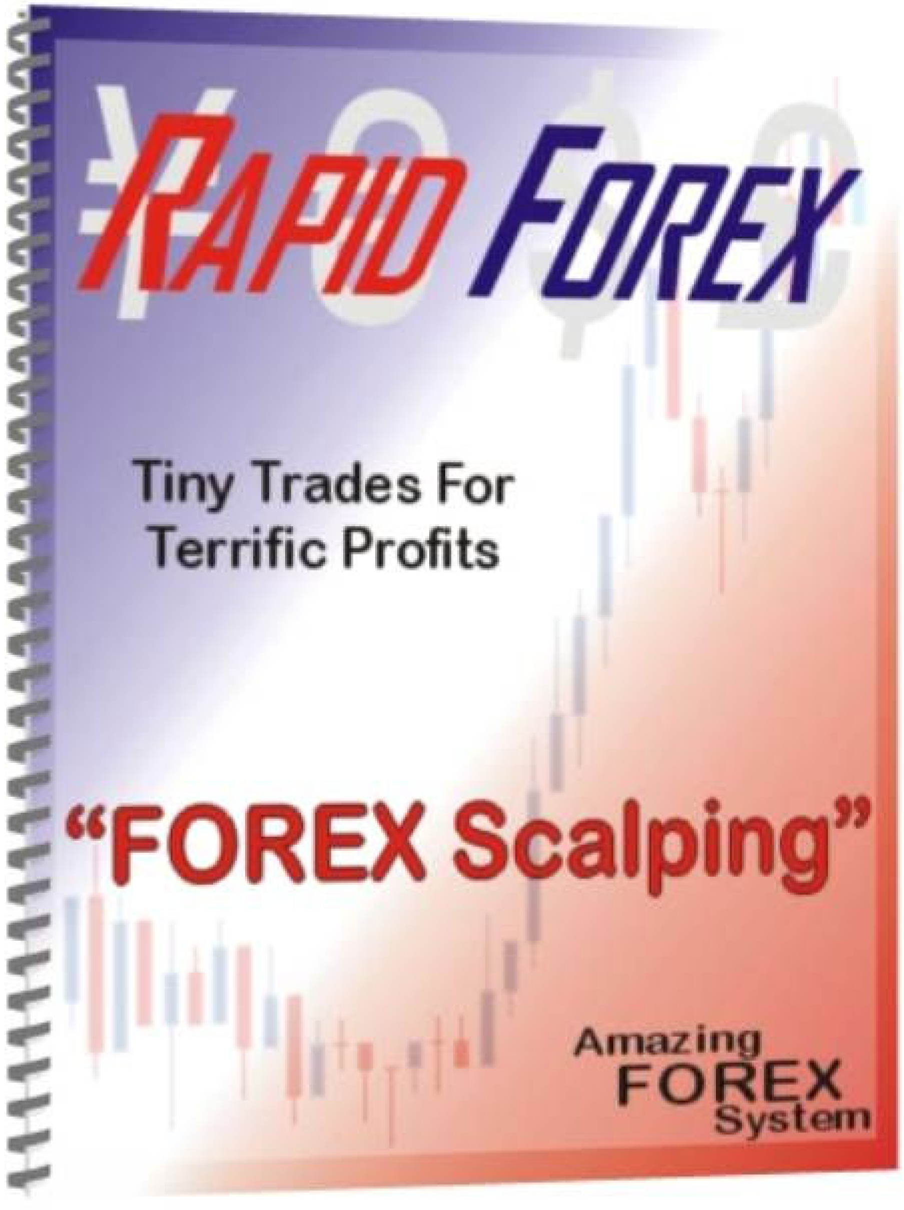

FOREX SCALPING

"Tiny Trades For Terrific Profits"

eBook By Robert Borowski

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This eBook has been formatted for easier on-screen reading

I dedicate this eBook to Brian. Little did I expect when small coincidences introduced us that you would become such a huge part of my life. You are far more than my business partner and best friend – you are a kindred spirit. You have enriched my life and exponentially added to my own boundless enthusiasm. I cannot express my immense gratitude for getting to know you, and can't fathom the marvelous journey yet ahead of us.

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PREREQUISITE READING

This eBook assumes that you have already read the following eBooks:

- Forex Surfing
- Explosive Profits (revised edition)

The above are prerequisites as this eBook assumes that you already understand a lot of the concepts originally taught there and those concepts will be referenced but not repeated here.

INTRODUCTION

WELCOME

Is it possible to score hundreds or even thousands of dollars (euro, pounds, yen, whatever) of profits in just a few minutes in the Forex markets? Yes it is! In this eBook we explore the fun & wildly profitable technique of "scalping" in the Forex markets. It is amazingly simple to learn and you'll probably be able to proficiently start using these ideas today!

Here we shall look at a few variations of how to accomplish "scalps". We'll discuss the pros and cons of this style of trading, and how to be well on your way to success with these techniques.

WHAT IS "SCALPING"?

"Scalping" can have various descriptions depending on whom you ask. Some folks would say that some "Forex Surfing" techniques are considered "scalps" due to the small size and duration of the trades. Different traders have different techniques for scalping, but one thing that can be universally agreed upon is that scalping involves tiny trades (both in amplitude and duration).

Typically, "scalping" is a specialized technique that involves making a tiny trade to capture a very small movement in the market. Whereas a "position trader" may engage in trades that are intended to last for multiple days to months (aiming for targets of hundreds to thousands of pips), and a "day trader" typically engages in trades that are intended to last for less than a day (aiming for targets ranging from 20 to 100 pips), a "scalper" engages in trades that might only last a few minutes aiming for targets of 5+ pips.

A scalper typically trades multiple Forex lots (mini or regular lots depending on the size of the account and risk tolerance), often more lots than one would normally trade if trading as either a "day trader" or a "position trader" (simply due to the fact that those styles typically require larger stops thus shrinking the amount of lots one can safely trade according to equity management principles). By trading more lots a scalper can achieve significant gains comparable to the gains expected by day & position traders in the same time span even though the scalper engages in much smaller individual trades. For example, a scalper that succeeds in capturing just 5 pips could have made $500 in under a minute if he traded 10 regular lots. In some circumstances (that you'll learn later in this eBook) the scalper could successfully capture 10, 20, 30 or even more pips that (assuming he traded 10 regular lots) would result in profits of $1,000, $2,000, or even $3,000 in a very short amount of time. Some scalp attempts can occasionally yield over 100 pips (over $10,000 trading 10 lots) – and YES, set ups like that happen several times each month!

Scalping is often considered to be an advanced trading style. Though scalping is quite simple in concept many consider it to be advanced because it requires very quick decision making, very quick reflexes to react when set ups are spotted, and the scalper must be skilled at quickly executing a trade. The keyword for the scalper is "speed". What makes "scalping" an *advanced* skill isn't that it's complicated; it is just that one must be both skillful and fast. Drinking coffee or energy drinks while scalping is a good idea. This style of trading certainly isn't for slow minded or slow moving people (please don't interpret this comment as being insulting for certain groups of people).

Scalpers often engage in multiple trades a day. Some scalpers execute dozens and dozens of trades each day, but don't worry; I'll teach you to do fewer. Scalps are executed in the direction of the current trend, usually taking little bites of the market movement, but can also be an entry technique into longer day trades to capture even larger profits. Skillfully scalping one can literally buy very close to the actual low and sell very close to the actual top of market movements; much closer than day traders, and certainly position traders, would normally accomplish.

Scalping is suited for some people & personalities better than others. Some traders love it, making it their primary trading style, whereas some traders hate it for their own personal reasons. Scalping is best reserved for traders after they are already familiar with other trading styles, but if this is your first exposure to trading Forex don't worry about it – you can easily learn everything you need to know to make some HUGE profits by scalping just by reading this eBook (however I strongly suggest you first read my other eBook "Forex Surfing" as there you'll learn many basics that I won't be covering here in this eBook).

"Scalping" seems to me to have a slightly negative perception in the minds of traders in general. I believe it is simply due to the name of the technique, as "ticket scalpers", people selling over priced tickets for concerts or sporting events, are commonly thought of as being sleazy. It seams to me that some "*advanced / experienced*" traders look down upon "scalping" techniques as being beneath them, or even unethical (perhaps this is from the days when floor traders at stock exchanges would sometimes scalp stocks). It's funny that even FXCM clearly doesn't like scalping for whatever reason (at the time of this writing FXCM has been hosting a mini trading contest called "King of the Mini". If you read the contest rules it is stated as rule #8, "NO SCALPING – At FXCM's discretion, entrants may be removed from the contest for employing trading techniques resembling 'scalping' or 'picking'". This doesn't make logical sense to me since they profit for the pip spreads of each executed trade, so while writing this eBook I decided to ask FXCM why this is a rule. They responded saying that scalping is generally "frowned upon", and though they permit traders to employ such techniques (since they profit from each trade entered) they simply disallow it for the contest because they feel it is an unacceptable practice for their trading contest.). I don't really know why there appears to be some kind of negative stigma to scalping, and I don't think it is justified. As far as I am concerned a profit is a profit regardless of what trading technique used, and as a trader all that matters is the profits.

Here is a link to an article on the web titled "Scalping: Small Quick Profits Can Add Up". I have included it here for your reference to be able to read a third party's definition of scalping. (Note: This is an external link. You need to be connected to the Internet to view this page. As I have no control over the content of their website this link may become inactive at some point in the future.)

THE JOY OF SCALPING

Why be a Forex Scalper? Simply put, it is both fun AND profitable! The concepts are easy to learn, easy to do (once you're skilled at it), provides you with an adrenaline rush, and can fatten your bank account.

Personally, I think that of all Forex trading methods that scalping is simply the most fun. The trading style is mentally stimulating, and it's exciting to watch your profits grow.

If you are a chronic trader, someone who enjoys doing frequent trades, you'll find that here you'll have the chance to be "trigger-happy". Day traders often have to wait for hours before a good trading opportunity comes along (sometimes they don't even trade that day if nothing seems to happen), position traders often have to wait for days or even weeks before a suitable trading opportunity presents itself, but a scalper can be joyfully raking in fantastic profits while the other traders are bored out of their minds! For these reasons experienced Forex traders can also add scalping to their trading toolbox; so that they have another tool to work with.

I'll elaborate upon when traders employing other styles of trading might switch to scalping. Generally speaking when a currency pair goes into a tight range or consolidation in the time frame view one is normally looking at, if you were to zoom in even closer it would be apparent that there is plenty of market move on a tiny scale. A trader could then scalp the tiny movements when otherwise they couldn't trade at all.

Often times it is generally best for most Forex traders to restrict trading activity to only the times when two markets overlap (typically 2am to 6am and 8am to 12noon EST (New York time)), however even outside of those times a trader can engage in scalping, thus a scalper can trade virtually at any time 24 hours a day. Because many people are simply part-time traders, trading as a hobby, due to having to go to work at some job, scalping is a method that may allow those people to trade who might not be able to otherwise participate in trading during the optimum times mentioned above.

Scalping professionally sure beats going to work at some J.O.B. (**J**ust **O**ver **B**roke – ever notice that you're still broke soon after getting paid?) that you hate everyday. As a scalper you can hang around your computer for a few hours, make say 5+ trades, and profit as much or more than you might earn all week going to a job working for a grueling 40 hours. If you have a job then don't despair… after some time your "hobby" of Forex Scalping can possibly save you from a lifetime of being a slave working to make some company rich.

All hype aside, I think that scalping is a useful skill for all traders to have for various reasons. As mentioned above, it allows a trader to trade during times when other styles of trading would make you sit on the sidelines (not trading), so you can engage in profit making activities when you otherwise couldn't. Scalping is best used in conjunction with, as a supplement, to other styles of trading – so keep trading your primary methods and add scalping to your trading toolbox.

The downside of scalping is that it is the most labor-intensive style of trading. Whereas longer-term styles of trading might only require minimal "work" each day (as some of the techniques presented in the eBook "Forex Sailing"), and some kinds of day trading (as taught in the eBook "Forex Surfing") may only require periodic checking of charts during a trading session, scalping however requires that you spend more time paying attention to charts throughout a trading session, and active concentration while engaged in a trade (you can't leave your computer to grab a coffee as easily). Despite the fact that it is the style of trading that most resembles "work" you should still take the time to learn this style regardless of whether you intend to trade it often or sparingly as it is a useful skill that can help improve your other trading methods in a variety of ways.

Remember also that you don't have to scalp everyday, but you can treat it as an occasional sport or game (best "played" in a demo account) for the shear joy, thrill, and instant gratification that this style of trading offers.

GREAT EXPECTATIONS

Whenever I start teaching someone how to trade the Forex the most common question they ask is "*how much $ can I make each day doing this?*". I always smile and shake my head once they inevitably ask this question. Everyone always asks this question (I remember asking this question too when I first started), and when you start teaching your friends (if you haven't already) then you too will get asked this question. Pay attention to how I answer it so that you too can give your protégés the correct answer.

It is first of all incorrect and inappropriate to state what can be expected in terms of dollars earned. Dollars (or whatever currency you are accustomed to) is by no means a relevant measuring unit to make comparisons with. If I told you that 'John' scored $50 today whereas 'Simon' scored $500 it would be understandable that at first glance you would more impressed with Simon's results. But hold one, what if I then told you that Simon just scored a single 5 pip scalp trading 10 regular lots, but John made three trades scoring 10 + 17 + 23 pips trading just one mini lot for each. With whom would you now be more impressed with? Your answer should now be John. He score 10 times more pips than simple Simon. Pips, as you should now understand, are absolutely relative (meaning that you can make comparisons) but dollars are not because dollars are contingent upon how many lots you can afford to trade.

So now here is the answer you are looking for. A conservative scalper should be able to consistently (and by now from reading my other eBooks you should understand the significance of the word "*consistently*") average 20 to 60 pips a day (depending on how skillful you are, and how aggressively you trade). For the following examples we'll use a realistic 40 pips. (*Actually you could do much better than what I just suggested, but I'd rather you start off with a low expectation and then let you find what your average is – which could be much* *higher.*)

Ok, so how many dollars can this mean to you? Well here is where you write your own paycheck.

It all depends on your account size. If using proper equity management principles all you can afford to trade is one mini lot then if you were to hypothetically capture 40 pips on average on EUR/USD then you would have made an impressive forty bucks. Ok, it's nothing to get excited over but assuming you kept up that average for a full month (20 trading days) then you might have captured 800 pips for an $800 profit (surely it sounds better now – and an 800 pip month is impressive by anyone's standards).

Continuing the above hypothetical scenario, if you were to trade 5 mini lots then you'd be averaging $200 daily or $4,000 monthly - - 1 regular lot (equal to 10 mini lots) would be $400 daily or $8,000 monthly - - 5 regular lots would be $2,000 daily or $40,000 monthly - - 10 regular lots would be $4,000 daily or $80,000 monthly. You get the idea.

I could seriously answer you that you that you could expect to earn $40 a day and you'd immediately lose interest (too bad for you because you'd miss a great opportunity) or I could casually state that you could expect $4,000 a day which might blow your mind (depending on what your current income level is – if you are Donald Trump then this chump change would bore you) and you'd probably start suspecting that I smoke crack (I don't, it's just a derogatory slang expression implying absurdity).

So now do you understand why it is completely pointless to ask how much $ you can be making each day (on average)?

As a beginner assume that you'll only average 20 pips daily (yes, it's realistic) and then calculate your own "paycheck" based on the account size you expect that you'll be trading with (applying proper equity management principles).

"Why do you talk about the money you can make earlier in the eBook and on your website rather than talk about pips?" Simply put, most people wouldn't understand the significance of potential pip gains, but they sure can recognize the meaning of dollar figure examples. Any dollar amounts ever quoted on my website or in any of my writing is simply a realistic "carrot" to get people to realize that trading Forex can be a very profitable activity. So stated dollar amounts (always hypothetical of course) is just so that people who wouldn't otherwise understand the opportunity can start realizing that this could

possibly be for them. Let's face it, everyone, surely including you (and me too), first gets attracted to Forex for the income possibilities. So when people initially ask you how much money one can earn trading Forex you can simply give them some dollar examples to spark their interest, then when you start teaching them you then explain that the dollars are irrelevant and that only pips really matter.

USE WITH "FOREX FREEDOM"?

Can you combine scalping techniques with the exponential growth plan presented in the eBook "Forex Freedom"? Absolutely!

Most scalping techniques initially rely upon a 10 pip stop (elaborated upon later in this eBook) however the plan as laid out in "Forex Freedom" assumes you are using 20 pip stops. As scalping is somewhat "riskier" don't double your lots, but just follow along with the suggested amount of lots as described in that eBook.

If you do intend to scalp your way through the "Forex Freedom" plan I would strongly recommend that you have plenty of practice in a demo account (and have demonstrated profit) before scalping in your real money mini account.

WARNING

Before we proceed any further I want you to be aware that these methods can be "*High-Risk / High-Reward*". I don't want to be a wet rag on your learning enthusiasm but I've placed a "Warning" for you to read. Please consider the "warning" which I am stating for your protection, but don't let it scare you off from reading the rest of this eBook… and from attempting these techniques. Yes, there are some risks (as with any trading system), but for the most part you'll find that the risks are easy to swallow and the profits gained by these methods are quite lucrative.

BASIC CONSIDERATIONS

PRACTICE MAKES WISDOM

Have you ever watched a game of some professional sport such as football, hockey, baseball, soccer or basketball? Surely you would agree that the athletes have spent many hours (actually years) practicing and honing their athletic skills before they ran out onto the field for the big game (the *real* game). Before you trade with *real* money you too should practice practice practice with fake money in a "demo trading account".

By the time you finish reading this eBook you'll likely feel confident that you can successfully scalp trade. Chances are that you'll probably be able to, but just because you can do something doesn't mean you should do something. You really do need to practice to gain proficiency as a scalp trader.

You can read this entire eBook, study all the trading rules and trading set ups presented, however there is simply something that I can't teach you that you can only learn by your own practicing. Being able to read the charts in real time and being able to decipher & to make the decision whether to trade or exit a trade requires what can seem like intuition. Once you are skilled at scalping you almost appear to be psychic to someone sitting next to you.

The only way to develop this "intuition" is by extensive practicing. Once you've watched your real-time charts long enough and have witnessed many micro trends as they happen you'll begin to get a "*feel*" for what the market is doing based on the behavior of the real-time price action. Again, this isn't something I (or anyone) can possibly teach you within a book such as this; you can only cultivate this "intuitive" skill by observing the live market.

This eBook will teach you the knowledge you need to know to be able to able to scalp trade the Forex market, but, as any athlete can tell you, you need to practice to develop proficiency. Many people have "knowledge", but few people have "wisdom" – wisdom is the result of the marriage of "knowledge" and "experience". Reading this eBook will provide you with easy knowledge, but to develop the wisdom is completely up to you (clue: practice practice practice).

TOOLS OF THE TRADE (pun intended)

The next few sections will discuss some of the tools you will need to scalp trade.

YOUR COMPUTER

Obviously you'll need the standard tools such as a trading account and charts (we'll get to those shortly), but here is a topic I haven't previously discussed in my other eBooks – your computer.

With most Forex trading techniques you can make do with a lame computer and slow Internet (dial up), however with the fast paced world of Forex scalping you really do need a reliably quick computer.

As a Forex scalper you need your charts to display the most up to date price possible, and you need your brokerage software to execute a trade promptly. Even with the best computer and a screaming fast Internet connection you'll still have some lag time (not to mention how long it takes for you to physically move your mouse and click to enter a trade). Often as a scalper you'll experience missing out on a few pips (of lost profit) because of slight inefficiencies (somewhat frustrating at times), but if you have to deal with a painfully slow computer and a molasses Internet connection speed then you'll soon be tempted to introduce your computer to a sledge hammer. For a scalper lost seconds means lost pips which means lost profits. Even in a single day of trading this can add up to HUNDREDS of dollars, even thousands, of missed profits.

The first thing to do to ensure that your computer is running your trading tools smoothly is to NOT have other programs running on your computer while trading. Having many programs open eats up your computer's resources, which can mean that your charts aren't refreshing as fast, and it may take longer to execute a trade. If you must listen to music then please turn on the radio, don't listen to MP3s on your computer, or God forbid, DON'T be streaming music off of the Internet unless you have a very fast computer with High-Speed Internet (even then it's still better not to).

Chances are your computer itself is good enough to scalp trade with (unless you are using something that is 10 years old), however you may find that it starts running slower over time. If you ever find that your computer is running like molasses, or much slower than you remember from the past then it may be time to reformat your computer. It is generally a good idea to reformat your computer every 6 months (kind of like going to the dentist) to keep it running smoothly. If you don't know how to do this then invite a tech-savvy friend over for a few beers to help you out with this.

