bar (or maximum 4 pips above and/or below high/low), a master bar has been established. From that point onwards you wait and see if the next three bars are also contained within the master bar. If yes, an Fx Blaster setup has been established.

Let's look at several GBP/USD examples.

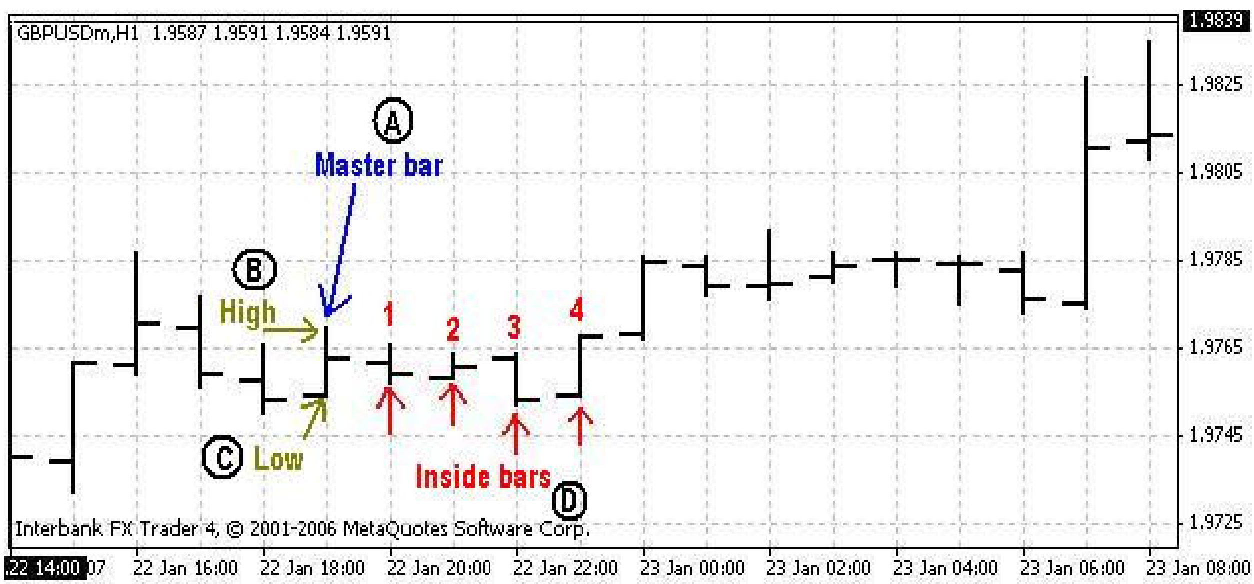
Example #1:



Ok, let's label each element of the Fx Blaster setup on the above 1 hour GBP/USD chart. **A** represents the master bar. Again, this bar is the bar which should contain the inside bars. **B** and **C** represent the high and low of the master bar. The inside bars are labeled 1,2,3, and 4 (**D**). Note how inside bar 1 reaches below the master bar. This is ok, as I explained earlier, as long as it does not penetrate the high or low of the master bar by more than 4 pips, the inside bar is still a valid bar for the setup.

There is no limit to how large a master bar can be. It can be as small as 5 pips or less (although this will be a rare occurrence on a 1 hour bar chart) or it can be as large as 50 pips or more.

Example #2:



Again, the same pattern occurs on a GBP/USD one hour bar chart. **A** represents the master bar. **B** and **C** show us the high and low of

the master bar. **D** shows us inside bars 1,2,3 and 4. Note how inside bar 3 penetrates the low of the master bar. Again, this is ok if it is by not more than 4 pips. In this case it is only 3 pips.
If more than one inside bar penetrates the high/low of the master bar it is ok as well. If one or more inside bars penetrate the high/low of the master bar by 4 pips or less in both sides it is also ok.

Ok, we have gone over two examples of how to identify a Fx Blaster setup on a GBP/USD one hour chart. We will now go over the entry and exit rules.