If you think that your computer sucks then perhaps you should consider buying a new one. You don't have to spend a fortune buying the best computer available, as generally the cheapest computer you can buy at your favorite high-tech toy store is more than adequate for the purpose of scalping with. You can always justify the expense by the profits it'll make for you.

Your Internet connection is also important. Folks, I can't understand why anyone would still use dial-up for Internet access (unless it is all that is available in your area) when High-Speed is not that much more expensive (typically around 2 to 3 times the price of dial-up). Just the thought of surfing the web on dial-up stresses me out let alone trading with it. If it is all you have available then it'll work for you, but seriously, if you can have high speed Internet available then just pay the extra $20 or $30 per month. After a few days of surfing the web you'll wonder how you've ever done without it, and surely each month you'll catch at least an extra couple of pips that'll more than pay for it.

SERIOUS TRADING COMPUTER

I wasn't going to add this topic (as it isn't specific to scalping techniques) but decided to include these thoughts here for you as it can give you a solution to the problems that I've faced for a while before figuring it out myself. These ideas are useful for you regardless of what style of Forex trading you do, however for a scalper these ideas can be of immense value due to the fact that you want to keep a more constant pulse on the market.

I have an "office" in my home where theoretically I am supposed to do most of my work, however I actually spend about 99% of my time "working" (trading & doing all the other things I do) in my living room (actually on my sofa – you should see the "butt print" there – my chiropractor considers me a "valued client"). I have a nice setup in my home office, including multiple screens, but I've found that I don't hang around in that room most of the time, thus I can't be watching what is happening in the markets throughout the day.

The solution that I'm about to present isn't for everyone, as it does cost some money, but if you are a serious trader making nice $$$ by trading, especially with scalping, then you should consider this idea for yourself.

Buy a laptop computer that is exclusively dedicated to trading. Don't use it for anything other than for trading. If you need to use a computer then use another one, but this laptop computer is your dedicated trading machine.

The reason for having this laptop is that it is portable, so you can be lugging it around your home (or elsewhere). What you want to do is to have it turned on and situated wherever you are so you can frequently glance at the charts to see what the market is doing, scanning regularly for potential scalp trading opportunities. If you are in the living room watching television then have it sitting on your coffee table, or on a pedestal next to the sofa, where you can just look at it from time to time. If you are hanging out elsewhere like the kitchen, family room, bedroom (provided that your spouse allows this distraction), backyard, or elsewhere then you can take it with you and place it somewhere you can glance at it periodically. If you are a doctor, lawyer, business owner, or some other professional (if you are an employee your boss might not approve, but if you are the "big kahuna" then you can do whatever you want) then you can also take this laptop computer to your office to scan the markets throughout the day (heck, you might score more profits than what you do at work all week).

You don't need to buy an expensive laptop computer; the cheapest one available from a large "high-tech toy store" will be far more than adequate. Get a laptop with a "wide screen" (the screen is the dimensions of a wide screen DVD movie). I'd suggest that you talk to the sales agent about which laptop has a quiet fan (as I find the hum of the fan annoying), and you might want to splurge on having a smaller lighter laptop (but these usually cost more, which is not necessary – my personal preference is for tiny computers). I'm a laptop computer addict (my wife rolls her eyes at me because I buy a new one every several months) so I usually don't buy the extended warrantees that they try to sell (I think that they're a big rip off), but because of how you'll be using this computer you might want to consider getting it (it'll be on for extended periods and so it is possible that it may breakdown from "wear & tear").

The reason you want a wide screen is because you can have multiple windows open and arranged so that different areas of your screen shows different charts (for visual scanning purposes), and then when you'll be trading you can have your trading software on one side with the chart on the other side.

Here are some useful accessories that you might want to consider getting.

You might want to get an optical wireless mouse. A wireless mouse is great because you can manipulate your computer without having to move the computer from the convenient place where it is resting, and if the mouse is optical (not a track ball inside) then you can use it on just about any surface, such as a coffee table, sofa, magazine, or anything (no mouse pad required).

Your laptop computer should come with a WiFi wireless device inside that allows you to connect to the Internet wirelessly (obviously you'll need a wireless router on your Internet connection). I have found that for most purposes the wireless works great, but occasionally I lose the wireless connection. What I did is I bought a "Powerline Ethernet Bridge" ("HomePlug" from IOGear). I simply plug one of the devices (you get two) into the electrical outlet near my Internet router (and plug in the network cable connecting it to the Internet router), and the other device I plug into the electrical outlet near where I intend to work (next to my sofa in my living room). I then connect that device to my computer with a network cable. This ingenious pair of devices uses your home's electrical wiring to make a direct physical connection from your computer (anywhere in your house) to the Internet. The advantage of using this is that you have a constant connection to the Internet, whereas using wireless is prone to loosing your connection (which can be bad for your trading).

A few more thoughts for you.

If your laptop is plugged into your power outlet then remove the battery (as the battery will get weaker over time of constant use). Keep your battery fully charged and use it when you need to move the computer (without turning it off) to another location.

Over hours and hours of being turned on your laptop will tend to get quite hot. Don't place it on surfaces that might get damaged from the heat. When you are not paying attention to the markets then simply turn your computer off (giving it a rest and a chance to cool off).

Turn your "screen saver" off. A screen saver is there to prevent damage to your screen due to images burning into the screen, but you need to have your charts displayed at all times, so you'll want to disable this feature (another reason to buy the extended warrantee). Right-click on your desktop (assuming you have a Windows computer – I hope you didn't buy a Mac computer (sorry to any die-hard Mac users for this offense, but unless you're a graphic designer why the heck would you buy a Mac in a predominantly Microsoft world) then choose "Properties" then click on the "Screen Saver" tab on the top, then set your screen saver to "None".

To save power and to reduce wear on your computer do the following: In the same place where you made the change to your screensaver you should see an option to change your power settings. Click on the button to get there and another window should pop up. Change the following settings for "When computer is PLUGGED IN" (not when running on batteries). "Turn off monitor" = Never (or "After 2 hours" incase you've abandoned your computer – if it shuts off then just touch the mouse to reactivate the screen). "Turn off hard disks" = After 5 mins. "System standby" = Never. "System hibernates" = Never.

If you don't know how to do the above simple steps then ask a teenager to help you out. If you broke your computer following the above steps (highly unlikely, but hey, I need to protect myself legally) then too bad for you; I accept no responsibility for your actions. You are fully responsible for what you do, and don't come crying to me.

If you are serious as a trader, especially as a scalper, then you'll find that having a secondary laptop computer exclusively dedicated to trading will be quite useful, convenient, and will allow you to catch more trades than you might otherwise. This computer should pay for itself.

BROKER

For Forex Scalping it is important that you carefully select a suitable Forex broker based on these criteria. Your Forex broker must provide a live data feed for charts (further explained below), must have very competitive spreads for the currency pairs you will be trading on, and the trading software must be easy to use & quick to execute trades with.

I have had numerous trading accounts with various brokers (some real money and some just demo) and at the time of this writing would recommend to my friends to use FXCM or RefcoFX. This isn't to claim that they are the best of all brokers, but overall they are the ones I personally most recommend for several reasons.

FXCM (and RefcoFX that is pretty much similar) has a very simple user interface (the trading station software), so simple that even a child can be taught to use. However other brokers, such as Forex.com and ACM have nice web based trading interfaces that is simply too complicated for a newbie to use with ease, and takes far too long to execute a trade when precious seconds count.

In this eBook I show how to place trades on the FXCM system because it is so easy to explain, and easy for you to do. Thus all examples in this eBook are based on FXCM. I have chosen against explaining the methodologies applicable to such brokers as Forex.com, ACM, and others simply because it would take far more time to explain how to place OCO, IF THEN, etc… trades, and the nuances of stop / limit orders. When you become more advanced as a trader you can figure these out on your own (it took me a while to wrap my brain around those concepts).

Different brokers also offer different pip spreads on the various currency pairs. For example, FXCM unfortunately offers 5 pips for GBP/USD (too bad as it is one of my favorite pairs to trade and scalp), so once you become more advanced then you might want to have two or more accounts with various brokers to take advantage of the best that they have to offer. Some brokers have lower pip spreads than others (i.e. you can get 2 pip spreads on some of the majors – if your account is large enough), but some of those brokers don't have their spreads "fixed", meaning that they can widen during volatility (but is generally not a problem for most of the time). FXCM is fixed (good for you).

Some brokers have streaming executable prices, meaning that the price you click on is the price you get (even if the market has already moved), whereas some brokers "request for quote" meaning that if you are experiencing a shooting market (rapid price changes) then your trade might fail to be entered (can be frustrating at times). Unfortunately FXCM seems to me to be one of those.

There are many brokers to choose from. Just to name a few more here are some others: GFTforex, XpressTrade, CMSforex, FXsolutions, etc… (like I said, there are others. Google "forex broker", or look through trading magazines if you want to find more.)

There are more issues to be aware of in choosing a Forex broker, but what I've covered here present some of the most important considerations. Generally speaking, stick with the bigger, more popular brokers. Before dedicating your funds to any in particular it is wise to get demo accounts with several that you might use to give them a test drive. Initially it is best to use one broker (FXCM or RefcoFX is a good choice for your first account), but later (once you've gained some experience) get some more real accounts with other brokers so that you can take advantage of the stuff that is better with them.

FXCM isn't the absolute best broker in the world – nor is any broker in my opinion (they aren't my primary broker, but I wouldn't recommend my primary broker to novice traders as they are one of the more "complicated" ones). They all have their strengths & weaknesses. I have selected FXCM to be the broker that all the examples of this eBook use simply because it would be difficult and confusing to write this eBook trying to explain the examples with multiple broker variables. I had to pick one, and FXCM is the one I went with. It is (in my personal opinion) the easiest and best choice for a novice trader to start trading with, and so that is also why I am using FXCM as the broker for all the examples of this eBook. They are, for scalp trading techniques, one of the better, and easiest to work with brokers.

If you are one of those people that insist on finding what you prefer then feel free to test out the demo versions of a bunch of brokers, but if you are willing to just take my recommendation then go with FXCM (or RefcoFX) to start with. At the time of this writing it is the broker I would most recommend to the average & beginner trader, however if I later change my mind I'll be sure to provide my latest recommendation within the online resources section.

Additional Tip: Most brokers don't always honor your stop orders during extreme volatility such as around Fundamental Announcements. At the time of this writing there is a broker that is currently honoring stops even in those volatile times, and in the eBook "Forex Sailing" I'll tell you who they are.

CHARTS

For Forex Scalping you'll need charts providing a live data feed from the same Forex broker you are trading with (very important!). If you are trading with FXCM then use charts provided by FXCM, if you are trading with RefcoFX then use charts provided by RefcoFX (use this logic for whatever broker you are trading with). It is important that you use charts using a live data feed from the same broker you trade with because there can be slight discrepancies between brokers than can negatively affect your trading.

For the purpose of scalping it is fine to use the free charts provided by your broker as the free charts should have everything you need to scalp with. It is however a good idea to subscribe to a paid version of your favorite charts as you'll have some more flexibility (i.e. having multiple charts open simultaneously).

The chart view you'll be using most for scalping is the one-minute candle view over 24 hours. Simply zoom in until you can clearly see the individual candles. You will be using other views such as hourly and five-minute candles for other purposes.

PRACTICE ACCOUNT

I would strongly recommend that before you start scalp trading with real money (even if you are already an experienced Forex trader) that you first get a demo account with the broker you intend to trade real money with to practice. I STRONGLY URGE YOU to practice scalping in your demo account for at least a month (accomplishing a minimum of 20 trades, but more is better) before trading with real money. Remember, if you can't make money in a demo account you won't magically become successful just by transitioning to real money.

After you have succeeded in a demo account next trade a small amount of real money in a mini account to continue practicing (as your psychology will change as a result of trading real vs. fake money) before gradually moving up to trading with the full account size you intend to be trading.

BROKER SPREADS & TRADABLE CURRENCIES

Because of the nature of scalping (going for the smallest possible trade typically using an initial stop of just 10 pips) you need to trade only on the currency pairs with the smallest pip spread. Here is a screen shot taken of FXCM's spreads at the time of this writing (applicable to both mini and regular trading accounts).

Dealing Spreads

Currency Pair	Spread	Currency Pair	Spread
EUR/USD	3 pips	EUR/CHF	7 pips
USD/JPY	4 pips	EUR/CAD	10 pips
USD/CHF	5 pips	EUR/AUD	15 pips
USD/CAD	5 pips	GBP/JPY	9 pips
GBP/USD	5 pips	GBP/CHF	15 pips
EUR/JPY	4 pips	CAD/JPY	10 pips
AUD/USD	4 pips	CHF/JPY	9 pips
NZD/USD	4 pips	AUD/CAD	10 pips
EUR/GBP	3 pips	AUD/JPY	8 pips
NZD/JPY	10 pips	AUD/NZD	13 pips

As you can see their fixed spreads range from 3 pips (on EUR/USD & EUR/GBP) all the way up to 15 pips (on EUR/AUD & GBP/CHF).

It is best to stick with the currency pairs that are just 3 or 4 pips (I'll explain why shortly). Too bad that GBP/USD has a 5 pip spread as it is generally my favorite currency pair to trade, but generally speaking it is best to stay away from the pairs with 5 pip spreads, and absolutely don't trade the higher spread currency pairs.

Thus for the above mentioned reasons (at the time of this writing as brokers may change spreads in the future) currently for FXCM the currency pairs that are tradable with these scalping techniques are:

Scalpable Currency Pairs

EUR/USD
EUR/GBP
USD/JPY
EUR/JPY
AUD/USD
NZD/USD

Why only trade these currency pairs? Allow me to explain. Later in this eBook I will elaborate upon stops used in these trading methods, but I'll simply state here that generally you will initially be using 10 pip stops. What this really means is that the market only has to move 10 pips less your spread against you to get you stopped out. EUR/USD & EUR/GBP has a 3 pip spread thus the market needs to only move 7 pips against your direction from point of entry for you to lose your full 10 pips. Thus the odds of you scoring a 10 pip gain are actually 30% against you from the start. The other currency pairs listed above have a 4 pip spread, thus the market needs only go 6 pips against you on a 10 pip stop for you to lose out (40% against you from the start). The currency pairs with a 5 pip spread can still be traded in special circumstances, but in general it is best to shy away from these for what should now be obvious reasons. All the other currency pairs with higher spreads are absolutely not traded.

PIP PADDING

In my previous eBook "Forex Surfing" I extensively discussed the importance of adding pips to entry orders (in the section titled "Broker's Pip Spread"). In some respects you won't need to worry about this for most scalping purposes, but it is still important to be aware of especially if you'll be using entry orders. In this eBook I won't be discussing this topic at all, but I strongly urge you to reread that section from within "Forex Surfing".

OVERVIEW OF THE TECHNIQUES

Here is a general overview of what scalping is like. I'll talk in generalities here but will certainly go into specifics later in this eBook. This section is just to give you a taste for how a typical trade goes.

You watch your charts for specific market conditions to occur. Once you see a potential opportunity you begin to watch your charts very closely for the right moment to act. Once the desired circumstance occurs you pounce to enter a trade. Your trade is entered with a stop set at 10 pips below your entry price.

If all goes poorly (it happens often when scalping) you'll lose your 10 pips. If things go well (as you hope) then ultimately the market will move in your direction (it might have first dipped back a bit before proceeding). Once it moves sufficiently far you promptly replace your stop to your entry price to prevent a loss. Now you are in a "free trade" so hopefully you can make a profit without any further risk. Hopefully the market doesn't pull back to stop you out, and once it moves sufficiently far enough you again replace your stop so that you are now secured with a 5 pip profit.

What comes next will depend on current market factors, and you'll have to make a judgment call about how you will proceed with the trade.

If by your assessment of what you see on your charts you think that the market is about to pull back you could simply exit the trade at the current market price to get the most profits out of the small market movement.

Alternately, if you believe that the market may retrace a little but is likely to resume in a micro trend then you might choose to remain in the trade, trailing your stops as taught in "Forex Surfing" and either exiting by getting stopped out for a nice profit or by scalping your exit (explained later in this eBook) at the appropriate time for an even greater profit. The advantage of letting your trade run (when appropriate) is that you can potentially score some very significant pips in a single session.

STOP FREQUENCY

You've probably guessed by now that getting stopped out is common when scalping. It can get aggravating at times so you need to be mentally prepared for experiencing frequent stops. Sometimes I swear it's like I'm psychic or something for setting my stops to the exact pip to get stopped out just before the market dramatically turns around and soars into the profit zone. When you first start scalping you'll likely find that these stops may drain you emotionally but after a experiencing them quite a few times you'll learn to not get upset by getting stopped out for loss.

You need to develop the skill of ascertaining when to enter a trade that will likely go in your favor. Then the objective is to quickly move up your stops to reduce loss and then to secure a profit ASAP. Often you'll be stopped out or will voluntarily exit for small 5 pip profits. What you strive to do is to be cunning and when appropriate leave the trade enough breathing room (not suffocating it by trailing your stops too closely) to potentially catch some larger pips (for scalping I consider anything over 20 pips to be a large trade – scoring 100 pips on a single trade is spectacular).

When looking at risk/reward ratios it soon becomes apparent that on trades that exit with a 5 pip profit your risk/reward is 2:1. Obviously this isn't desirable. If all you feel you can capture is 5 pips (or you simply get stopped out for 5 pips) then let that be good enough, but what you need to strive for are sufficient amounts of larger trades (20+ pips) to account for the bulk of your profits. Needless to say that some days will be better than others (and some days you'll even end up a net loser).

EQUITY MANAGEMENT

I won't stress the importance of equity management principles here as I have written sufficiently about this subject in my other eBooks. I strongly encourage you to reread those sections in the other eBooks and be sure to adhere to the guidelines presented.

In scalping it is best to maintain a maximum risk of 2% on any single trade, however when starting off it would be even better to reduce it to just 1% at least initially while you are still learning. If you are following the "Forex Freedom" plan your risk levels will be higher, and the justification for this is explained in my eBook "Forex Sailing".

To help you quantify this here is a chart of how many lots you could trade depending on how much you have in your trading account. If you have already figured out how many lots you can trade doing "Forex Surfing" techniques (2% at 20 pip stops) then simply use the same amount of lots as it'll automatically maintain the proper proportion for your 1% since you are trading with typically half the stop size.

This chart shows appropriate lots amounts (based on the 10 pip stop) against various margin account sizes. Keep in mind that once your account surpasses $100k you should scale your maximum down to 1% to even 0.25% (not shown) when you reach a million to preserve your equity from substantial drawdowns. This chart shows the maximum "Amount(K)" you can trade based on the 10 pip stop. Remember, 10K = 1 mini lot, and 100K = 1 regular lot (or 10 mini lots).

Account Size	1%	2%
$300	<10K	<10K
$1,000	10K	20K
$2,500	20K	50K
$5,000	50K	100K
$10,000	100K	200K
$25,000	250K	500K
$50,000	500K	1,000K
$100,000	1,000K	2,000K
$250,000	2,500K	5,000K
$500,000	5,000K	10,000K

KAMIKAZE SCALPERS

I think that is it worth mentioning here that there are people that I would label as "Kamikaze Scalpers". This **IS NOT** something that I would endorse for you, but will mention it here because sooner or later you will be tempted to start thinking about it, and there are many people who do it.

Because scalping involves tiny trades (in duration and amplitude) many scalpers trade significantly larger amounts of lots (regular or mini) to leverage the tiny pip gains into more substantial profits. The "Kamikaze Scalpers" might thus be risking far more than the suggested 1% to 2% per trade. I urge you to consider against becoming a "Kamikaze Scalper" simply because the higher your risk percentage per trade the greater the risk that a draw-down series of loosing trades can significantly impact your trading account negatively and make it difficult to recover to a breakeven point.

Obviously one would only consider trading like this once one is extremely confident in their skills. Again, I recommend AGAINST you being a "Kamikaze Scalper" but if you decide to go against my advice (which from my experience people tend to do – and even I do from time to time) please absolutely limit yourself to 4%.

There is another breed of what I would also call a "Kamikaze Scalper", that seems to have the mentality of "I'm sure I'm right". What I'm about to explain to you here is something that **I would ABSOLUTELY NOT recommend**. I have spoken to several traders who do this and am aware that there are trading schools that teach this approach, and despite the fact that they claim to have overall good results with this method I'd still warn you to stay away from doing this.

The premise behind this second kamikaze method is that most often their assumptions of what direction the market will move in is correct but they believe (rightly so) that a tight stop will result in stopping them out before the market moves in their direction. What they often do is they'll set their stop loss order to be 50+ pips away to allow enough wiggle room to happen, but they take their profits typically at around 5 pips. People who are very good at these methods claim to catch 20, 30, 50, sometimes even 100 (very rare & exceptional) successful trades in a row. What is the downside to this? Obviously one loss will wipe out a bunch of hard earned gains. To the people who employ such trading methods (you know who you are), if you have been trained to do so and as long as it works for you then feel free to continue, but for the rest of you reading this just simply DON'T!!!

Folks, don't be a kamikaze trader. Play the game safe and you'll last for the long term, but if you take big risks then you soon kill your career as a trader.

CURRENCY PAIR CHOICE

Above we listed the currency pairs you should limit yourself to scalping based on the criteria of their pip spreads. There are a few other factors that are worth looking at.

In my other eBooks I have repeatedly alluded to the fact that each currency pair exhibits it's own personality. It is important to be familiar with the "personality" of the currency pair(s) you intend to trade so that you can develop an almost *intuitive* feel for how it tends to behave. The only way to cultivate this recognition is to study the charts of the currency pair for a while (at least a month). I can't stress enough to you the importance of keeping your eyes on the charts to become familiar with the pair's behavior.

At the time of this writing (remember that when you read this the Brokers might have already changed the spreads) there are two currency pairs that have a 3 pip spread; EUR/USD and EUR/GBP. Due to the fact that they have the lowest spread makes them the ideal candidate for scalp trading. There is however a significant difference between them that makes one more ideal than the other.

If you watch the charts of EUR/GBP you'll quickly notice that it's "personality" is that it usually moves by very small increments. In general I'd say that this pair is relatively stable (compare to most other pairs). Many times it seams to bounce around in very tight ranges, often within 5 pips. Looking at the one-minute charts it appears "fuzzy" due to frequent bouncing within a tiny range. This makes EUR/GBP difficult to scalp. There are a few instances when it is worth trading (like when either EUR or GBP has just released a Fundamental Announcement), but as a general rule (meaning there are exceptions) it is simply best to avoid scalping this pair.

EUR/USD also has a 3 pip spread, but it is far less "fuzzy" in comparison to EUR/GBP, and it tends to trend very nicely (even compared to the other pairs). For these reasons EUR/USD is by far the single best currency pair to scalp. Most of your scalping should be restricted to this currency pair.

What about the other pairs? You can certainly trade them too. Become familiar with the personalities of each one and you'll soon discover that you have personal preferences for one or two pairs more so than the others. This becomes a matter of personal preference usually based on which one(s) appeal to you more and because you have "figured out" their behavior patterns enough to more consistently be profitable with those pairs.

So your primary scalping pair is EUR/USD, but pick a couple of the 4-pip-spread pairs to be your secondary scalping pairs. In certain circumstances (which will be elaborated upon later) you could scalp some of the 5-pip-spread pairs, but these won't be part of your usual routine. In virtually all circumstance you should completely avoid scalping any of the larger-pip-spread pairs.

THE TECHNIQUES

In this major section of this eBook I'll cover many specific techniques. Some are more directly related to "how to scalp", whereas several of the techniques are more to support the other concepts. This section presents a collection of "tidbits" that will later come together in the next major section of the eBook titled "The Opportunities" that makes use of the techniques presented here.

TRADING MECHANICS

Before we delve into the scalp trading opportunities, setups, and techniques we first need to discuss how to do the mechanics of entering, modifying and exiting trades.

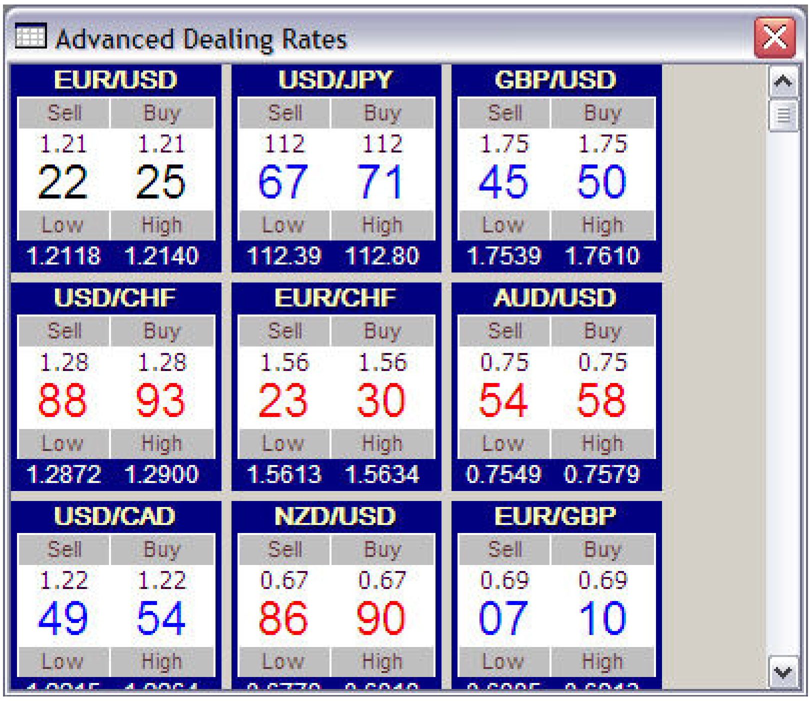
In "Forex Surfing" I explained how to place "Entry Orders" (setting up a trade to occur once a specific price is hit), so I won't be discussing that here. What I will cover is how to manually enter a trade at current spot price, modify your stop, and manually exiting a trade at current spot price. These skills will be explained with "scalping" in mind.

First of all it is important to note that most of the time you won't be using entry orders, only market orders (getting in at the current market price) to place trades. Why can't you use entry orders? Simply put you must place entry orders at least 5 pips or more from the current market price, but as a scalper you want to enter the market at the best price possible, which is at the current market price once you believe it is time to enter into a live trade.

Please note that the following images show FXCM's trading software. If you use some other broker then be sure to be familiar with their software. Also remember that in the future FXCM may change the look & feel of their software so by the time you read this these images might be invalid. These images are simply shown for illustration purposes – you need to be very familiar with whatever trading software you actually use.

If you have ANY questions about how to use your trading software then contact your broker's FREE online help desk. Don't be scared to contact them because they are there just waiting around to be of help to you. They will gladly answer any questions you have and it is EXTREMELY important that you know how to use your trading software proficiently.

While actively trading you need to be able to "push the button" at a moment's notice. The simplest way to enter an order is to click on the "Buy" or "Sell" side of your desired currency pair in the "Advanced Dealing Rates" window.



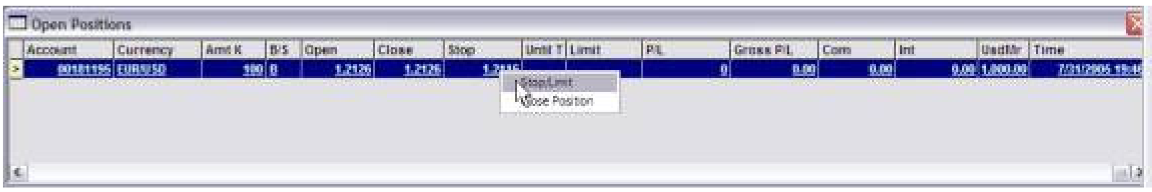
Once you clicked to either "Buy" or "Sell" a particular currency pair the "Market Order" window will appear.

What you do is you set your "Amount(K)" to however many lots you intend to trade, and you check the check-box to activate a stop. Your stop should be set 10 pips away from the current "Rate", however if it is not the appropriate 10 pips then don't worry about it now (unless you are not in a rush to enter your trade) because you will be able to correct it immediately after your trade has been activated. When you are ready to enter the trade live you simply click the "OK" button.

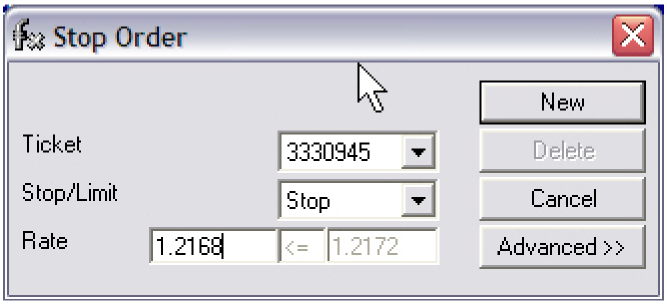
Here is an important tip: Unless you have enough funds in your trading account to trade 6 or more regular lots (and not trading less than 6 regular lots) using proper equity management principles then use a "Mini account" rather than a "regular account". Currently (this is a relatively recent change) FXCM (and other brokers to be competitive) now offers the same pip spreads for mini accounts as they give to regular accounts. Furthermore, with a mini account you can be much more flexible as you can trade fractions of regular lots and thus more closely follow your 2% limit. You can trade up to 50 mini lots in your mini account. To do this simply select the "Amount(K)" window and type in the number of "K" you want to trade. 10K is one mini lot, 100K is 10 mini lots or equal to one regular lot, and 230K is twenty-three mini lots or equal to two regular lots plus three mini lots.

Often when I am expecting to be entering a trade soon (but not immediately) I'll have the "Market Order" window open with all my trade details set and just sit there (watching my charts) with my mouse on the "OK" button ready to deploy at a moment's notice. When doing this the "Rate" field will automatically change to reflect the current market price, but the "Stop" price won't change. If the stop price becomes incorrect I simply fix it immediately after the trade becomes activated.

After you have entered a trade live you will want to immediately reset your stop to be at 10 pips (unless otherwise desired). In the "Open Positions" window right-click your mouse over the "Stop" and select the "Stop/Limit" option.



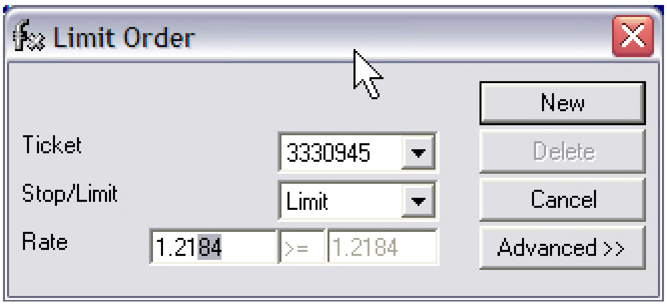
You will then be able to change your stop in the "Stop Order" window to 10 less than the "Open" price (the price your trade got entered at). Don't worry about adding the broker's spread, you simply want your stop to be 10 pips from your entered price.



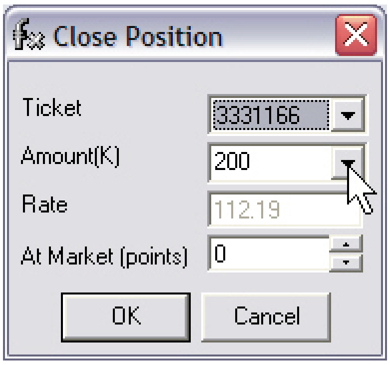
Later when you change your stop loss order to a breakeven point (stop = open price) or when you start trailing your stop to protect your gains you'll simply repeat the steps above to change your "Stop Order" as appropriate.

If you were to want to create a "Limit Order" (to exit your trade at a predetermined price for a fixed profit) you simply right-click your mouse over the "Limit" field in the "Open Positions" window.

A "Limit Order" window will then pop up and you can then set your limit price to whatever price you consider appropriate based upon the scalping strategies you use.



When you want to exit a trade manually (for reasons that will be explained later in the eBook) as opposed to exiting by getting stopped out then simply right-click your mouse on the trade in the "Open Positions" window, select the "Close Position" option and the "Close Position" window will appear. Simply clicking on "OK" will close your open position at the current market price.



It is useful to have this window open during your active trade so that you can click “OK” instantly (without fumbling around to get to this window) when you need to get out of your trade ASAP.

Here is an extra tip that you’ll want to know: If you are trading multiple lots (regular or mini) then you don’t have to exit all of them. By selecting the “Amount(K)” to be less lots than you have engaged then you can select how many of the lots you have open that you want to close. This is useful as sometimes you’ll want to take some profits while letting a portion of your trade remain active so that you could potentially score even more pips. Usually you would have your stop set for breakeven or at a profit before using this technique.

- - -

So now you know how to use the broker’s trading software to engage into trades, modify existing trades (the stops & limits), and to manually exit trades when needed. Please remember that if you have any questions about how to do any of this then contact your broker for guidance.

I’ve mentioned it above but it bears repeating incase you are one of those people who skipped reading the above (because you think you already know how to do all the above stuff). When you think that you might soon be entering a trade have the “Market Order” window open with all your options set to the appropriate figures and have your mouse over the “OK” button ready to click to enter the trade instantaneously when needed. Same thing for getting out of a trade. When you are in the trade have the “Close Position” window open with your mouse over the “OK” button ready to click to exit the trade instantaneously when needed.

PREMISES OF SCALPING

There are a few main premises of scalping that are useful to keep in mind to understand the logic behind these techniques.

Smaller moves are easier to gain – In my previous eBooks I mentioned that the larger your target pip gain the higher the possibility that the target won't be reached. I have been known to say that it is easier to catch 20 pips than 200 simply because in the time that it would take to reach that goal the market sentiment could change due to unforeseen circumstances. As a scalper it is reasonably easy to determine a small movement in a particular direction and to capitalize on a few pips before the market will likely reverse.

Smaller moves happen more frequently than larger ones – Even during relatively quite market conditions there are numerous smaller movements that can adequately be traded. Thus you can easily trade within what appears to be a stagnant consolidation or range as seen on larger perspectives.

Limit risk due to limited exposure – An active scalp trade typically lasts for a very brief duration. This reduces the likelihood that unforeseen news or a Fundamental Announcement will negatively affect the trade.

Profit from trending sentiment – Currency pairs tend to trend or bounce around in the absence of any news or relevant events. Currency virtually never remains at a constant price but fluctuates and trends to market sentiment. These small movements create opportunities to scalp trade.

Cumulative small gains equals large rewards – Scalpers often engage in numerous trades in a single day. Most trades will only yield a small profit, but cumulatively they add up to significant gains.

PICKING TOPS & BOTTOMS (PART A)

Read this section carefully as the skill presented here is crucial for most of the scalping techniques that will be presented later.

Take a few moments looking at the following chart. Look at the characteristics of the tops & bottoms of the waves.

When you will finish reading this section you'll have the understanding needed to be able to "pick" the tops and bottoms of waves like you see above. What this means is that on the chart example above you would have been able to capitalize on virtually all the pips that the market went up. You could have entered at about 1.2130 and rode most (if not all) of the moves having a final exit at about 1.2185 (55 pips). Even more amazing is that you could have captured even more pips than that because you would have sold near the tops and re-entered near the bottoms thus gaining twice through some of the same prices.

Would knowing how to do what was stated above be of any interest to you??? It is not magical, but simply a skill that you can cultivate!

I've spent some time pondering how I can teach this subject to you. I've come to the conclusion that this is a difficult subject to convey to you but I'll do the best that I can. I have also realized that there are two specific challenges in being able to teach this to you but have also come up with a solution to each.

The first challenge is that I can't convey to you all the nuances to be watching for, so in this section I'll teach you the general concepts of "picking" at the tops/bottoms but will point out variations to watch out for as I present examples throughout the rest of this eBook.

The second challenge is that there is no real way for me to show you what to look for in live moving charts without having live moving charts. See, in real time the candle keeps changing shape as the live price continuously moves up & down during the period of the candle's formation. In the pictures I show you of the charts the candles are fixed (frozen). I can talk about what the candles do but can't really show you too much. For example, on the chart pictures you see there may be a rather long candle (a tall one that moved quite a few pips). Realize that that candle took a full 60 seconds to develop and so a long candle doesn't necessarily mean that it shot up (or down) all those pips in one instant (although it might have). Usually you'll see it moving up, down, up some more, down some, etc… until the 60 seconds is over then the candle is frozen. So looking at the chart pictures I present only shows a shallow dimension of what happened; you need to be able to see what the market is actually doing during the 60 seconds that a candle is being formed as your decision making process also needs to happen in real time.

I've found two solutions to this second challenge.

The first solution is that I can record videos of the live charts so that you can see what I am talking about. This however turned out to not be a good solution because the movies are soooooo long (because each candle represents one minute, and the whole thing takes many minutes to complete a complete market move) and the resulting file size of the movie is huge. The fact that the file size becomes huge makes it impractical to include in the eBook (as it is many megabytes in size).

The second solution is what I consider to be the best overall. I'll discuss the things to watch for and then expect for you to got watch some live charts yourself. Sorry if I sound like a broken record about this but watching charts yourself is not only "the best way" but in fact "the only way" for you to learn these skills for yourself.

I'll discuss the things to watch for but it is your duty to go watch some live charts to see these principles in action. Only by spending some time studying your charts will any of this actually sink into your mind. Once you've spent the time studying the charts you'll cultivate an almost "intuitive" ability to read your charts.

Well, let's get back onto the topic of "picking" the tops & bottoms. (*Actually, after continuing to write I realized that I started talking about getting into* *specifics that are best categorized as separate chapters. I've renamed this chapter to be part "A", and am ending it here with the intention to continue on with part "B" later that brings all these smaller concepts that follow together into a cohesive umbrella.)*

PETIT TRENDS

As you are already aware, the markets can only move either up, down or sideways. On a larger scale (say, as seen on a 5 minute chart or by simply zooming out on your 1 minute chart) you might see that the market has been trending (making a series of higher/lower highs and higher/lower lows) for a while, or that the market has been moving sideways (just bouncing up & down within a common range).

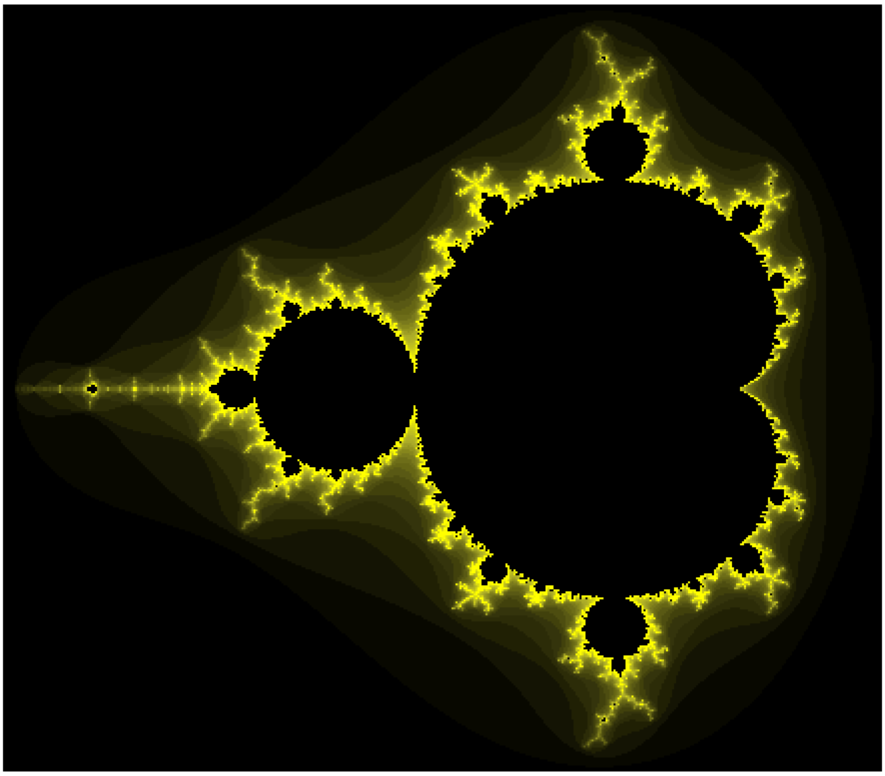
Remember how I stated in "Forex Surfing" that "*what happens in the macrocosm happens in the microcosm & vice versa*". Thus what happens in your one-minute charts are the same things that happen on your 5 minute charts, your hourly charts, your daily charts, weekly charts, even your monthly charts!

So what am I getting at here??? Well trends happen on your one-minute charts that might only last 10 to 30 minutes. One larger charts this would only appear to be a small & insignificant wave or market fluctuations but for a scalper this is a very serious trend! It doesn't matter if it is only 10 pips, it is still a trend.

> *What may only be a slight blip or a slight move on a larger chart view can be a complete "trend" in the eyes of a scalper.*

Ok, so it's a trend, but there is more. It also adheres to the general principles to a trend.

In "Forex Surfing" I showed you the above diagram explaining that there are trends within trends within trends. Well if you look at the bouncing green line you notice that it goes up, then it goes back down along the blue shorter uptrend line. Guess what, that tiny up and back down movement which might have seemed relatively insignificant from the perspective of a larger chart represents a complete uptrend and a complete down trend!



Click Here to watch a Flash video of a Fractal

Scientists and mathematicians like to play with "fractals". They make pretty pictures. The point of fractals is that as you keep zooming in you keep seeing the same thing over and over again. *The microcosm is a reflection of the macrocosm.* In much the same way, the behavior of your one-minute charts mimics the behavior of your monthly-charts. This also means that many of the "rules" regarding trendlines is also true, such as how to gage a trendline break.