Entry and Exit Rules

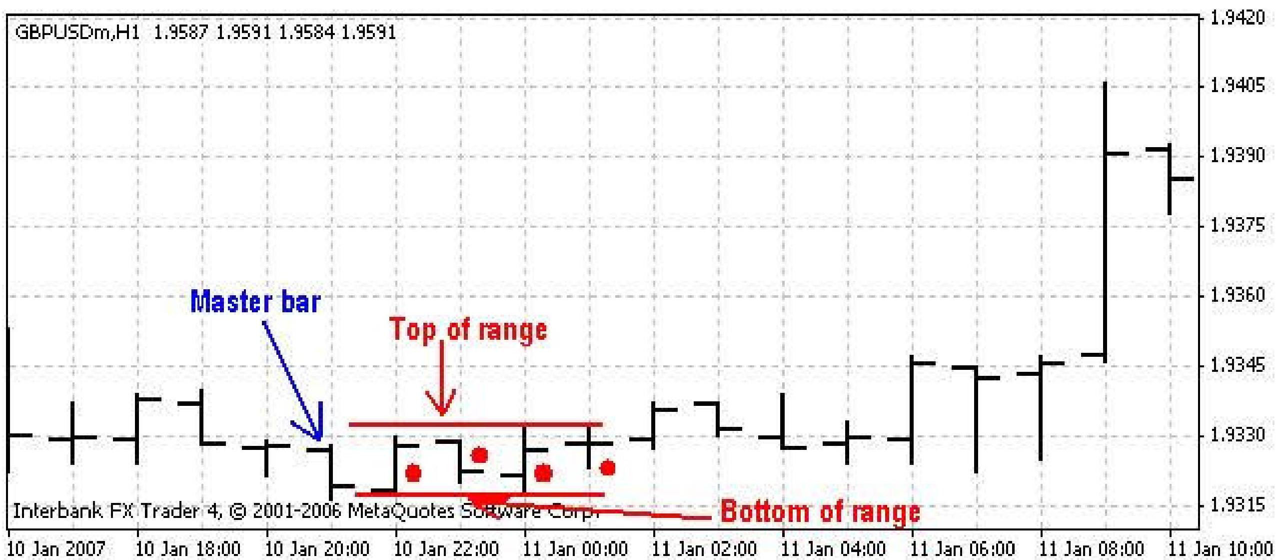
Once we have identified the correct setup as described earlier, it is time to place the trade, set a profit objective and a stop loss price. Since Fx Blaster is a mechanical system, all these are pre-determined so that the trader does not have to use any type of judgment or discretion.

Trade Entry

Once we have spotted an Fx Blaster setup we wait for the market to move one pip above or below the high or low of the 4 inside bars. Let's be more specific here. The 4 inside bars have created a price range. This price range has a low and a high price. So, we simply wait for the market to move one pip above or below this price range. If the market first moves above the price range by one pip we enter a buy order. If the market first moves below the price range by one pip we enter a sell order.

Let's go over some examples.

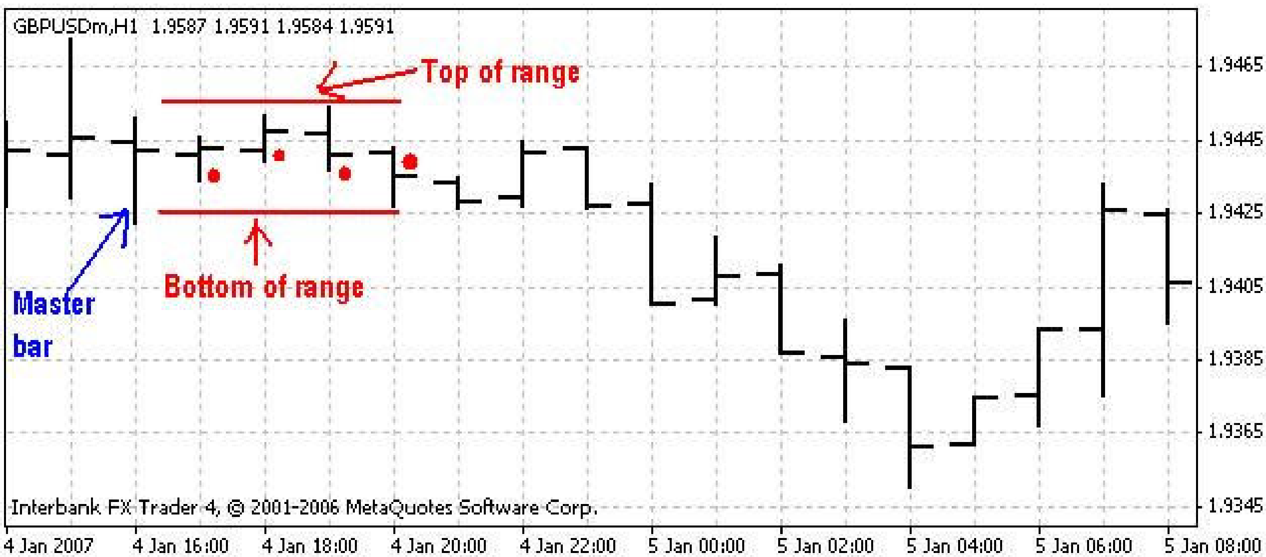
Example #1:



From the above chart you can see what we already learned previously. Once the fourth inside bar of a one hour GBP/USD bar

chart has closed a range has been created (you can see besides each of the inside bars a red dot). As you can see in this chart the range has a top and a bottom. The top is the highest price reached by the range. The bottom is the lowest price reached by the range.
Let's look at another example.

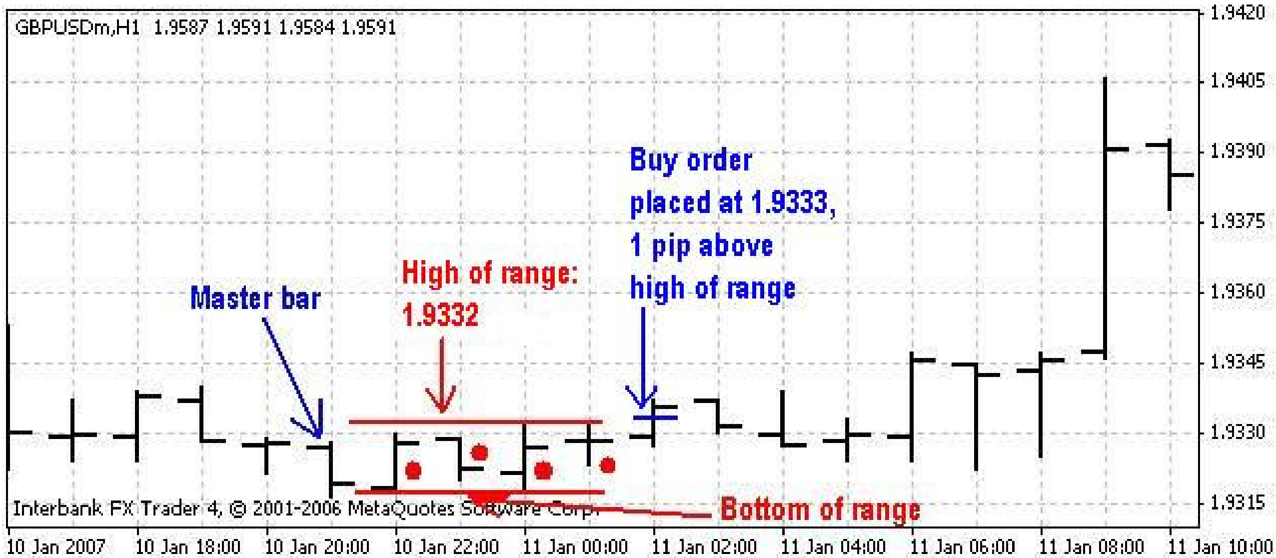
Example #2:



In this example we again see a range forming and being contained by the master bar. Besides each red dot is an inside bar. Look at inside bar #3. It penetrates the high of the master bar but by only 3 pips. Remember, as long as the penetration is 4 pips or less it is ok and the bar is still considered an inside bar.
So, a range has been created after the close of the fourth inside bar and we now have a high and low for the range (contained in the between the red lines in the chart).