Look at the chart above. Notice how it appears that it could be a chart from some larger time frame? Well guess what… this is a one-minute chart and each of the price increments shown on the right are just 5 pips. FYI, after taking the above chart snapshot it continued trending up, and furthermore this is of EUR/USD at around 9pm EST (when normally you wouldn't be trading because it is outside of the normal market overlap times – just to further reinforce that scalping opportunities can happen 24 hours a day). Here is another tidbit of interest – though the price moved on this chart only about 20 since the consolidation you could have walked away with over 30 pips on what you see here alone. Within an hour after taking this picture the market continued moving up 10 pips higher than the high shown for an extra easy 20 pips. From 6:30pm to 9:30pm EST (3 hours) you could have walked away with an easy 50 pips without any losses. I'm still sitting here watching this, so who knows what will happen later, but I don't feel like retaking the picture (too lazy) but the above shows you enough to learn from. Unfortunately I didn't trade because I was busy writing about this for you, but I've learned to not worry about missed trade opportunities because they happen over and over and over and over and over again. I'll catch something like this next time I'm actively trading.

As an afterthought I now regret naming what I termed "Micro Trends" that in my eBook "Forex Surfing" as these trends, which I am now discussing, are even smaller (and more aptly named "Micro"). Oh well. So that we have a convenient term to call these even smaller trends for our discussion purposes I'll call them "Petit Trends" ("petit" is the French word for "small"). So now we have a convenient label to use.

Ok, now let's continue further.

Earlier I mentioned that even on this small scale that generally the rules applying to trends, such as adjusting (fanned) trend line, broken trends, and trendline reversals, are true. Let us briefly recap some of these principles.

Broken Trendlines – It is pretty simple to recognize a broken trendline. Simply draw a trendline within a petit trend and when it is broken then you will often see a market reversal shortly following.

Notice that these petit trends are pretty simple. Of the 4 trends shown here they are all pretty much simple trends without fans (except for the second trend (down) I did add a single fan trendline.

Remember that for a scalper you want to ride your trend and then jump out of the trade at the first sign of a reversal. You do this because you want to exit the trade with the maximum profit possible. You then jump back into another trade when the right set-ups appear.

It is important to keep in mind that when the market is trending you ONLY trade in the direction of the prevailing trend. DON'T try to trade in both directions. If the market is uptrending then you only trade the upward petit trends and you usually (there are exceptions) ignore the petit down trends. Only resume trading when you see that the market is resuming its upward trend catching a nice petit uptrend. (Reverse everything I just said for down trends) If the market is moving within a range such as a consolidation or within a triangle then you may trade both the up petit trends and the down petit trends (discussed further later in this eBook).

Fanned Trendlines – When drawing trendlines you connect the lowest low (I'm obviously talking about an uptrend, just reverse everything I'm saying for a down trend) to the next lowest low (which should of course be higher in an uptrend). Often as a trend begins to pick up momentum the steepness of the trend changes and you need to add more trend lines (steeper ones) to follow the steepness of your trend as it gets steeper and steeper. By adding multiple trend lines that follow the pregressively increasing steepness you get multiple fanning lines, hence "Fanned Trendlines". Below is an example of a fanned trendline.

(FYI – this chart is the continuation of the previous chart that proves that it did continue going up like I said)

Here is another petit trend and notice that I've added 3 fanned trendlines.

Now why use a "Fanned Trendline"? Simply put the name of the game for scalping is to get out of the market AS SOON AS the market starts reversing. You might say that "*yeah but after the market does a brief reversal it often resumes the larger trend. Wouldn't it be better to stay in to continue the ride as it continues the larger trend?*" As a scalper you DO want to get out when your petit trend ends for two reasons. (1) You want to get out with a profit even if the profit is small. (2) When the reversal reverses again (resuming the larger trend) you'll want to get in again (discussed later) and so you could double catch the pips going back in the direction of the trend (resulting in more profits).

Thus a "Fanned Trendline" is there to signal you to possibly exit a trade at the first sign of a potential reversal.

Trend Reversal Patterns – Generally speaking, when a trend breaks so does your trade (you get out quick). I am mentioning the following because it is sometime interesting, and sometimes useful for scalping purposes.

I mentioned before (repeatedly) "what happens in the big picture happens on the small scale". Well in my eBook "Forex Surfing" I taught you about common reversal patterns such as "double-tops/bottoms", "King's Crown", "1-2-3", "Head & Shoulders", "Loosing Steam" and other such reversals.

Well they can and do happen on the "petit" scale too.

See the "Head & Shoulders"?

These are useful because they can show you when a market is retracing or turning around, but most importantly because it can also act as a signal for you to consider entering a trade (if it is a reversal of a brief reversal that is now resuming the overall trend, or if in a trading range to switch directions).

It is important to keep in mind that ALL trends end (from small trends to the largest ones). It is important to watch for the end of the "prevalent" trend so that you can be quick to change direction of which way you go for the petit trends.

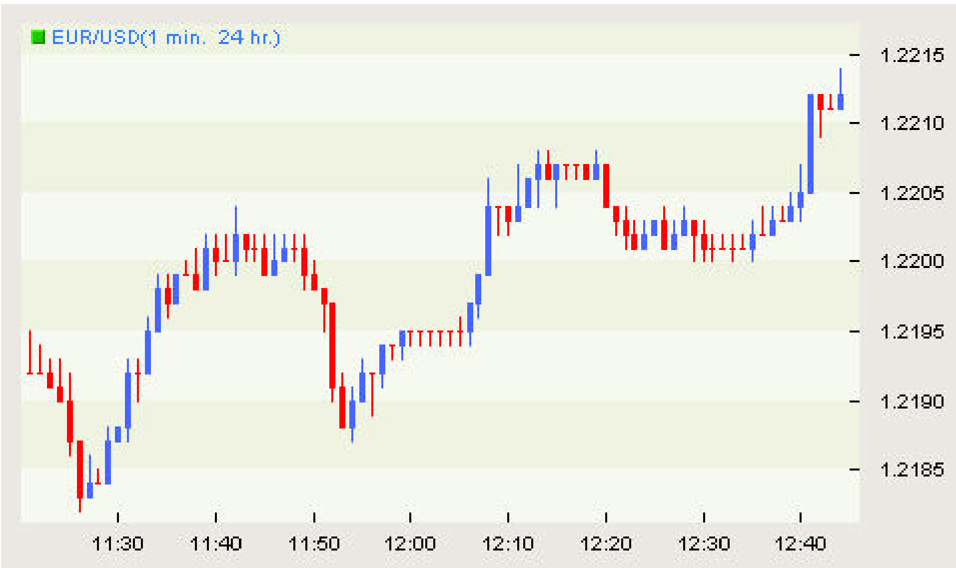
STAGNATIONS

As mentioned above, the market can only move in three ways; up, down, or sideways. However, what most traders call a "sideways" movement isn't really sideways from the perspective of a scalper. What most people call "sideways" is in fact a series of up and down movement that for a scalper is in fact a series of petit up and down trends.

Only the scalper ever witnesses what can be considered a true sideways movement – no change of price at all during a 60 second period. Such periods of no change of price happen occasionally and on a chart it simply looks like a flat line, like a minus sign (-). More commonly you'll see things that look like plus signs (+), or what looks like the capital letter “T” (T) or an upside down “T” (_|_), or even a lower-case letter “T” (t). To people who are familiar with “candlestick” terminology these are “doji”. What these mean is that during the 60 seconds of the formation of that candle that the price didn’t change at all (for the minus signs) or that the price moved up or down (or both for the lower-case letter “T”) but returned to the original price. Regardless of which of these candles formed they all pretty much mean the same thing – during that minute the market was undecided whether to go up or down.

It’s a common trader saying, “when prices move up the bulls are winning, but when the prices move down the bears are winning.” The market is always at a “tug of war” – the bulls try to force the market up and the bears try to force the market down. When the price remains at more or less the same level it’s because the force from both sides is about the same thus no body is winning the tug of war. This is why you get consolidation patters. (Sometimes you also get a sideways movement before a Fundamental Announcement while everyone is waiting for the news to be released.) Sideways movement is also regarded as indecision in the market.

Take a look at the following chart.



There are a few specific things that I want for you to see on this one chart.

The first thing I want for you to notice is the series of capital letter Ts (there are 5 in a row of them) that happened at 12:00. That signifies stagnation in the market that is much like a consolidation. You already know that whenever you have a consolidation that sooner or later will inevitably be a break out. If you weren't already in the market by now (there was an opportunity to get in a few minutes earlier) then you could have gotten in after it resumed upwards. From our consolidation it went up about 13 pips, so you could have easily captured at least 5 pips from that move. So what you've just learned is that a consolidation (or for scalping I'll call it "Stagnation") can lead to a potential trading opportunity for entry. You see another example of this between 12:20 and 12:40.

Another thing I want for you to pay attention to is the wave that happened between 11:30 and 11:50. Notice that as it reached the top that it started stagnating (it also ended up breaking the petit trendline that isn't drawn but you should be able to imagine it). Often (even in much larger time frames) as a trend is ending it appears to "lose steam", forming a rounded appearance. If you didn't already exit your trade (hoping that it might have continued up after the stagnation) then at the first sign that it started moving down from the stagnation zone then you for sure would have rushed to exit your trade. Now look at the top of the next wave that happened between 12:10 and 12:20. Again you see another stagnation there at the top. So what you've just learned is that a stagnation can signal a top (or a bottom in a down trend) and you'll potentially want to exit your trade to take your profits.

Now here is a question for you. Look at the right side of the chart. See the top there that happened 12:45? What do you do now? Well the answer is it depends on what happens next. After the market has moved up (or down) in a petit trend you'll see a little stagnation. This is quite common and you have to wait to see what happens next. If the market continues it's trend then obviously you allow your trade to continue, but if the market shows the slightest sign that it is potentially reversing then you either exit the trade or seriously tighten your stop (depending on circumstances). The following chart shows you what happened next.

Notice it went down the following minute. At that point you want to take even a small profit (even a few pips is better than zero pips or even a loss). Sure enough in this case you would have been right to do so, but if it would have quickly turned around you could have re-entered (if things looked right).

So to summarize, a stagnation (a short one or a longer one) often shows that a petit trend has lost steam and may potentially end, turning around (good to exit an existing trade or to potentially enter a new one). Stagnation also often precedes a market movement much like a consolidation often precedes a market movement.

SHARP REVERSALS

Many times a peak (or valley) doesn't just slow down allowing you ample time to wonder about what is going on. Sometimes a reversal just happens to which you'll need to be able to quickly read the signs and make an appropriate decision.

Notice the peak of this petit uptrend. There are a couple of interesting things about this example.

First of all notice the top candle. That single candle sends you a strong signal warning you of a potential reversal. I sometimes call candles like that as a "Yikes!" candle. The candle should be somewhat larger than normal, and the bigger it is the more significant it is. It would have been even more significant if it were a red candle. Notice that it has a LONG wick (the thin part) above it. When you see a candle like that it means that it went up quite a distance but then the market thinks "oops – went too far" and then it pulls back. You'll often see such a candle at the tops (or bottoms). This is one good indication that you should now closely pay attention to what happens next.

A minute later it dropped to our trend line (having dropped 10 pips from the top). If you didn't already exit (as a scalper it's always a good idea to take profit rather than letting it disappear) then as soon as it dropped below the low of 1.2182 then for sure you would have wanted to make an exit.

It might be worth talking here about that petit down trend shown. Notice that the series of waves downwards began loosing steam (started rounding off) as the lows/highs only made marginally lower lows. It also broke a trendline (not shown but you can imagine it) before it made a dramatic turn around (something you could have been anticipating due to the above mentioned reasons plus the fact that the larger trend was currently upwards) that led upwards along a gorgeous uptrend (lasting 50 pips that would have been easy to scalp all the way up).

Notice on this chart that near 3:50 on this chart you see another "Yikes!" candle. There are other things on this chart that are worth looking at, but all I want to discuss here is that peak near the very top of the chart. Notice that along this overall uptrend that there are some down (red) candles, but generally the market quickly resumed. At that top you had a few minutes that it kept going down (plus if you were to draw a fanned trendline you would have seen it being broken), so you would have exited your trade (as a scalper you want to prevent loosing as few pips as possible – had it immediately resumed the uptrend then you could have always jumped back on if appropriate).

Here are a few more "Yikes!" candles (just to show you). As you can see that immediately following "Yikes!" candles you need to pay close attention to react quickly to a likely sharp reversal. Notice on the right side of the chart you see a pair of candles (blue then red) that formed a top. This is called (by many traders) "Train Tracks", and it often signals a reverse. You see a couple of "Train Tracks" earlier in the chart too. Just after 8:00 and also around 7:35 you see what are known as "Tweezer Tops/Bottoms" (they look like train tracks with equal length wicks on them that resemble a pair of tweezers). These aren't the best example of them but am just showing you them here to be able to recognize them as they sometimes happen to potentially signal a sharp reversal to watch for. Train Tracks and Tweezer Tops/Bottoms, though they have slightly different meanings (which I'll explain in a future eBook that I'll write about "Forex Candles"), but I would simply lump them together here along with "Yikes!" candles to have similar significances.

Here is one more chart with several "Yikes!" along with some explanations about them.

USD	**Personal Income (JUN)**	**12:30**	**8:30**	**0.4%**	**0.2%**
USD	**Personal Spending (JUN)**	**12:30**	**8:30**	**0.8%**	**0.0%**
USD	**PCE Deflator (YoY) (JUN)**	**12:30**	**8:30**	**2.0%**	**2.2%**
USD	PCE Core (MoM) (JUN)	12:30	8:30	0.1%	0.2%
USD	PCE Core (YoY) (JUN)	12:30	8:30	1.6%	1.6%
USD	**Factory Orders (JUN)**	**14:00**	**10:00**	**1.0%**	**2.9%**
USD	Factory Inventories (JUN)	14:00	10:00		-0.1%

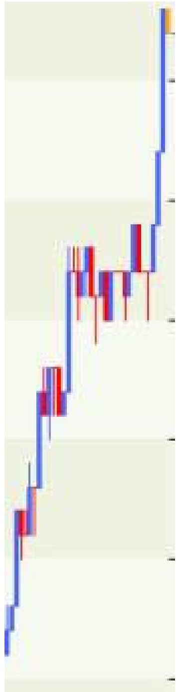
First of all notice the consolidation on most of the left side of the chart. This happened because the market was waiting for some fundamental announcements (shown FA calendar under the chart) to be released. The range of that consolidation was about 10 pips which was certainly scalpable (you'll learn more about that later in this eBook). The first vertical line is at

8:30 EST (12:30 GMT) when some fundamentals were released. Notice the following minute (after the FA was released) you got a down spike making a big "Yikes!" candle, then the market quickly returned. That is a common phenomena in the market immediately after an FA (I called this "Whiplash" in my previous eBook "Explosive Profits"). After the confusion from the FA settled the market continued upwards for some nice scalpable opportunities (or you could have surfed it as learned in "Forex Surfing" which is still a type of "scalp"). At the top of that upwards petit trend notice you see something very interesting (which is why I decided to show you this chart). You see a clumping of multiple "Yikes!" candles! This means that the bulls & the bears were having a big fight over which direction the market should go in, and what it means to you is to have your mouse ready to click to exit the trade (broken steep trendline and sharp reversal). Notice the second vertical line was set for 10:00 EST (14:00 GMT) for when another FA was released. It resulted in a scalpable opportunity lasting just a few minutes, ending at the "Yikes!". I just wanted to show you the above chart to supplement your understanding of "Yikes!" particularly around Fundamental Announcements (this topic will be revisited later in this eBook), and to show you that interesting clumping of "Yikes!" candles at that top.

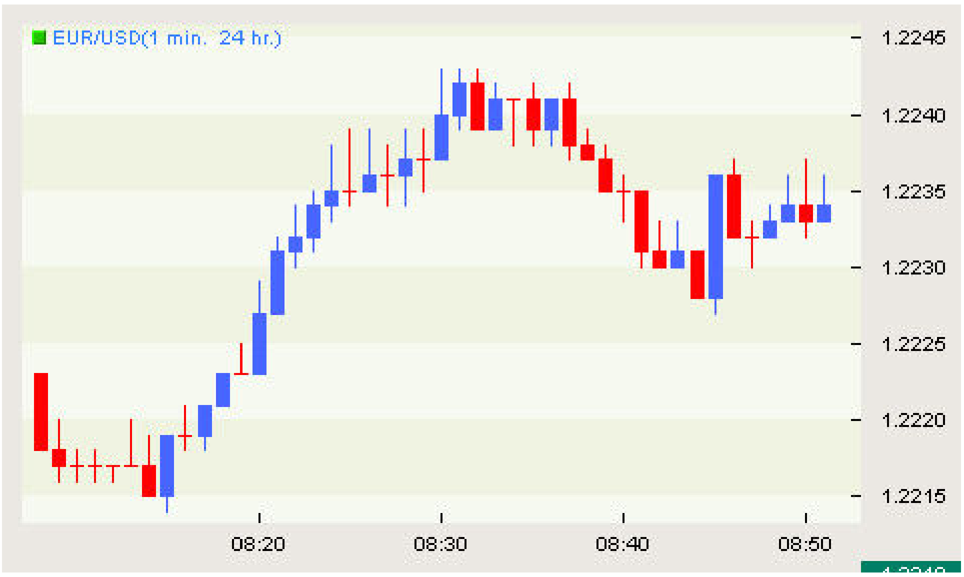
In general, a reversal can happen quickly and with little warning. Pay attention to trendline breaks (particularly fanned trendlines), "Yikes!" candles (and the related Tweezers & Tracks), and especially when prices either drop sharply or keep dropping for several candles. It is better to exit with whatever profits you can rather than crossing your fingers for a hopeful continuation (meanwhile loosing more of your profits). I strongly URGE you to go look at some charts to see many other examples to condition your eyes to recognize how to spot a sharp reversal.

CAFFEINATED MARKET

Many times you'll see the market just start moving strongly. Typically you see some long candles and a series of them. When this happens I refer to this phenomena as the market is "Going For It". Sometimes you'll see even more dramatic candles that are really "Shooting" up (or down), and these I refer to as "Shooting". I often refer to these phenomena as "Caffeinated" because to me it seems like the market drank some coffee and woke up after a period of slower movement. Take a look at these charts to see what I mean.



Notice that often these dramatic moves are temporarily paused with a stagnation, and (as on the chart on the left) the stagnation can be a good time to exit (joyfully taking your profits). The chart on the right is “Shooting”.



This chart is still what I would call “Going For It”, though it is certainly less dramatic. Notice that it starts rounding off loosing steam near the top. This one is certainly a nice rounded top.

You’ll often be in a trade when all of a sudden, without warning, it just shoots up (or down). It is certainly a pleasant feeling to have made a few hundred dollars before having a chance to blink your eyes (depending on how many lots you trade), I personally love it when it happens (and it happens often). Usually "Shoots" happen in the direction of the prevalent trend after some brief pauses in the market.

Here is a shoot that happened for no apparent reason (no FAs were being released, and this is at about 21:15 EST when nothing "should" be happening. There was downwards moving consolidation, then all of a sudden the market started "going for it" breaking through the consolidation trendline. Then the market made a "Shoot" which is usually a good signal to enter into a trade (to hopefully catch the Caffeinated momentum). The following candle then proceeded to shoot up 20 pips in less than 60 seconds! Earlier in this eBook I mentioned that it is a good idea to have a laptop computer dedicated to trading (so you can monitor the charts), and this is one of those times that proves having such a computer is a good idea as otherwise there is no way you would have caught this unexpected event.

I'm not talking about "Shoots" or "Going For It" that results from Fundamental Announcements (which obviously precipitate them regularly but unpredictably). Many times these seem to happen for no apparent reason (I'm not aware of any news that might have caused it, but news could certainly make it happen too), and often it seems to have no basis other than a strong market sentiment. Perhaps these moves happen due to the market makers wanting the market to move (because they profit from people trading, and they are encouraged to do so when the market is moving rather than stagnant). Often times (other than around expected FA or unexpected news like a terrorist bombing – I lost a trade recently due to market surprise resulting from the London bombings) there seems to be no reason for the strong moves, but regardless of what the actual reason for them is you only care that they happen because you can profit from them.

Sometimes when a "Shoot" occurs it just jumps a significant amount of pips, but most often it happens gradually but quickly during the minute that the candle is being formed. If you've been watching a reversal or a stagnation and then see it beginning to "Shoot" in the direction of the prevalent trend then you might want to quickly enter a trade to catch a ride on the "Shoot" while the market is "Going For It" (earlier I explained the importance of being prepared to enter a trade immediately, and this is one of the times that being quick on the trigger is good to catch it early).

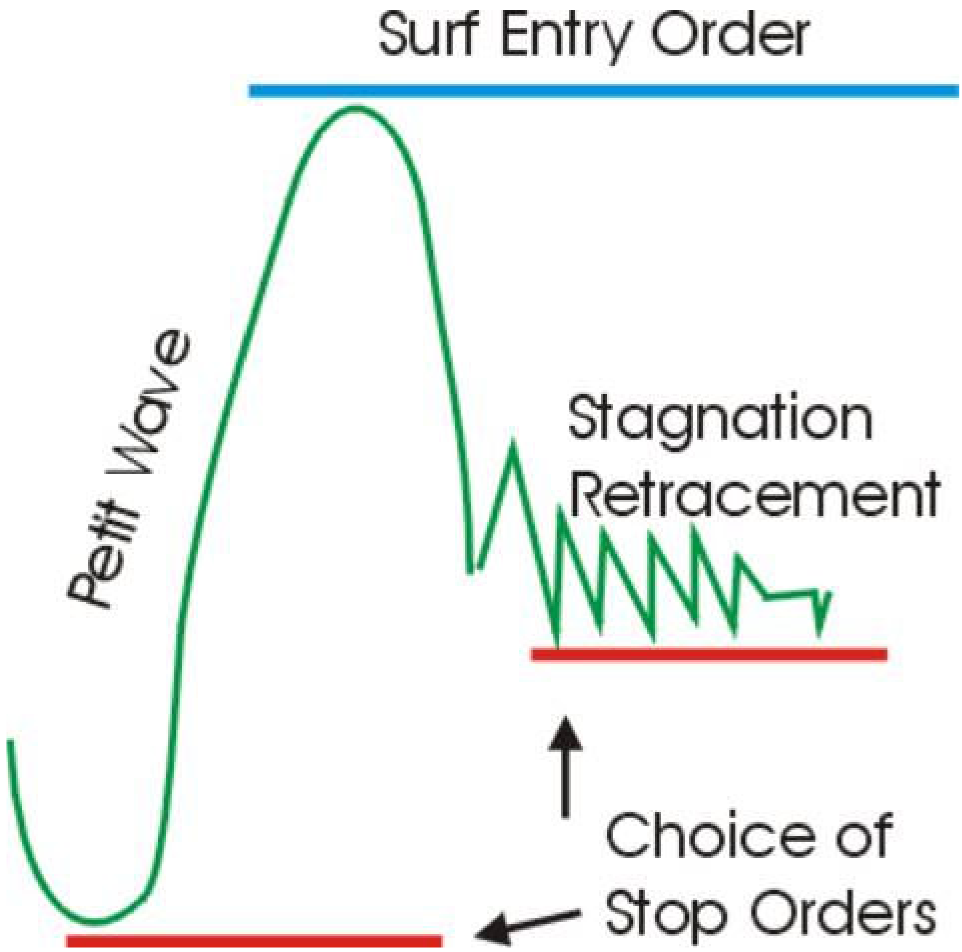
SECURE YOUR ENTRY

This technique is simply to ensure that you'll have entered at a reasonably good price incase the market picks up steam or shoots in your direction before you would have had enough time to act to enter your trade.

When the market has been trending and has gone into a retracement you'll frequently see a tiny stagnation at the base of the retracement (as was discussed above in the section dealing with stagnations). At this time you'll be watching for the market to begin to extend so that you can enter into a trade. Sometime all this will happen slow enough for you to successfully place your trade in time, however sometimes the price will move too quickly for you to manually enter a trade and you'll simply miss your optimal chance.

There is a very simple solution to this scenario. Simply use the "Forex Surfing" entry technique as your insurance that you'll be entered in time.

During the time of retracement, when the market has entered into a stagnation, simply place your entry order at the top/bottom of the wave (factoring in the spread as discussed in the "Forex Surfing" eBook), with your stop order placed at the bottom of the wave or at the bottom of the stagnation area (the bottom of the retracement becomes the new wave bottom). Ideally your stop shouldn't be bigger than 10 pips, but it may be larger, and if so then use the "Surfing" rules for this scenario (and adjust your lots to conform with your equity management rules).



With the surf entry technique set as your insurance then continue waiting for your opportunity to happen. If you can enter the trade once the market appears to be extending from the retracement then you've successfully gotten in at a better price and you'll immediately proceed to canceling your surf entry order. If the extension happened too fast for you to manually enter your trade then at least you've caught a "surf" which will typically be at a better price than if you were to later manually enter a trade to catch any shoots that may have happened.

BI-DIRECTIONAL IN-WAVE ENTRY

This technique is something that I should have included in my eBook "Forex Surfing", but I simply forgot to write about it then. Oh well, here it is now. This concept is equally useful to you if you are "Surfing" or if you are "Scalping".

Sometimes (actually often) you'll encounter times when you are uncertain about the market direction, but you do expect it to move (not for times when the market is likely consolidating). It'll often appear that the market has moved from a trending movement, retraced, done a slight extension that didn't cross the top/bottom of the wave, and retraced somewhat. When you see something like this you might be wondering in what direction the market will eventually break out in. FYI, the early stages of a triangle in formation look like this too, but it might simply be a brief period of market indecision.

So now you are faced with a dilemma – in which direction do you attempt to trade?

What I do is I, in such scenarios, might place two entry orders on both sides of the double wave. The theory is that if it breaks out in one direction that it should often continue (for however far) in that direction. Doing this you need to be careful; you don't want to get caught in a bull/bear trap if the market is actually consolidating (so keep a close eye to scalp an exit at the first sign of reversal in your new petit trend).

You'll frequently see such a setup shortly after a Fundamental has been released, after the market has settled from a strong panic reaction and everyone starts to more logically evaluate in which direction the price should move.

Simply put, you "secure your entry" as was taught in the above section, but you do two of them for the opposite directions. Once one of your two entry orders gets activated as a trade then simply cancel the other entry order.

Notice on the above image how it appears that you've got a downward surfable wave (the larger wave), but it also appears that you have a smaller upwards wave? Simply straddling the market in this way means that you'll be able to catch trades when otherwise your uncertainty would prevent you from trading. As a general rule of thumb use this method primarily during market overlap times when the market is likely to resume some kind of a trend rather than just be consolidated (as often happens outside of market overlap times). Again, after getting entered be watchful to scalp an exit as a precaution (it is always better to exit with even a couple of pips than to suffer a potential loss, whenever possible).

You should also note that when you see something like this it may potentially be the start of a consolidation or even (rarer) a triangle. Later in this eBook I explain how to deal with those situations should what you are seeing develop into either a consolidation or triangle.

TIP – In the eBook "Forex Sailing" I give a technique that is useful to apply to this "Bi-Directional" opportunity. Look for the technique in the section titled "Netless Straddle Trading" which will teach you how to trade these "Bi-Directional" opportunities without getting doubly burned if the market bounces around indecisively.

SAFER STOPS

"Safer Stops" is really just a simple concept that can potentially save you a few extra pips on those trades that end up as a loss. You know the cliché, "a dollar saved is a dollar earned", and as a trader when you can save some losses (without sacrificing your trading opportunities too much) then it is generally a good idea to do so.

So far you've learned that with scalping methods it is the standard approach to start off your trade risking 10 pips. In some circumstances you might start off with a larger pip risk (as you might do in "Surfing", using a 20 pip stop), but the general rule for scalping is 10 pips. What if you have a petit trend and say the bottom of that wave is just 4 pips away? Should you still use a 10 pip stop? Well you could, and most often you would but you could shave off a couple of pips in times like these.

In "Forex Surfing" you've learned to add the pip spread to your entry/stop/limit orders, and this is good for you to continue to do. Simply subtract (in an uptrend, add in a downtrend) the pip spread plus 1 pip from the base of the wave and use that as your stop.

So in our example above with the bottom of the wave being 4 pips away, assuming we're trading EUR/USD with a 3 pip spread then we could shave our stop to being just 8 pips away rather than 10.

Sometimes doing this you'll see the price coming down, hitting your stop and going back into what could have been profits had you left your stop at 10 pips. At times like this you'll hate me for having recommended doing this (it also ticks me off when this happens to me). But often enough if the price would have stopped you out at 8 pips or 9 pips then chances are you would have also gotten stopped out at 10 pips (and at those times you'll love me for having recommended doing this). At least you'll have saved a pip or two, and cumulatively over 5 to 10 such trades this has a net result of saving you the equivalent of one full bad trade. It doesn't seem like much, but for a scalper cumulative effect is the name of the game as you are accumulating small profits and avoiding the accumulation of small losses.

FIBONACCI GUIDANCE

It is very important to keep in mind, while watching a micro trend, that the market will move up or down in a series of waves. In the eBook "Forex Surfing" I explain how to work with Fibonacci theory, so please go and reread that section. I can't tell you enough how valuable the Fibonacci concepts are to assist you with your scalping.

During a micro trend you will regularly observe the market moving in waves often roughly retracing to the 50% or 62% levels. This is key to watch for as when you see what appears to be a reversal in the petit trend near the key retracement levels then that is an excellent place to attempt to enter into a trade.

Furthermore, once the market has extended beyond the peak of the wave that retracement low is then the appropriate location to replace your stop to.

I can't stress enough to you the important of being aware of Fibonacci when trading. You find immense value in using this concept when you are scalping.

SPECIALIZED FIBONACCI OBSERVANCES

Fibonacci (Fibs) has been my favorite technique of all times, and due to my mindset I always have a mental filter looking to see how it can be adopted to whatever I am doing (including non-trading related things).

This section will not cover Fibonacci theory; for that go read the section explaining Fibonacci in my eBook "Forex Surfing" (I also intend to one day get around to writing a detailed eBook teaching just about everything I know about Fibonacci including its advanced concepts). In this section I assume you are already familiar with these concepts so I won't review much.

To start off let me be very clear hear that you will not be using standard Fibonacci theory directly as a trading methodology for scalping. What I will describe here are some observations about the behavior of the markets (from a scalping perspective) that some concepts of Fibonacci theory helps to support. Furthermore, this particular section isn't so much about specific entry/exit points (though it certainly can be used to help you make such decisions), but rather to help you to learn to evaluate the strength of a particular trend, and to justify some stop levels.

In an uptrend (just reverse everything I say for a down trend) the market typically moves in waves making progressively higher highs and higher lows. When a retracement occurs, according to Fibonacci theory, the price will typically reach to be around one of the four main retracement levels; 38%, 50%, 62%, or 79%. Because the swings that often occur on a scalping perspective scale are so small I have simplified the ratios to "zones" conforming to my own theories based on my observations (go ahead, call it the "Borowski Swings" theory ;P). These zones are simply thirds of the retracement range (amplitude or height of the swing), and I simply call them (ummm… making up the names now – a lot of the concepts I come up with I simply use without naming them, but have to name them for my eBooks to have a convenient label to use for explanation purposes) "Shallow Green Zone", "Mid Yellow Zone", and "Deep Red Zone" (after some thinking I'd decided to go with traffic light colors for reasons that will become apparent soon).

So what are these "Scalping Swing Zones" for? Simply, the third zones help you to gage visually the relative strength of a trend that you are seeing.

In Fibonacci theory it is generally understood that if the swing retraces to only the 38% level that there is usually strong momentum in the trend (likely to continue strongly for a while yet), whereas on the opposite side of the spectrum if the swing retraces down to the 79% level that usually signifies that the trend is loosing steam and so the extension usually won't go as far and the possibility of seeing a potential turn around of the prevalent trend becomes a much stronger probability.

Often during an overall trend you'll see that early in the trend the swings bounce at the shallower levels, then as the trend progresses the swings tend to retrace deeper and deeper often forming what looks like a rounding top as the trend seems to lose steam. Imagine that this phenomena is somewhat like a bouncing rubber ball that with each successive bounce loses energy. This phenomena is regularly seen on larger charts (go look at some hourly charts and zoom into some obvious trends and chances are that you'll see what I'm talking about right on your screen).

Here is the best chart I could find of EUR/USD (one hour charts) kind of showing what I'm talking about in a downtrend. This doesn't always happen "text book perfect" (and this isn't the absolute best example), but you'll see that the concept has merit over all. The Fibonacci lines are drawn to show you where they are, and you'll notice that the retracement came close to the labeled key Fibonacci levels.

In scalping, the above statements are still quite true, however because of the tiny size of the petit waves the standard Fibonacci percentages aren't always accurate. This is because in such small waves the difference between the Fibonacci percentages might only be a couple of pips, and so it could be easy for the market to overshoot a percentage level creating a false impression for your. Furthermore when the market has dipped down into the retracement and before it turns around into an extension there is often some kind of a stagnation (lasting briefly or for a while) and the stagnation often ranges a few pips, thus not being completely clear at what percentage level is best to consider it (I know, I know, of course it is the deepest price that determines this, but I like to think of it a bit differently).

Thus the "Scalping Swing Zones" is a concept better adapted to this tiny perspective of market activity.

Usually you don't have to draw any analytical lines to see in which zone the price has retraced to as it is easy to visually imagine the thirds. Furthermore, if you get a stagnation area in your retracement you usually pay attention to which third zone that most of the stagnation is contained within, but if a significant portion of the stagnation is in a deeper zone then consider it as having retraced into the deeper zone.

If the market retraces into the "Shallow Green" Zone and then proceeds to resume the trend then this is generally regarded as either just a brief pause in the trend or a still rather strong trend (likely to continue for a while yet). Often you'll see a retracement into the "Shallow Green" zone after the market has been "Going For It". Most often when the market "Shoots" it'll "Shoot" from the "Shallow Green". Using standard traffic light mentality… "you're green to go!"

Most often you'll see the market retrace into the middle section called the "Mid Yellow" Zone. This is quite typical and a great zone to enter a trade within (if you can) because your stop loss will typically be below the 100% retracement level (so feel free to decrease your stop if you want at the start of the trade) and you'll often score many of the pips that the market retraced (potentially catch them twice). Your key Fibonacci retracement levels are contained within this zone (the 38%, 50% & 62%). When the market retraces to within this zone (and you get a good reversal for an extension to enter onto) then you are generally pretty happy. Using standard traffic light mentality… "you're yellow to step on it!" (think about what you *actually do* (not what you're supposed to do) when you are driving. When the light is green you keep driving, but when the light turns yellow you step on the gas.)

Sometimes you'll see the market retrace into the last section called the "Deep Red Zone". This often happens in a slow moving market such as when a trend is loosing most of it's momentum, or when in a consolidation patter (particularly a sloping consolidation), and of course in a triangle pattern (as the market bounces tighter and tighter it often retraces through the "Deep Red Zone"). Using standard traffic light mentality you'd usually stop - not necessarily stop trading but rather you'd stop to consider what the signs are telling you. It is still possible that the market could resume the trend with renewed enthusiasm, but you need to be aware that a pending reversal might not be far away, and if you end up jumping into a trade (in the direction of the prevalent trend) then don't hold your breath of it going too far up before it reverses again.

Here is an additional point to make regarding scalpable swings that has nothing to do with the above-mentioned zones. This is about your stop levels.

Most petit trends (and their swing size) typically range in size from about 10 pips to about 30 pips (sure, there are occasional larger ones), but if you asked me what the average is I'd say that it would be about 15 pips (no, I didn't make any actual calculations. This is an estimate based on what I've often seen).

Standard Fibonacci trading methodology dictates that when you enter a trade (say getting on around the 62% level) that you place your stop loss order at the 100% level (the base of the swing). The idea is that if the market retraces all the way to the bottom of the swing then chances are you are seeing a reversal and so the principle of the Fibonacci swing extending for profit is thus proven to be wrong in this instance. I talk extensively about this concept in "Forex Surfing" as it is the basis of the "Surfing" trading methodology (note: feel free to use scalping as the entry method for surfing types of trades to take advantage of better entry price).

Because the swing is small (like I stated earlier, typically between 10 to 30 pips) when you enter into a trade on a retracement then your 10 pip stop loss order will often be around the 100% retracement level. Think about it. If you have a 20 pip swing that retraces into the "Mid Yellow" range, then if you were to get in around there your stop of 10 pips would be around the base price of the swing. If your stop is below the 100% retracement level then that is also fine.

So all I wanted to point out here is that often your 10 pip stop order will be at more or less the correct price without thinking too much about it simply because of how everything works.

ADDING S.E.X. LINES

In my eBook "Forex Sailing" (released simultaneously with this eBook) I talk extensively about S.E.X. Lines, what they are and how to use them. I'm just going to assume you've already read it, but if you haven't then skip reading this section and come back to this once you have read about S.E.X. in "Forex Sailing".

I've personally found that S.E.X. lines work GREAT for Scalping, and are quite useful. On your one-minute candle chart set your S.E.X. lines to 15, 30 & 60.

Take a look at the following chart with the S.E.X. lines on it.

On the left of this chart you see a nice tight consolidation. The S.E.X. lines are tightly "clumped". S.E.X. lines usually clump together nicely in a sideways moving market, and for scalping purposes I've found that they display near perfect clumping which makes it easy to read breakouts from such consolidations. When a break out begins to occur the lines quickly fan out nicely supporting the likelihood of a starting trend (how big or small the trend "who knows", but as a scalper you can profit from petit trends so it doesn't matter how big the trend ends up being). Notice also the time when the breakout occurred – 02:00 EST (at the open of the European market overlapping the Asian market). Now notice the first two waves made 3 lows (including the base of the first swing), which I drew a trendline on (hard to see but look for the straight dotted line). The first two waves retraced to the "Mid Yellow Zone", which is good. Also notice how they bounced the 15 S.E.X. pair. The market then moved strongly and the third wave made a very shallow retracement into the "Shallow Green Zone". It also bounced the 15 S.E.X. pair, but more interestingly the EMA crossed the SMA of the 15 S.E.X. pair on the last candle of the stagnation before the retracement happened (always watch the pairs for crossovers as sometimes (but definitely not always) it can give you important signals – usually best for stagnant tops/bottoms vs. sharp reversals). The fourth wave was small (about 9 pips), retraced into the "Mid Yellow Zone" an also bounced the 15 S.E.X. pair. Now the fifth wave we see that it retraced to the "Deep Red Zone" and penetrated the 15 S.E.X. pair, and the EMA crossed the SMA of the 30 S.E.X. pair, all factors showing that the market appears to be loosing steam. The sixth wave also was a deep "Deep Red" and it definitely hit the 30 S.E.X. PAIR. It also gets close to our trend line. Also the EMA crossed the SMA of the 60 S.E.X. pair. Often what you see happening when the price comes close to a trendline is that it'll bounce the trendline, or it'll penetrate through it. Also frequently during a trend the first time it penetrates the 30 S.E.X. line it often does resume the trend, though it also means that our trend might soon after be ending. Then the market had some caffeine because it moved up strongly (seventh wave), which you would have entered in on. It peak into a stagnation (15 S.E.X. lines crossed too), which you would have then exited at. The market then slowly retraced into a stagnation, crossed the trendline, and the 15 & 30 S.E.X. pairs clumped. Now you're thinking "oh well, that sure was a nice trend. Let's see what happens next". It started moving up slowly (eighth wave) but you probably would not have traded. What is interesting is that this wave (and a few following this wave) do a pretty neat thing. Sometimes when the price breaks through a supporting trendline (a trendline that provided support in an uptrend – flip what I say upside down for downtrends) the trendline then acts as resistance as the trend continues in the same direction, and here we see that phenomena. After a few waves you would normally readjust your trendline to fit the new angle of the trend better, but I didn't re-draw it on the chart which I'm showing you as having two trendlines drawn would be visually confusing. You likely would have entered the ninth wave as it appeared to pick up steam (the last two waves were rather stagnant which you now interpret as just a pause in the market) and your S.E.X. pairs spread out again.

The next bunch of waves continued upwards, but I won't give you the "play by play" commentaries… I think you get the idea by now. What is really cool is that EVERY wave made a higher low, so if you would have use trailing stops as learned in "Forex Surfing" you simply wouldn't have gotten out! (Keep in mind that that certainly doesn't happen in every trend, but for this one we got lucky).

For your information, which you might like to know, on this chart the market broke out of the consolidation at 02:00 EST at about 1.2165 moving upwards all the way, and the chart shown above ended at 05:00 EST at about 1.2245 (about 80 pips – even trading just ONE regular lot you could have easily made about $800 in that 3 hour period ($266 per hour per lot traded). Now compare that to the hourly salary of a lawyer or doctor!).

Folks, you've got to be aware that I am not cherry picking my examples from the best trends that have happen over some past period. As you can see that candle on the right is "real time", and yes I've been following this trend live while writing all this (for the past few hours). My charting software only allows me to see one-minute candles for the past 24 hours, so I can't go back searching for months worth of data. What all this means to you is that if I can find perfect examples for my book to show you everyday then you too should be able to find great trading opportunities to scalp virtually everyday! The stuff I'm showing you (all the examples in this eBook) is NOT rare stuff that only happens once in a while. Seriously, just about everyday you'll find some kind of interesting scalpable opportunity! Some days you'll score more pips than on other days (ok, this was a better than average day), but EVERYDAY IS A GOOD SCALPING DAY!!!