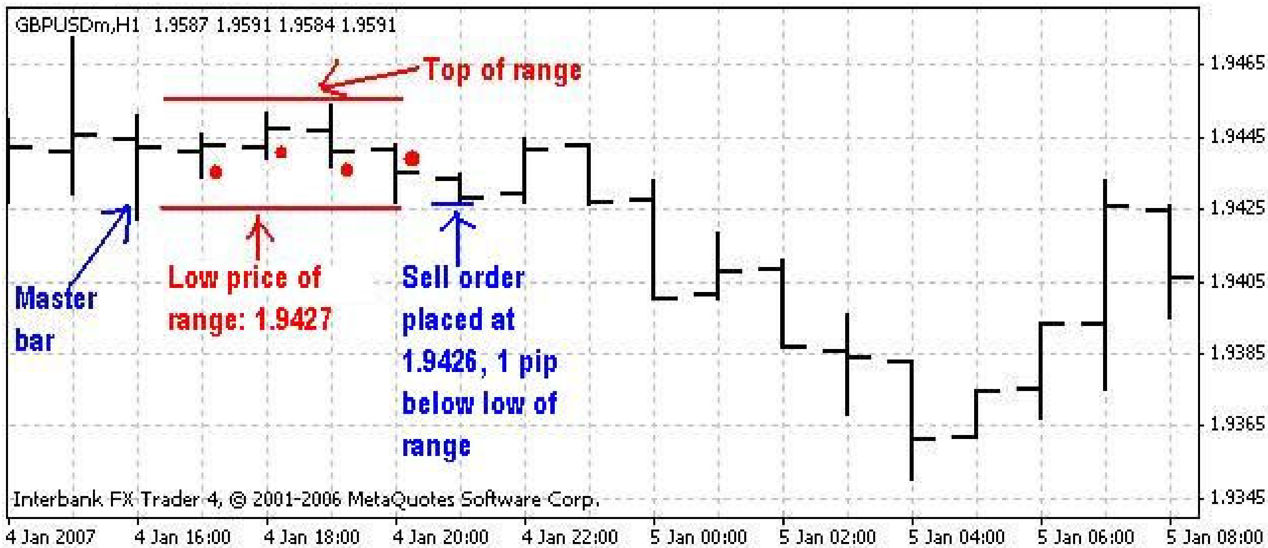
Now that we established the range's top high and low price it is time to wait for the market to penetrate one of these prices by one pip in order to place our trade. Let's look at how this would have occurred in the last two charts we just went over.

Placing the buy or sell (long or short) order



This is the chart from example #1. We have identified the high of the range and we know it is 1.9332. The next bar after the 4th inside bar moves one pip above the established high and we place our buy (long) order at 1.9333. **Important**: in this case it was the very next bar after the 4th inside bar that crossed the high price of the range. However, there is no limit as to how many bars are formed after the 4th inside bar before a move above or below the high/low of the range occurs in order to enter the trade. As an example, it can happen that the next 3 bars after the 4th inside bar still do not cross the high or low of the range. This is ok. You just wait until one does.

Let's look at how our entry would have been on chart example # 2.



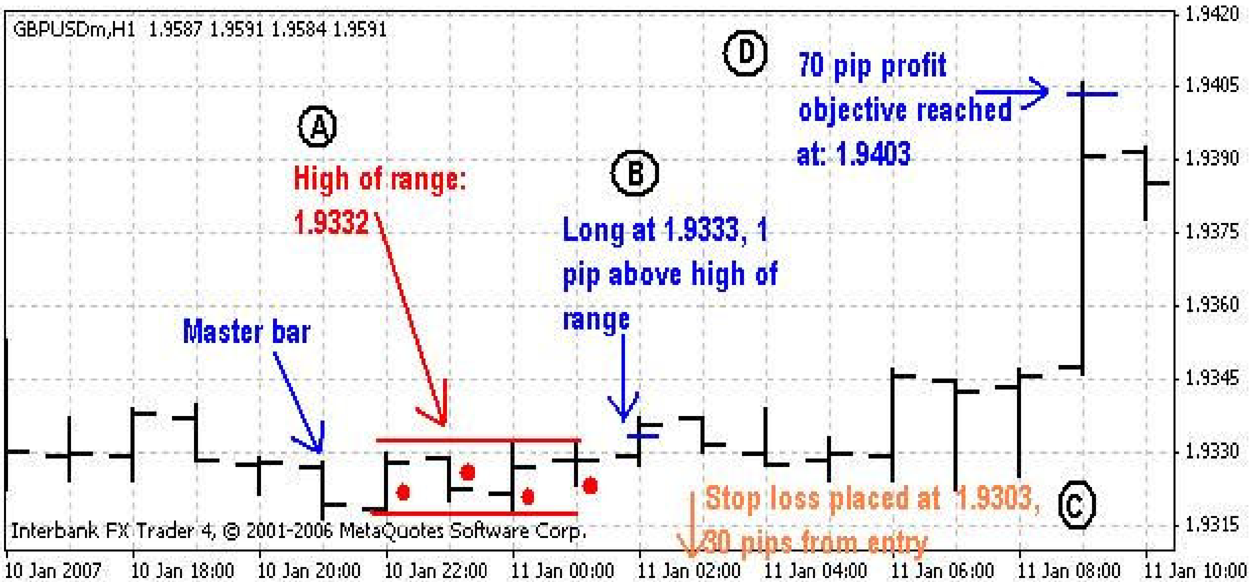
In this setup we identified the low price of the range, 1.9427. The very next bar after the 4th inside bar crosses the low of the range and we place a sell (short) order at 1.9426, 1 pip below the lowest price of the range.