Want to see what happened next??? The following chart shows you the continuation of the above chart. The previous chart ended right at 05:00 EST and this chart starts at 04:30 EST, so you have about 30 minutes of overlap. What you should be aware of is that now each price increment shown on the chart is 10 pips.

EUR	Italian Reuters PMI - Services (JUL)	7:45	3:45	49.2	48.9
EUR	French Reuters PMI - Services (JUL)	7:50	3:50	57.9	57.9
EUR	German Reuters PMI - Services (JUL)	7:55	3:55	52.5	52.3
EUR	Euro-Zone Reuters PMI - Services (JUL)	8:00	4:00	53.4	53.1
GBP	CIPS PMI Services (JUL)	8:30	4:30	55.3	55.8
EUR	Euro-Zone Retail Trade (MoM) (JUN)	9:00	5:00	0.1%	1.1%
EUR	Euro-Zone Retail Trade (YoY) (JUN)	9:00	5:00	0.7%	2.0%

As you can see, there was a Fundamental being released at 05:00 EST, and at 05:02 EST a candle shot up 22 pips, then the market continued on upwards. I won't give you the "play by play commentary", but will simply discuss what is important to view on this chart.

Before 05:00 EST (before the FA) the market was already in an uptrend, and the S.E.X. lines were already spread out. With the sharp increase in price, and the sharp increase in the trend's steepness the S.E.X. lines spread out even more. It is interesting to notice that the EMA crossed the SMA of the 30

S.E.X. pair right before (a few candles before) it reached the highest price, and then the market entered right into a consolidation a few minutes before 06:00 EST (the end of the Asian/European overlap time – notice the whole thing happened between 02:00 & 06:00 EST only lasting through the overlap time). The 15 and the 30 S.E.X. pairs "bunched" right at 06:00 EST, and the 60 S.E.X. pair quickly followed into the "bunch" as the market entered into a tight sideways consolidation.

I wanted to show you this chart for a couple of reasons. First of all notice the "Head & Shoulders" reversal of the trend at the top. Also notice the behavior of the S.E.X. Lines at the reversal – they didn't bunch by rapidly switched direction. The peak height on this chart happened at 3:30 EST, about 1.5 hours into the Asian/European overlap time. It is common for the market to abruptly change directions early in an overlap time. Here you see a perfect example of a change of trend with a very obvious reversal (Head & Shoulders / King's Crown), supported by the S.E.X. Lines also indicating a new trend. It is also worth noticing how when the market came down to meet that previous support price level (the stagnant area before moving up to the peak) that the market did a little bounce up from that level, reacting to that previous support, before resuming its down trend. Later it repeats the support price level bounce as it reached another previous support level (off the left side of this chart; not fully shown here, just the tail end of it is shown on the extreme left side of this chart picture), and then after it recovered from the support bounce it shot down. Over time you'll learn to pay more attention to these kinds of things. Here is the same chart viewed a little wider with those support lines drawn for you to clearly see.

Here are a few more tips in using S.E.X. in conjunction with scalp trading:

- During a retracement in your petit trend the S.E.X. lines will bunch together, or less frequently, if there is a large swing doing a larger retracement then the S.E.X. lines may open slightly for the retracement direction.

- Use the S.E.X. line pairs almost like a moving trendline. Often during a strong movement the market will bounce the 15 period pair. As it slows it may even penetrate the 30 period pair, but usually when you see a 60 period pair being penetrated then you are definitely seeing a retracement (or potentially a reversal).

- When your micro trend reverses you will of course see a trendline break, your top wave retraced past the bottom of the wave, and then potentially there will be a new micro trend. Watching the behavior of the S.E.X. lines will confirm to you if a new reverse micro trend is forming by opening up (the lines spread). Or if the lines are bunched then you have a little consolidation (after your previous trendline breach), and the direction is yet uncertain – could go up or down (more often resuming the original micro trend), and once the market breaks out of this stagnant consolidation pattern then you can engage into trading (in the breakout direction of course).

- When viewing a tight consolidation (say 10 to 15 pips) then the S.E.X. lines will be bunched for sure. Slight oscillations in the tight range will cause the lines to open then quickly rebunch. This is not a good time to rely on S.E.X. lines for scalping purposes.

- When viewing larger consolidation (say 30 pips but preferably way more) then the S.E.X. lines can be useful to help you spot petit trends and signal the ending of petit trends for within range trading (discussed later in this eBook).

EXIT / ENTER REVERSE THINKING

I should mention here (since I haven't mentioned it so much earlier) that many of the conditions of why you would want to exit a trade are frequently also conditions of why you would want to enter a trade in the opposite direction.

When you see a reversal of a petit trend (regardless of direction) then you look for opportunities to enter in the opposite direction (or for a potential continuation). Hence the title of this section – "Exit / Enter Reverse Thinking" – when you see an exit for the previous petit trend you think about entering on the reverse. Of course you would (normally) only enter during a prevailing trend in the direction of the trend (entering the reverse of the pull-backs), but in a range you can play both sides.

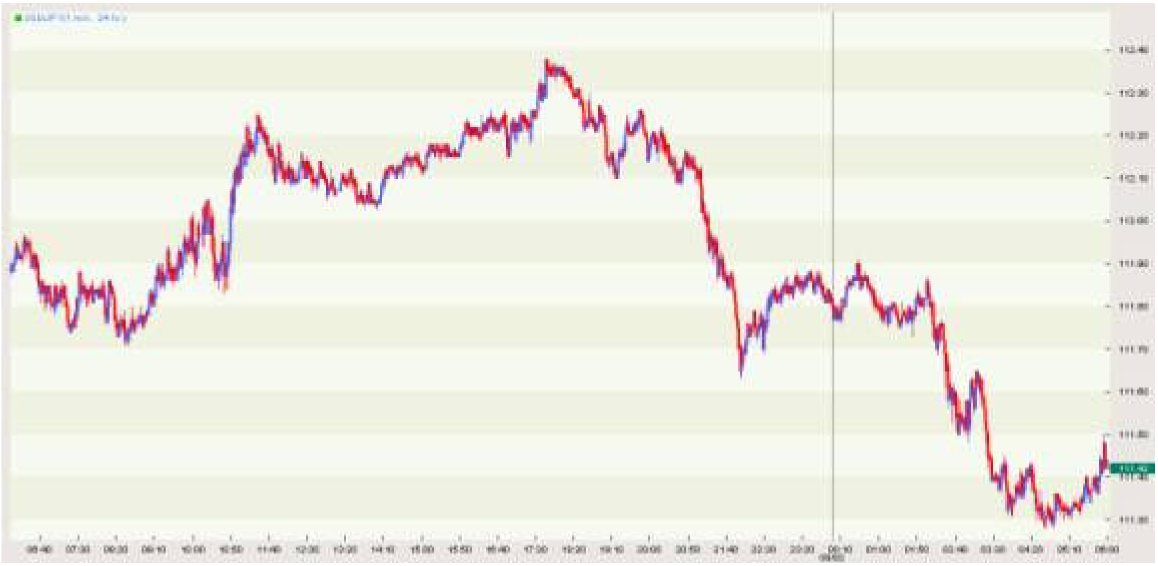
PICKING TOPS & BOTTOMS (PART B)

So above you've learned some of the elements to watch for to be able to pick at the tops & bottoms. These are some of the biggest & most important ones to be aware of, but there are certainly more (by studying your charts you'll come to discover some of the minor things to watch for). Now what you've learned above is the basis, the foundation, of just about everything else you've still got to learn in this eBook.

The following chart shows you most of the elements you've learned thus far (it doesn't have all the elements because it's difficult to find a chart over the past 24 hours (the limit of how far I can see one-minute candles with me charting software)) along with a brief review (starting from the left side moving towards the right side).

On the left you see a consolidation pattern that usually precedes a market movement. After it broke out the bottom of the consolidation (with a candle that formed completely outside the consolidation range) you jump in on a trade going short (meaning going down) after the market broke out of the brief (two candle) stagnation. The trade continues moving down, but then you exit once the trendline of your petit down trend gets broken. A new, but shallow, petit uptrend gets established. This petit uptrend could simply be a retracement with the potential that it would resume a down trend, however once you've seen the candle that "shoots" up you think that perhaps that the market is now going up (after all the petit uptrend is shallow enough to almost be considered a stagnation) and so you decide to take a chance at that Caffeinated candle. Sure enough going long (entering a trade going up) was the right call. A couple of minor downward candles don't scare you off, but then you find that you've entered what appears to be a stagnant zone (appearing to have a rounded top). Sure enough, as soon as that candle broke down from your stagnant zone (plus your steep trend line broke) you decide to exit your trade. Since you've had a prevalent uptrend you simply wait to see what happens next (not entering another trade). Well a stagnation develops, and once again a breakout occurs from the stagnation, and since the breakout occurred going up you quickly jump in on a trade again. It continues moving up then a couple minutes later had a little down movement. You might have gotten faked out by this causing you to exit your trade (which you still would have caught at least a few pips) or you might have remained in the trade (or jumped back in). Shortly after you see a "Yikes!" candle and the next minute your trendline breaks. For sure you get out at this point having secured at least 5 pips (from that previous stagnation). Well, we are at the end of the chart and you'd be waiting to see what else develops.

So far the charts above have been of EUR/USD. Here is a snapshot of USD/JPY over the past 24 hours. I won't explain everything that happened but just take a look at this chart. Do you think that in the past 24 hours you might have been able to scalp this for some serious profits??? By the way, each price increment on this chart is 10 pips (it moved up about 70 pips then went down about 110 pips… plenty of pips that could have been caught any time that you would have been available to be trading it).



What do you see on the following chart of EUR/JPY? How would you have considered trading it & why?

Go call up your one-minute charts NOW of EUR/USD (and a couple of the 4 pip minors) to see what you can spot that has happened over the past 24 hours. Start from the left side of the chart, moving towards the right, and simulate for yourself what you would have done based on all the things you have learned so far. Then watch the real time movement of the charts looking for petit trends that you could possibly trade and just pretend you are trading (or actually trade in your demo account). The more time you spend watching your real time charts the more you condition your eyes to recognize the good opportunities and develop the cognition of how to react based on what the market is doing.

COMPOUNDING GAINS

Compounding Gains is a simple technique that can be used when you are dealing with a very nice trend (like that trend that I showed you in the section talking about S.E.X. lines). This isn't a technique about how to enter or exit trades, but rather a technique that you can use magnify your profits by adding on additional lots. This does pose a bit more risk, but pulled off successfully can mean a much bigger pay off for you. For example, (this is just hypothetical numbers), on a trend that lasts say 100 pips you might be able to extract the equivalent of 200 or even 300 pips!

The concept is simple. You simply use more relaxed exit rules and add more trades for each successive wave. Done properly the worst that can happen is that the most recently added trade will lose a few pips, but all the previously added trades will have varying profits.

You need a nice micro trend to scalp along first of all. This technique can only work on a nice trend. You enter into your first scalp in the normal way. Once the market has moved up enough for you to replace your stop order securing at least a 5-pip profit, and assuming that it was a large enough wave to not stop you out then you could employ the compounded gains technique.

So now you have a trade with your stop placed to secure at least a 5 pip profit. At the next scalpable entry point you simply place another scalp trade. For this second trade you either leave your stop set for 10 pips loss, or you change it to match the stop of the first trade (if the first trade's stop is farther than 10 then leave it at 10, but if it is closer than 10 then set it for the same price).

At this point you employ the trailing stop method you've learned in "Forex Sailing", trailing your stop set at the price of the base of the waves.

You are allowed to add other trade to your series of trades ONLY IF the last trade you've entered into has already had it's stop order increased to at least a breakeven point or preferably securing a profit. If the last trade you've entered into hasn't met that criteria (of your stop being equal to or greater than your entered price) then you are simply not allowed to enter into another trade yet.

You keep on trailing your stops of all trades to the base of each wave as taught in "Forex Surfing". Thus all your trades have the same stop price, except for perhaps the newest trade added to your series.

Basically you keep following the set of rules described above like a loop, repeated over and over and over until eventually you get stopped out, and when you get stopped out you'll be stopped out on all the open trades, so it'll be like a house of cards all tumbling down instantly. The only loss that can happen is from the last entered trade (unless you stupidly traded this through a huge FA like "Non-Farm Payroll" on the "First-Fridays-of-the-month" when your stop might not be honored), but generally the profits of all the other trades will leave you with a handsome profit overall.

Think about it. Here is a hypothetical situation. Let's say you entered a trade at 1.1000, at 1.1010, at 1.1015, at 1.1027, at 1.1040, at 1.1048, and at 1.1058, all using the above rules. Let's say you finally got stopped out at 1.1050. You made 7 trades, 6 of which were profitable, but 1 was a loss. So the profits of that series of trades would be 50+40+35+23+10+2=160 minus 8 (for the loss) = **152** pips total profit on just a 50+ pip trend (the trend must have been a bit larger than 50 pips for you to catch the 50 pip range). So I ask you, is it worth using a compound gains approach when you're scalping???

How is this "riskier"? Well, as a scalper you normally try to exit at the end of each petit trend to maximize the pips gained during that petit trend, but since you are using trailing stops your exit strategy has thus changed. The risk is that you might make fewer pips if the first trade or two doesn't work out, but once you've succeeded in stringing along a series of trades your profit potential grows exponentially. Trading is all about risk/reward, and the rewards of compounding your gains, done properly, far outweighs the risks. So go ahead and try it.

Here is an exercise for you to do. Please actually do it (this "homework" is to help you). Go to your charts and find the biggest micro trend you can see on one-minute charts. See what your profits would have been had you done it to that micro trend. Every day for the next week repeat this exercise using the most recent chart data. You'll be impressed with some of the gains you could have made on a few of those micro trends you've simulated compounding against.

WATCHING MULTIPLE CHARTS

When you are scalp trading it is good to have multiple charts open of different currency pairs all viewed on one-minute candles.

The selection of currency pairs is important for a few reasons. First of all only watch the currency pairs that you are allowed to scalp based on their pip spreads. You must have EUR/USD as on of your charts, but the others can be based on your personal preferences.

I recommend having the following four currency pair charts displayed. EUR/USD, USD/JPY, EUR/JPY, and AUD/USD. There are very specific reasons for this selection.

The first reason is that you have a major currency from all the major markets. JPY from the Asian market, EUR from the European market, and USD from the N.American market. Notice that you have all the combinations of these three currency pairs on three of your charts. This is good because you now have “Relativity” (as I like to think of it).

What is “Relativity”? (Not Einstein’s theory of Relativity, but the Borowski version) Let me illustrate for you. Let’s say that the markets are consolidated (on all three pairs), often you’ll see that two of your three charts will start to begin moving, while the third chart appears to be relatively unaffected. You now know which currency is the driving force behind the movement. It is the currency that is common on both charts that moved, but is absent on the third. For example, if USD/JPY & EUR/JPY were the two that moved then you know that the Asians were doing something and the JPY was the force behind the movement as the value of the JPY was somehow being affected.

Why do I often have the AUD/USD? Simply because it is one of my personal preferences, plus the fact that it often moves during the evening hours (from my time) when usually the other pairs are quieter. It is also a pair that I watch to contrast against the EUR/USD as it closely mimics EUR/USD, but it is just another filter for me to pay attention to the affects of USD without the influence of EUR.

There is another significant reason for using such combinations of charts. Often times you’ll notice that the other charts containing a common currency may shoot or just simply start moving, and THEN a similar action takes place on another chart a few moments later. By seeing what the other charts are doing it can give you a “heads up” warning of what you might potentially see on another chart.

It is also important to keep in mind that the “relative action” will happen that both charts move in the same direction of the currency that is moving it is on the same side of the “forward slash” (/). In the case of USD/JPY & EUR/JPY both charts will move either up or down if it is the JPY that is moving the market. In the case of EUR/USD & USD/JPY, if the USD is moving the market then the charts will move in opposite directions simply because the “USD” is on opposite sides of the “forward slash” (/).

Allow me to go off on a slight tangent for a moment to share something I’ve been thinking about for a VERY long time but still haven’t yet figured out how to profit from. I am sharing this here simply because it is somewhat related to the above topic. If someone who reads this can figure out a working theory on how to make this work then please contact me to share your thoughts. --- I have a theory that I call the “Market Efficiency Theory”. In a triangle involving three currencies (as described above), when the value of one currency pair changes then the value of one of the other two, or both currency pairs MUST be affected as well in order to maintain an equilibrium of value throughout the currency triangle. If you were to trade one currency for the second currency, then trade that second currency for the third currency, and then trade that third currency back to the original first currency there should theoretically be no gain or loss of value (ignoring spreads which would of course result in a net loss). I believe that if you were to analyze the market between three currencies that there must be periods of time (such as when there is a strong market movement) when the equilibrium is out of sync. Sooner or later it must be corrected, and due to the correction there might be a way to squeeze out some profits. I think I’ve explained the concept here well enough for you to understand. If you are a clever individual and are up to a challenge then play around with this idea. If you should happen to figure out how this idea might work in real life to profit from it then please contact technical support to relay a message to me (please understand that I might be slow in contacting you back). See, I come up with tons of concepts, but not all of them have yet been refined.

Back to the topic of “Relativity”.

One more tip to provide – sometimes while in a trade you may see another chart move in a direction sharply that implies a contrary direction for the trade you are currently in. Sometimes when this happens you can be forewarned of a potential reversal affecting you so you can have at least a few extra seconds to evaluate your contingency plan. Thus multiple chart views isn't just to help you to enter trades, but can also help you time your exits too.

So there you have it. You now have a couple of good reasons for having multiple charts displayed, not because you plan to trade all of them (but go with the opportunities you find), but rather because being able to see multiple currency pairs shows you an added dimension of market activity that may help you in making trading decisions.

BIGGER PERSPECTIVES

I've said this before in my other eBooks, and I'll say it again here. It is important to start off each trading session (each day) by reviewing the larger time frame charts of the currency pairs you intend to watch & possibly trade.

On your bigger charts you'll clearly see where the market has been, and reading those charts will give you an impression of where it'll likely go. True, on a scalping perspective you only really care about what the market is currently doing, but nonetheless knowing what has been happening on the larger perspectives can help you down to the tiny perspective you are primarily dealing with.

Start off by looking at your daily charts, then the hourly charts, and then the five-minute charts. Draw your trendlines, notice where the Fibonacci swings are, and certainly familiarize yourself with where the key reversal levels appear to be. Look for consolidations, triangles, and other patterns as these might be trading opportunities that you could profitably scalp. Knowing all this will help you to anticipate where the market reversals might happen, and give you a realistic perspective of how far the markets might move.

It is not a bad idea to print your charts and to keep notes of your analysis, keeping it handy for reference while you are trading.

It is important to keep in mind that what is happening on your one-minute charts is a tiny slice of what is happening on much larger timeframes, and that the fulfillment of technical analysis expectations of even thousands of pips on the grand scale all happens through the tiny window of the one-minute charts that you scalp in.

THE OPPORTUNITIES

In this section of the eBook we will look at several opportune setups to watch for potential trading opportunities. This section assumes you understood everything from the above section and takes some of those concepts further.

THE FOUR MAIN OPPORTUNITIES

There are four primary opportunities to enter into a scalp trade, but there are also sub opportunities. Here we will look at them in general, but will delve deeper into each subject later. The four primary opportunities are:

Micro Trends & Trends
Pattern Breakouts
After FA
Within Ranges

Micro Trends & Trends – As introduced in my eBook "Forex Surfing", micro trends make for excellent scalping. You can scalp for small pips (repeated entry along the trend) or scalp as an entry method to get on board for a longer trade (for many more pips). It is also noteworthy to mention in the topic of "trends" that you can pay attention for trend reversal signals for scalping opportunities, particularly when the price is approaching a potential trendline bounce as seen on a larger perspective chart.

Pattern Breakouts – In "Forex Surfing" you learned a number of patterns that eventually result in a break out. Simply wait for breakout to occur and scalp the breakouts. Often breakouts create micro trends that may be scalped as well according to methods appropriate to micro trends. Some breakout patterns (this list is far from all) include consolidations, triangles, flags, pennants, previous day's high/low, etc… It is also noteworthy to mention, though not typically considered as a "breakout", you can also scalp based on pivot points, and the retracements/extensions of larger fibonacci swings.

After FA – Immediately after a Fundamental Announcement has hit and the uncertainty of what the FA will be has been exposed the scalper can begin to enter into trades that often yield both quick and large movements. Be sure to have read my eBook "Explosive Profits (revised edition)" as it deals a lot with this phenomenon.

Within Ranges – Within ranges can be perfect sideways moving or even sloping consolidations, including patterns such as flags. You can even scalp within the range contained within a triangle pattern. Typically these ranges are spotted on larger time frame charts. The smallest tradable range is a minimum of about 10 pips, though larger ranges are generally preferred. Generally speaking (not so for sloping ranges), you can catch scalps as the market moves both up and down within the range.

MICRO TRENDS & TRENDS

This should be easy for you to understand as it was extensively written about in my eBook "Forex Surfing" (which is prerequisite reading before reading this eBook). Furthermore, I discussed at length the topic of "Petit Trends" connected with "Micro Trends" in the above section of this eBook. For the above reasons I won't be writing too much here about this subject but will touch upon it to discuss some of the nuances that you need to be aware of, and to briefly review some concepts.

The concepts taught in "Forex Surfing" can be considered "scalping techniques" in and of themselves, but as surely by now you recognize, the techniques presented in this eBook are more specifically "scalping techniques". What is wonderful about the scalping techniques you have already learned about in the previous section is that, on a "Micro Trend" (as defined in "Forex Surfing") you can use these scalping techniques to more precisely enter into trades than what was taught in "Forex Surfing" to capitalize on a few extra pips, and of course make a more precise exit to maximize the pips. There is however a 'trade off' between the "Surfing" approach versus the "scalping" approach.

The benefit of "Surfing" is that you can walk away from your computer regularly because your entry order will automatically kick you into a trade and you intend to get eventually stopped out of your trade (trailing your stops for profit). "Surfing" is thus much more automatic. The downside of "Scalping" is that you have to be paying more attention to your computer making constant decisions about entering a trade, trailing stops (to protect your profits) and manually exiting your trades. Thus "Scalping" is much more 'hands-on' and less automatic than "Surfing". The benefit of "Scalping" however is, as mentioned in the previous paragraph, that you can potentially gain more profits overall from the same market movement.

Surfing = Easier & More "Automatic"
Scalping = Bigger Profits but More "Work"

In general, you won't be entering a trade on a "Micro Trend" from the very beginning of the trend. As with any trend following trading technique you need to wait for a trend to have established itself, and then still early in the trend (after it has clearly commenced) you attempt to trade in the direction of the prevailing trend (generally don't trade against the trend on the pull backs).

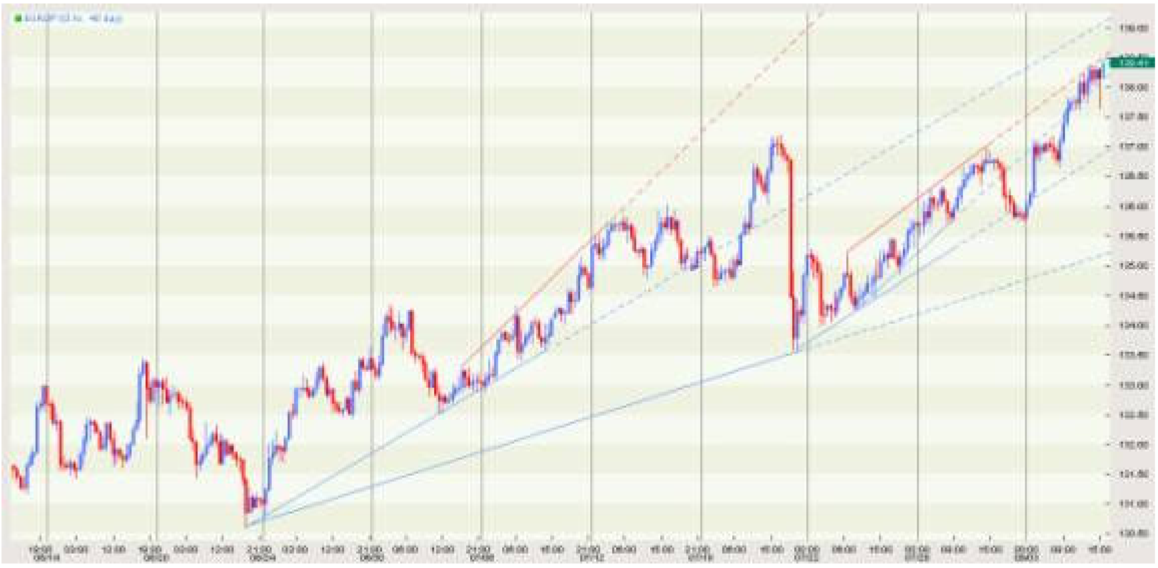
Your ideal "Micro Trends" to watch for will usually happen within a market overlap time, though sometimes they can happen outside of the overlap times. If they happen outside of the overlap times it is generally due to some kind of news or FA, but generally outside of overlap times the slope is usually shallower (note the word "usually", meaning not always). Often you'll also see a "Micro Trend" on Monday morning (Monday morning for the Asian region is Sunday evening for North Americans) after the market has reopened from the weekend.

Most often a "Micro Trend" will develop by emerging from a familiar pattern such as consolidations, triangles, and other such formation breakouts (discussed more in subsequent sections). If you can catch a "Micro Trend" as it breaks out from such patterns then you can benefit by riding the majority of it with a price close to it's inception (obviously good for you).

Assuming that you didn't catch a ride on the current "Micro Trend" from its very beginning, then you'll of course attempt to catch a ride at any point along it that you can by scalping an entry, preferably closer to the beginning of the trend than the end. Watch the retracement zones (which third it retraces into) to get a sense of the "Micro Trend's" current strength. Watch your S.E.X. lines to see if it is bouncing off of the 15 period pairs (good), bouncing off the 30 period pairs (hmmm… probably loosing steam), but if it crossing through the 30 period pairs then certainly use your discretion as now the confidence in your micro trend is waning (keep in mind that it could potentially be the start of a larger scale retracement). Use any other indicator you like to use to get a sense of the strength of your trend.

Remember the general rule for trends of any size is when you have three points (highs/lows) that line up quite nicely (it is never perfect to the pip) then you have a very nice trend. Most trend following techniques attempt to enter around the trendline bounces (*particularly if it converges with a key Fibonacci retracement level*).

Thus here is an "Opportunity" that you can regularly find on larger scales that can be brought to a scalping level. Watch for larger trends on your Hourly charts over 30 days, and when you see the price moving close to your larger trendline then try to zoom into the small view (say, 5 min candles) watching for a clear reversal of the larger trend (around the trendline bounce), and then once you see a "Micro Trend" has established itself then try to scalp an entry. The nice thing about doing this is that you can then secure a stop for a profit then just leave the trade. Come back periodically to see what is happening on the hourly charts, and over time you could be up potentially hundreds of pips. When you see a top being formed (assuming an uptrend, reverse for downtrend) then simply get out. Here is a tip – use the scalping principles on the hourly charts to scalp an exit (the candles will look relatively similar to one minute candles even though the pips can be significantly larger).



The above chart is of EUR/JPY showing 3 Hour candles over 40 days (I selected the 3 hour candles to be able to show a little more detail on this chart for you). Notice I've drawn several trendlines (fanned) showing several larger trends that you could have potentially scalped an entry near the bounce levels. The blue lines are the support lines for your trend, the red lines show resistance to help you to gage when there might potentially be a reversal. Go look at the Hourly charts over 30 days on your own computer now to see what kinds of trend you can find. You'll see after a little while of looking at your charts that these kinds of opportunities happen quite regularly.

Many traders are quite familiar with the idea of entering around trendline bounces, but let me explain to you how using scalping methods as an entry technique far surpasses what most people do.

Let's use a hypothetical situation for illustration purposes. Let's say you have $10,000 in your account (so we can calculate risk percentages). Let's say you spot a trendline bounce that looks like a potentially interesting trading opportunity.

In scenario one (as most traders would do) you would place your trade at about the place where a trendline bounce would occur (especially nice if the trendline bounce *converges* with a Fibonacci level), and you would place your stop at the level of the previous low (say the bottom of a Fibonacci swing). Let's say that this low is 200 pips away. Thus with an account size of $10,000 you would be permitted to trade 10K (just one mini lot) based on a 2% risk. Let's say that you exited the trade (for whatever reason) for a 300 pip profit, thus your profit would be about $300 (assuming you traded a pair that 1 pip = $1, but also subtract overnight interest if your trade lasted more than one day). This is certainly "not bad". You had a risk/reward ratio of 1:2, and most traders would have considered this to be a "good trade". Furthermore you've grown your account by 3%, which is better than most banks would pay you interest for a whole year – but your trade might have only lasted a few days.

In scenario two (using these "scalping methods") you too would want to place your trade near the trendline bounce. You watch for a clear reversal and then enter by using a scalp. As soon as you can you'd raise your stop to breakeven, and then to a 10 pip profit (so that if the markets were to reverse at least you made a 100% profit against your initial risk – getting stopped when scalping is a common experience). With an account size of $10,000 you would be permitted to trade 100K (one full lot or 10 mini lots) for a risk representing just 1%, or you could trade 200K (two full lots or 20 mini lots) for a risk representing 2%. Let's say that you also exited your trade for 300 pips as in the scenario mentioned above. This time you would have made $3,000 (had you risked 1%) or about $6,000 (had you risked 2%). This is a 1:30 risk to reward ratio, and a 60% increase of the account (quite impressive by most trader's standards, and try to find a mutual fund or other investment than can give you such an ROI (Return On Investment) especially in such a short time frame!).

Obviously there is a HUGE difference between a $300 profit and a $6,000 profit! What's the difference? The market was the same for both trading styles, the time frame was the same, and even the pips were the same. The difference is in the "work" you do. A standard trader might see the setup, place the entry orders (stop & limit orders too), and leave after 5 minutes of "work". A scalper might see the same set up but would have to wait patiently for the right moment to act. This might mean many hours of glancing at the computer waiting for the right moment. It definitely isn't "hard" work, but it does require more involvement than the other approach… but if the end justifies the means then certainly the extra profits justifies the extra "work".

Perhaps I should also mention here (as might possibly have been applicable in our hypothetical situation above) that once you've entered by using a scalp and have secured a profit with your stop, then if you want you may use a limit order set for the same reasons you might have set a limit order had you been trading using a different trading technique. For example, if you see a Fibonacci swing, rather than a standard entry method you could enter the swing with a scalp, but you could still set your profit limit as you otherwise normally would at the 162% (or 127%) extension.

I remember some years ago there was a saying (said on TV and parroted by environmentally minded people), "think globally, act locally", meaning think of the whole world when you recycle your trash. I encourage you to keep this thought in mind when you are trading by looking for standard opportunities on larger time scales (thinking globally), but then find ways to incorporate scalp entry methods (or "Surfing" entry methods) into those larger opportunities (acting locally). As you've seen from the above examples that if properly done (and hopefully you didn't get stopped – for a 10 pip profit – to allow your trade to mature) you can effectively leverage yourself into potentially gaining substantially larger profits than you would if you follow standard trading methodology. Sure, doing this does require more "work", but in the end you can grow your account far faster, and isn't this what you really want?

Now let's cut into a new topic.

In "Forex Surfing" (section "Compound Gains Exit Strategies", subsection "Exit 1 – Manual Exit") I introduced a very important concept. Don't let the fact that I only wrote a couple pages on this topic fool you; it is extremely important for you to integrate, especially with your scalping methods.

The topic was about preparing to exit your trade at 12 noon EST (go reread that section of the eBook). This is also somewhat true for 06:00 EST (at the end of the end of the Asian/European overlap time), but the stronger one is the 12:00 EST time (at the end of the European/N.American overlap time – when Europeans are putting on their coats to go home, and the Americans are going out for lunch).

If you are surfing or scalping along a micro trend, and your objective is just to make some day trading profits then be sure to look for a suitable exit by tightening up your stops between 11:30 EST and 13:00 EST as frequently you'll see a small reversal around that time if the market has been trending during the overlap time.

That is all I will say about that reversal time for now, however there is more that happens afterwards which I'll explain now.

Frequently after the market has made that reversal (let's call it the "Noon Reversal") you'll see some big sideways swings (scalping opportunities). Often afterwards, and moving into the evening hours, you'll see a sideways movement, often with a slant. These can potentially present some tiny scalp opportunities (generally going for less than 10 pips profits). Sometimes you'll see the market actually trending rather nicely, and on those days (it's definitely not everyday) you could try to scalp some petit trends in the direction of the trend. More about scalping sideways consolidations (including slanted) will be discussed in a later section.

So here is a summary for trend related opportunities:

- Watch for "Micro Trends" (as discussed in "Forex Surfing"), looking for scalpable trades along "petit trends".
- You can simply trade "petit trends" going for small pip profits, and entering multiple trades along a single "Micro Trend"
- Or you can enter a trade along a "Micro Trend" using a scalping method for entry, and then allow that trade to run along the "Micro Trend" with a trailing stop as learned in "Forex Surfing".
- Watch the S.E.X. lines and the retracement zones to get a sense for the relative strength of your "Micro Trend". Feel free to use any other indicator you feel comfortable with using also.
- Watch for trendline bounces along your "Micro Trend" for potential scalp entry opportunities.
- Watch for trendline bounces along larger time frame charts, then zoom into smaller charts to spot a clear reversal. Then scalp an entry, secure a profit with a stop order and then allow the trade to mature (gaining many, many pips).
- You can combine a scalp entry method with any standard trading technique, and exit as you normally would based on the standard trading technique. "Think globally, act locally"

- If “day trading” then watch for the noon reversal by tightening up your stops or by scalping an exit around noon (EST). After the noon reversal are frequent small scalping opportunities.

PATTERN BREAKOUTS

In my previous eBook “Forex Surfing” I’ve illustrated some common patterns for you, so I’ll not reiterate them here (so you might want to reread those sections for a refresher), but I will discuss how scalping methods can be employed on those common patterns.

Patterns are a scalper’s paradise as they present two wonderful trading opportunities. They first provide a range that a scalper can trade within (elaborated upon in a later section), and then when they eventually breakout, which sooner or later must happen, they present a second trading opportunity known as a “breakout”.

It is common knowledge to traders that pattern breakouts usually result in marvelous trading opportunities, however the vigilant scalper can often outperform the other traders who use more conventional approaches to trading those same patterns.

The most common patterns to watch for include:

- Sideways Consolidations Channels
- Triangles (all varieties)
- Flags

There are certainly other patterns to watch for (feel free to work with them too), but here is one in particular that isn’t so much a “pattern” but is also a great “breakout” opportunity:

- Breakout of previous day high/low

The method for the breakouts of Channels, Triangles and Flags is all pretty simple. Look for those patterns in your larger charts, such as the 5-minute charts or hourly charts (the size of the pattern doesn’t really matter – the larger the better), draw your trendlines that confine the pattern configuration, then simply watch your charts much like a tiger watches prey – ready to pounce at the right moment.

When the market has penetrated the lines (preferably a significant penetration, not just a marginal one that is likely to retreat back into the pattern) then simply watch for a suitable scalping opportunity.

After the breakout, and once you are in a trade, be watchful for reversals, as it is not uncommon for the price to retreat back into the pattern range. Often in consolidation channels you'll see a dramatic breakout but then an equally dramatic retreat back into the channel. Most traders call this a "Bull/Bear trap", and when you see something like that happened you can be sure that a lot of folks lost a lot of money (because they probably set an entry order just beyond the consolidation range and a stop within or on the other side of the consolidation range, which they got entered then quickly stopped out by). As a scalper you have a definite advantage to not get caught in the "Bull/Bear traps" because you'd have quickly brought up your stop to at least a breakeven point, and hopefully scalped your exit at the first sign of trouble.

Even though "Bull/Bear traps" happen (which can get annoying for some traders) eventually the market must break out of the pattern, and when it does you simply pounce (like the patient tiger) into a scalpable trading opportunity.

Once such a breakout occurs you'll potentially see some kind of a micro trend happen. It can be a very short one, say lasting less than an hour and maybe only 20 pips, or it can be much more significant. The general rule of thumb is that the larger the pattern the larger the resulting breakout.

For sideways consolidations most traders use the idea that the width of the consolidation is similar to the height of the breakout, so you can use this to kind of estimate potential profits of the breakout. I understand this reasoning but personally think it is flawed because the relationship between the horizontal axis timeline on your chart is arbitrary to the scale of the vertical axis price scale, but nonetheless I'll go along with that common trader's cliché since it does seem to (very loosely) have some merit. This is certainly not a "scientific method" by any stretch of the imagination, and so don't be using that model to base any limit exit calculations upon.

So to briefly recap (since I think I went off into a tangent topic), after a breakout look for a scalp entry opportunity. Quickly bring in your stop to at least secure a breakeven or preferably a small profit. You may then proceed with the trade in whatever manner you prefer. The breakout will usually form a micro trend of variable duration that can also provide multiple scalping opportunities.

Take a look at the consolidation that started the Monday morning trading session during the Asian/European overlap time. The consolidation was constrained between 1.2319 and 1.2331 (12 pips) and broke out at 03:00 EST. The end of this chart shown is 05:37 EST. What would you have done had you seen this tiny consolidation?

Let's now look at the other "opportunity" that was mentioned – breakout of the previous day's high/low.

The above chart shows you about 4 months worth of the most recent daily candles of EUR/USD. Also notice that it shows the S.E.X. lines (as taught in "Forex Sailing"), and a couple of resisting trendlines. What I simply want for you to see from this chart is that as the prices change day to day, and as they trend, that most days the price will at some point in time during that day break through the price of yesterday's high or low (sometimes on busy days it'll break both). Sometimes the breakout of the previous day's high/low will be marginal, and some days it'll be quite dramatic.

Everyday make a note of the high price and the low price of yesterday's candle. Simply search for a suitable scalping opportunity when the price penetrates through the previous high/low, and secure your stop at a breakeven or profit as soon as you can, and continue the trade as you consider to be most appropriate based on the market conditions you see.

To refine this concept even further use trendlines to spot potential trendline bounces (as discussed in the previous section), and watch your S.E.X. lines. Generally speaking, when the market is trending (as you can see with your S.E.X. lines quite easily) you'll mostly be interested in the breakouts that occur in the direction of the trend, however, when the candles are far away from the trend line and far from the mid S.E.X. line after a pronounced movement in the direction of the trend then start to pay more attention to the day's high/low penetration in reverse of the trend to capture some of the retracement.

Also notice that some days are trending days (that have moved significantly from the breakout of the previous day's high/low), and some days are just "trading days" that didn't move much at all. Notice on the chart how there appear to be stagnant areas; almost like flags or consolidations on this large scale. On such days the market might break through the previous day's high/low, but then retrace back into the range of the previous candle – watch for a clear market reversal and just scalp a bit (if it appears like a nice opportunity) on it's way back into the range. We'll discuss more about within range trading later in this eBook.

Keep in mind that not every day will be a spectacular trading day for this approach, but it can certainly be used advantageously to help you to catch some nice pips.

The following technique, which is an adaptation of what was mentioned above can be a **HUGE OPPORTUNITY!!!** Definitely familiarize yourself with this technique as it could score you some unbelievable profits once in a while (certainly not everyday, not even every week, but often enough). **Properly executed this one trade could potentially DOUBLE, TRIPLE, or even QUATRUPLE your account IN A SINGLE TRADE!!! I can't even begin to tell you of the immense joy you'll feel when you pull this off! Doing this a few times a year can completely set you nicely financially. If you could only trade one technique at all (thank God we don't need to be restricted like this though) then make this be the trading technique you engage in. It is that powerful!!!**

After writing this technique I realize that it is SOOOOO GOOD and SOOOOO JUICY that I have to include it in "Forex Sailing" rather than here. Go right now to that section and read it! Once you get the concept of it you'll probably be unable to sleep tonight! You can find it in the eBook "Forex Sailing" and it is the section titled "THE INCREDIBLE SCALP". There are two specific techniques there that ALONE can be all you ever need to do to score some truly incredible gains.

Go and read it now! After you've read it then you probably won't be able to sleep tonight, and if you don't feel blown away with excitement (like you've drank 20 cups of coffee) after reading it then you'd better check to see if you have a pulse! Go ahead, find that section within "Forex Sailing" now and read it. You don't have to read that whole eBook before you read that section, so feel free to skip right to it.

So here is a summary for pattern breakout related opportunities:

- Patterns are a scalper's paradise as they present two trading opportunities. (1) within range trading, and (2) breakout trading.
- Most common patterns to watch for include Sideways Consolidations, Triangles, and Flags.
- Look for those patterns on larger chart time frames.
- Scalp to enter after a breakout.
- Watch out for "Bull/Bear Traps".
- Breakouts usually result in a micro trend, so use the principles applicable to micro trend scalping once one has begun.
- Additional pattern to watch for is the breakout of the previous day's high/low.
- Read "The Incredible Scalp" within the eBook "Forex Sailing" for two powerful techniques.