Again, in this case as in the previous one we saw price crossed the low of the range in the very next bar after the 4th bar. Remember, I explained this earlier; it will not always be the very next bar which crosses the high or low of the range. Sometimes you will have to wait several bars until one crosses the established high or low of the 4 inside bar range.

Trade exit and the reverse trade

Once the trade is entered as described above we set a profit objective and a stop loss. The stop loss is 30 pips from entry price. The profit objective is 70 pips from entry price.

Let's look at an example of how these orders should be placed.



A shows us the high of the 4 inside bars range, 1.9332. **B** illustrates the buy order price which is placed at 1.9333, 1 pip above the high of the 4 inside bars range. After we entered the buy order we immediately place a stop loss order 30 pips from entry (at 1.9303) as illustrated by **C**. Once the stop loss order is entered we place a take profit order, **D**, at 70 pips above the entry price. In this case, 1.9403.

In this case the profit objective was reached quite soon and the trader would have made USD $700 from the trade if traded with one standard unit.

The reverse trade

This is a very simple part of the system. I designed the reverse trade because at times there are fake breakouts from the 4 inside bar range. What can happen is that the market crosses the high or low of the 4 inside bar range and instead of continuing its move it reverses at some point and trends in the other direction of the range. We want to be able to take advantage of this reverse move if it happens.

The rule is very simple. Two scenarios can occur:

1. Your 30 pip stop loss is hit **but** the market has not yet crossed the other side of the range by 1 pip.
2. Your 30 pip stop loss is hit and the market has already crossed the other side of the range by 1 pip or more.

If scenario number one occurs you wait for the market to cross the other side of the range by 1 pip and only then you enter the reverse trade. So, if you were stopped out from a long position you would be looking to place a short trade now.

If scenario number two occurs you simple place a trade to the other direction at the price you were stopped out. So again, if you were stopped out from a long trade you would now place a short trade at the price you were stopped out at.

No matter which of the above two scenarios occur, you do not reverse again. Also, once you've reversed, the same rules apply with regard to your profit objective and stop loss.

Other issues of importance:

Question: How long should I wait for my profit objective or stop loss order to be reached?

Answer: There is no time limit.

Question: Is there a time limit with regard to the reverse trade?

Answer: No. Once you enter a reverse trade the same rules apply as in your first trade.

Question: Is there a time limit as to how long I should wait for the reverse trade to occur?

Answer: No. There is no limit here. You will see that in most cases if you are stopped out the reverse trade will occur rather fast.

Question: What happens if after I enter a trade another Fx Blaster setup occurs (a master bar and 4 inside bars) while I am in the trade?

Answer: You disregard the new setup and you continue with the current trades rules.

Question: Suppose that I am stopped out from a reverse trade or my profit objective is reached. How long should I wait in order to look for a new Fx Blaster setup?

Answer: You start looking for a new Fx Blaster setup as soon as you have exited the reverse trade or your profit objective has been reached.

Question: How many Fx Blaster setups occur per month?

Answer: Well, that varies greatly. I would say that an average of 10-12 setups is about right. Some months more, some months less.

Question: Are there days I should not trade the Fx Blaster system?

Answer: Yes, on Non-Farm Payroll Fridays and major US holidays.

Question: Should I use a trailing stop?

Answer: I particularly do not like to use trailing stops and that is why I did not dive into this issue. Trailing stops will of course protect you from sudden reversals in price but at the same time your number of profitable trades will be lower.
Remember that the GBP/USD pair is very volatile. This means that you can expect several price bounces before the profit objective is reached. I personally like to place my take profit order and forget about the trade until either my stop loss is hit or my profit objective is reached.

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A Forex Trading Machine Product

Question: The forex spot market is a 24 H market, are there better times to enter a Fx Blaster trade?

Answer: I have found that for this particular strategy there should not be a "better" or "worse" time for trade entry. I trade it when a signal is triggered no matter if this is during the Asian, European or US session.