AFTER FA

It is common knowledge to traders that Fundamental Announcements (FA) are the predominant factors that move the markets. You'll frequently see a consolidation, or a relatively slow movement in the market preceding an expected Fundamental Announcement, and then shortly after the announcement occurs you'll see a reaction in the market. The immediate reaction (within a minute or two of the FA release) can sometimes be quite dramatic, but after the dust settles from the FA there is often a micro trend that follows. The dramatic reaction from the FA, and more so the potentially following micro trend, can both be excellent times for scalping opportunities.

I won't discuss this opportunity here at all because the eBook "Explosive Profits – Revised Edition" elaborates upon this topic in depth. That eBook of course explains "After FA" opportunities from a "surfing" perspective, but by now (having read this scalping eBook) you should easily be able to adapt scalping methodologies to the "After FA" concepts.

Keep in mind that trading around Fundamental Announcements is very volatile. Be sure to be aware of the risks involved. In the eBook "Forex Sailing" I reveal to you (at the time of writing) the best broker to use when your trades might be adversely affected by Fundamental Announcements. So definitely be sure to read “Forex Sailing” for that ever important tip!

WITHIN RANGES

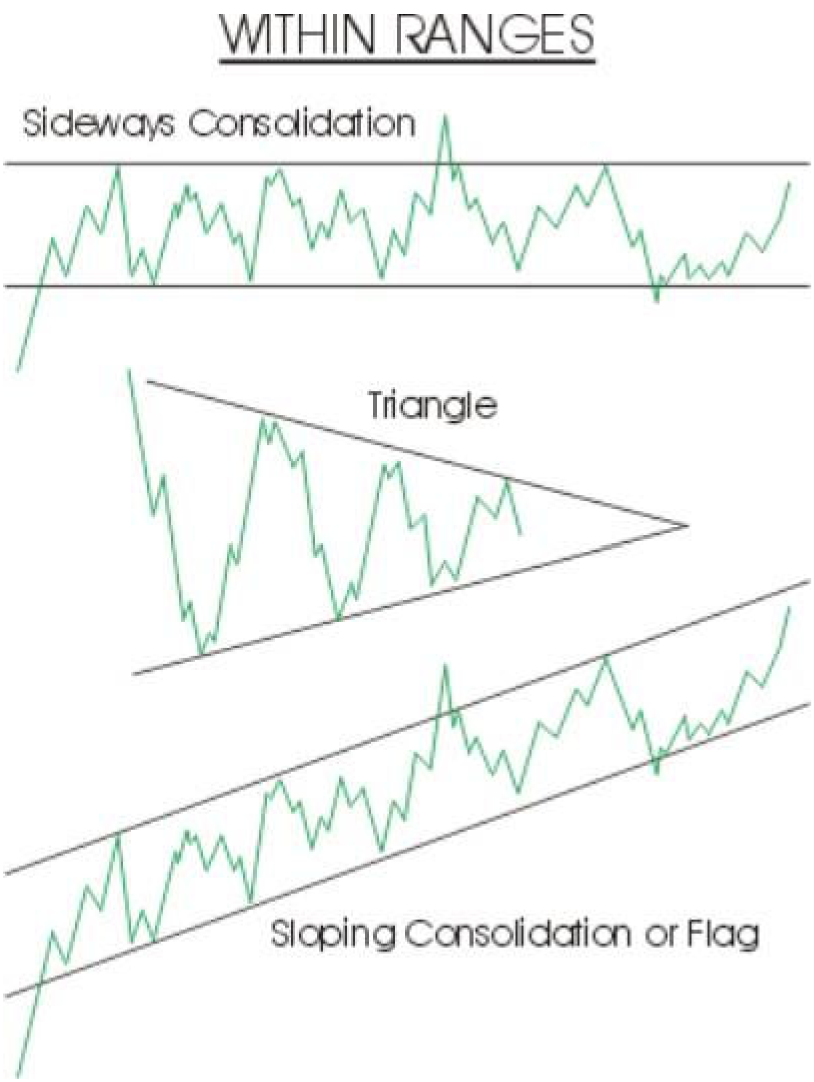
As the saying goes, “the market can only move up, down or sideways”. Obviously, when the market is trending then it is predominantly moving either up or down. As discussed earlier in this eBook, to say a market is moving “sideways” isn’t really true because what it is really doing is moving up, back down, back up, back down, etc. – oscillating within a “range”. Recognizing that the market is confined within such a range presents the opportunity to trade within it, especially as a scalper.

“Within Ranges” is a scalping opportunity that can happen in virtually all time frames, but for the purpose of scalping you’ll usually be looking for them on your hourly charts, but you can also find them on your 5 minute charts, and even on your daily charts.

The patterns that create the ranges you’ll want to trade within include:

- Sideways Consolidations
- Sloping Consolidations
- Triangles
- Flags

While you see such patterns you use the following methods to trade within the pattern, but be watchful for when the market breaks out of the pattern. Once it eventually does break out then you simply change your trading strategy from “Within Ranges” to “Pattern Breakout” methodologies.



Look at the above diagrams of the patterns. As you can see, once you can define the containment area (the space contained by the trendlines) then you can attempt to trade within that range. As long as the pattern holds you can keep profiting by trading the small up and down trends. Once it breaks out then change your approach to a "breakout" strategy.

SIDEWAYS CONSOLIDATIONS– This one is quite easy to trade, and it happens quite often. Its characteristic is that the market is bouncing within a range that is predominantly sideways, or with a very slight slant (slope).

In "Forex Surfing" you learned the concept of "Channel Surfing Zones". You can use that technique as a guide to help you to determine when to enter and when watch for a reversal to exit on.

Generally speaking, while the price is near one of the boundaries you wait for an indication that the market is reversing, and at that point you attempt to enter a trade. As it approaches the other side of the range then you exit when it is very close to your trendline, or if you see a stagnation or what looks like a reversal. If it starts reversing then you simply jump back into another trade for the opposite direction as the market again moves through the consolidation range. It is important to realize that you will miss the opportunity to trade on the first two or three bounces within the range as that is when the range is becoming formed for you to recognize it for what it is. Also the longer the range has been happening, and the more times it bounced around within, then the greater the probability that a breakout might soon occur.

The above chart shows a very small consolidation on a 1-minute chart. The amplitude of this range is about 20 pips. Using your standard scalping techniques (that you've learned earlier in this eBook) you could have easily traded these petit trends within the range. (Extra discussion of the chart: Something you probably didn't notice (but with practice your eyes will get accustomed to recognizing) is that towards the end of the consolidation the range narrowed in somewhat like a triangle (lines not drawn on chart, just imagine them), and then the market broke out of that tiny triangle going up. The caffeinated candle that happened after the tiny retracement that followed the consolidation break out should have tipped you off to go for a scalp. It went up over 30 pips after that.)

Small consolidations can happen virtually any time, but you'll often see tiny consolidations outside of market overlap times (hence why many traders simply call that time "consolidation time"). While most traders are bored silly, and often leave their computers (not trading), you can be actively engaged in catching a few pips. Over several hours of trading within a small consolidation you could rake in as many pips as a lot of traders hope to attain in a trading session.

Also keep in mind that sometimes a consolidation pattern might happen before a significant Fundamental Announcement that everyone is waiting for. If that is the case then by all means trade the range but BE SURE TO GET OUT of your trade BEFORE the FA is released.

Want a cool tip? Of course you want it. Well, there is another thing you can do. Before a Fundamental Announcement try to enter a scalp (in any direction) and try to lock in 10 pips of profit if you can, but at the very least secure your stop for a breakeven point. Then wait for the FA to be released. If the market reacts to the FA by moving in your favorable direction then congratulations, you just scored some nice pips. If the market reacts to the FA by moving in the wrong direction then "oh well", you got stopped out. It's basically a 50/50 deal (except for whiplashes). Very important!!! You can ONLY do this if you are trading with a broker that guarantees stops under ALL market conditions (so don't try this with FXCM as you'll get burned bad). In the eBook "Forex Sailing" I'll reveal to you a broker that currently does guarantee stops under all market conditions.

This chart moves to the opposite side of the spectrum from the previous chart (the 1 minute chart). This charts shows you about 5 days of consolidation on 1 hour charts. What is interesting to note on this chart is that I've used a horizontal line for the top, but a sloping trendline for the bottom. Notice that by connecting the first two bottom points it lined up near perfect with the following three bottoms? The range started at about 100 pips but narrowed over the following 5 days.

The "trick" to scalping larger charts is to zoom into smaller charts (say 5 minute) to watch for the major reversals. Simply scalp when the market is near a boundary but moving back into the consolidation range. Secure a 10 pip profit stop and then wait (crossing your fingers) for it to move through the consolidation range. If you get stopped out early (for a 10 pip profit) then simply try again when the conditions appear right. Sooner or later (after perhaps a few tries) you'll catch a scalp that'll run to the other end of the consolidation range. When it is near the other side (past the middle) start watching for reversals for potential exits.

Another way to trade such a large consolidation is to trade the petit trends along the micro trends IN THE DIRECTION of the market moving through the consolidated range.

SLOPING CONSOLIDATION OR FLAGS – These are also quite easy to trade. They are traded similar to how you would trade a regular sideways consolidation with one notable exception – you only trade through the range in the direction of the slant (slope).

Why are both "flags" and "sloping consolidations" dealt with together in this one section? Simply put, what might appear as just a flag on a larger time frame chart will often appear as a "sloping consolidation" seen on a smaller time frame chart. What you call it is often relative to the perspective you are viewing it in.

Note the "flags" on this uptrend seen on the hourly charts. In a smaller chart these are definitely consolidations.

Often you'll see a sloping consolidation during the "consolidation times" (outside of market overlap times). You'll frequently encounter them between 13:00 EST and 02:00 EST (the evening hours in the Americas), however you should note that often during these times the consolidation is relatively narrow (sometimes so narrow that it isn't worth trading). The consolidation needs to be at least 10 pips tall before entertaining the idea of scalping the range.

Take a look at the following 5 minute chart:

Now here is a question for you. Is this a sloping consolidation or simply a downtrend? Or would you consider this to be a flag? How steep does a slope have to be to consider it a trend vs. a sloping consolidation? The answer to this is subjective, so it is left to your personal interpretation of how you see it. Whatever you decide to call it, it is what it is, and it certainly qualifies to be traded according to these methods.

What you do is you connect the tops with a trend line and the bottoms with a trendline to form your confinement range. The lines don't have to be parallel (as they are obviously converging in the above chart), but they both should be slanting in the same direction (otherwise you'd have a triangle). Usually you'll see the lines converging, but occasionally you see them diverging. When you see them converging sharply then you might want to consider whether it is an ascending/descending triangle.

Note that if you are trading a long sloping consolidation (as might happen during the EST evening hours outside of market overlap times), then you might have to readjust your trendlines from time to time as the market snakes along. Over time the slope might change in steepness, and the range could widen or narrow. As you observe this happening then simply make the necessary adjustments to your confinement trendlines.

This chart shows what I'm talking about. The range is quite small, barely worth trading, but still doable. Notice that the steepness gradually changed during the sloping consolidations (there are two on the chart). Also notice that in the middle of the chart the market rallied up then resumed a downtrending sloped consolidation. If you were trading this session then you would have needed to make several readjustments. What is also interesting to note is that the trendline of the tops from the first half of the chart still held resistance (kind of) for the second half of the chart.

Here are a couple of examples of larger sloped consolidations / flags seen on hourly charts:

You could have easily scalped at least one run through this range (going up as of 07/15).

Notice on this second chart you have a couple of false breakouts creating Bull/Bear traps. Keep in mind that when scalping you have an advantage for the times that these traps occur as you'll often profit from them rather than loosing like most other traders. Once it returns to inside the range you simply resume "within range" trading until it breaks out again.

Here is a brief review of trading with flags and sloping consolidations. Draw your confining trend lines. You trade this much like you would a regular consolidation except that you *usually* (ok, you can get away with trading against the slope if the steepness is shallow) only trade in one direction; the direction of the slant.

TRIANGLES – These are fun to trade when you get a nice formation. They happen less often than sideways/sloping consolidations, but when they occur then they make for some good trading (both trading within, and after the breakout), but they are trickier to trade because of the convergence.

I see triangles all the time, and love trading them. Ironically while writing this eBook I couldn't find a "textbook perfect" example as my charts can only show me the most recent data; I don't have historical data to pick examples from. This is interesting for you to know because ALL the examples shown in this eBook are pictures I took either "real time", or of the past few days. What this means to you is that I'm not cherry picking the best examples over the past years of data, but showing you stuff that happens regularly – common stuff, not exceptional examples. This just goes to prove that trading opportunities (of various sorts) happen every day without exception.

Anyhow, I did manage to find a couple of recent examples of triangles, though like I said they are not "textbook perfect". Look at the examples of triangles in "Forex Surfing" as there are a few nicer shots. But anyhow you should be able by now to recognize a triangle on your charts when you see one.

This chart shows two triangles (not the best examples you'll ever see) on GBP/USD on 5 minute charts. The first triangle is a flat bottom, and the second is a regular converging triangle. Note what happened after they broke out.

In general, when you see a triangle begin to form you'll see a double wave that just gets smaller, and you'll probably feel confused about the market direction. Earlier in this eBook I described this situation in the section titled "Bi-Directional In-Wave Entry". When you see something like this then chances are that you are witnessing the start of a consolidation or possibly even a triangle. Once you see such a double wave then you may start trading within the range when the market is moving inwards. If it moves most or all of the way back to the peak/valley then you are most likely seeing a consolidation, but if it reverses sooner (typically 79% according to Fibonacci theory), and if it does it again in the subsequent reversal then you are most likely seeing a triangle in formation.

The method to trade within a triangle is simply an adaptation of what you have learned thus far from the previous discussions of trading within sideways/sloping consolidations. As the market approaches one of the two boundary trendlines then wait for a reversal to scalp into a trade. As it approaches the other boundary trendline watch for a reversal to exit, and potentially to reenter in the opposite direction. It's as simple as that. Keep in mind that as the triangle ages that the pip range will get progressively tighter. Also watch for a break out of the triangle pattern to change your approach to a "breakout" strategy of trading.

ADDITIONAL TIPS

MODIFIED SLANTED CHANNEL SURF ZONES

In the eBook "Forex Surfing" you learned about the concept called "Channel Surf Zones". There is a more advanced adaptation of this technique that I also developed, however I thought it might be too much to include in that eBook as I didn't want to confuse you – there was more than enough for you to learn in that eBook without adding more to overwhelm you. Well, needless to say I've since decided to share some more about that technique for you to benefit from.

You might want to reread the section explaining "Channel Surf Zones" in the eBook "Forex Surfing" to get a refresher before you continue reading this.

The basic version of "Channel Surf Zones", as you already know, is strictly horizontal. Obviously this technique is suitable for within sideways consolidations but not for slanted consolidations, nor even within triangles. As I've introduced the concepts of trading within slanted consolidations and triangles I figure that now is the time to introduce you to the more advanced Modified Slanted Channel Surf Zones, which is suitable to be used on slanted consolidations and triangles.

The main challenge of using the "Channel Surf Zones" concept on consolidation patters (and triangles) that aren't nearly perfectly horizontal is how to calculate where you slanted line should be, and to set it at the appropriate slanting angle. The solution is rather simple to implement once you understand it.

I will show you how to do this once on a slanted consolidation. Doing this for a triangle is pretty much the same thing.

The above chart is explained in the steps below.

1. You start off by drawing your confinement trendlines (along the tops and the bottoms).

2. What you do is you turn on the "cross-hairs" on your chart. You can see the cross-hairs on my pointer in the chart shot above.

3. You then select a candle that is sandwiched between your confining trendlines. This candle is now your "reference candle" so that you can make calculation from this point in time. On the chart shot above I've used the candle where my cross-hairs are over as my "reference candle". It is important that your reference candle be as close to the left side, near the beginning of the consolidation, as possible.

4. Now grab a piece of paper and a pen to write down some numbers used for your calculations.

5. With your cross-hairs over your reference candle, align the cross to intersect with the top trendline. Write down the point value of where your cross-hairs is now; this is your "top number". Next with your cross-hairs still on your reference candle align the cross to intersect with the bottom trendlines. Write down the point value and this is now your "bottom number"

6. Subtract the "bottom number" from the "top number". This gives you the range of your consolidation at the point of time where your reference candle is. In the above example, the top number is 1.2384 and the bottom number is 1.2361, and so my range is 23 pips around my reference candle.

7. Multiply the number of your "range" by 0.3 – this will tell you what 30% of the range is. In my example 23 pips X 0.3 = 6.9, but since you need a whole number you simply round up, thus 6.9 becomes 7. We'll call this number the "reduction number".

8. You add the "reduction number" to the "bottom number", and you subtract the "reduction number" from the "top number". This gives you the "inner top" and "inner bottom" numbers. In the example above these "inner" numbers are now 1.2368 (inner bottom), and 1.2377 (inner top).

9. Then you place your pointer over the top trendline and "duplicate" the line. This will give you a perfectly parallel copy of the top trendline. Take the copied line and move it by grabbing it in the middle of the trendline. If you accidentally grab the line close to an end point you'll then be changing the angle of the line. If you accidentally do this then delete the line and copy the line again. It is important to keep them parallel. While moving the line, align your cross-hairs over your reference candle, then move up/down until your pointer is at your "inner top number". Release the line at that point. Repeat this step with your bottom trendline to have a copy set at the "inner bottom number". Note that the starting points of your trendlines don't have to be vertically aligned because the lines are parallel, so it doesn't matter if it is somewhat misaligned.

10. For esthetics (optional) you may change the colors of your external lines to be red, and the internal lines to be blue. At this point your chart should now resemble the chart example shown above.

Note that the use for this *modified* version of the "Channel Surf Zones" has a different use than the standard version. Because your outside trendlines won't be parallel to each other (most of the time for consolidations – but always for triangles), as you move along to the right of your "reference candle" your percentages will progressively change away from the standard 30-40-30 percentage zones. Because of this you don't use the "blue line" (as described in “Forex Surfing” as your entry/exit point. You simply use the area between the blue line and the red line as the zone where you watch for reversals to potentially enter/exit a trade within.

You’ll find that most often (in a sloping consolidation) that the lines converge (move closer together), and obviously in a triangle the lines always converge. The inner lines will always converge before the outer lines. It is interesting to observe that particularly for triangles, but also applicable to slanting consolidations, you’ll often notice that near where the inner lines intersect (usually soon after) is often quite close to where the breakout occurs – you can use this to predict roughly the time the breakout is likely to occur. You’ll notice that there is a diamond shaped area, a parallelogram, between where the inner lines intersect and the outer lines intersect. Frequently this is the zone from which you’ll most often see a breakout occur, and so for obvious reasons I think of this as the “diamond zone”, with the obvious connotation that from the “diamond zone” I will catch my diamond pips. Tip: If you have scalped an entry going through the range when it is inside the “diamond zone” then secure a stop for at least some profit and let it run (unless you see an obvious reversal). You’ll often be right and thus you’ll end up catching the breakout early, resulting in more potential profits.

(*Cool story: Once while teaching someone a little about Forex I noticed a triangle. I didn’t explain to him the “Channel Surf Zones”, nor did I draw the lines on the chart; I simply imagined the lines. I mentally extrapolated the inner lines and envisioned where they should intersect, and what time that would be. I told him my prediction of what time I thought the breakout would occur, and within a minute of my time it happened. I was impressed with myself (as I’m not always right, or so accurate – ok, so I got lucky), but he was shocked! For a while he acted bewildered like he was in the presence of a god, or some kind of amazing psychic. I didn’t explain to him what I did, as it was too advanced for him at the time, so I just let him keep his illusion of me being a superstar Forex guru, but now you know my “secret”.*) In the chart above notice that where the blue lines intersect the market stagnated and then soon after broke out. Now keep in mind that this doesn’t happen *every time*, but you’ll observe this frequently enough to use that convergence as an early warning of a potential breakout or some kind of change to the progression of the pattern.

If you are using this technique just for the purpose of looking for the inner convergence then you don’t always have to do all the math and the steps above; you may just copy the trendlines and move them to the approximate position by just “eyeballing” it, which is “good enough” (due to my inherent laziness this is what I most often do anyways). Here is a triangle that I've "eyeballed" on a EUR/USD daily chart.

Just one more tidbit of wisdom to share with you before I wrap up this section. Though it happens less frequently, I've seen blue lines (after the intersection and the blue lines are now moving apart) act as a resistance/support trendline for the resulting breakout (more or less). This is just an interesting thing to watch for when you use this technique. It could possibly help you to notice a potential trendline earlier than you would normally spot it waiting for two or three points to line up (what you would normally consider to be an established trend). Notice that on the above "eyeballed" chart the top-inner line acts as a very nice resistance trendline, and furthermore the top-outer line acts as a secondary trend line, which in this case crossed at exactly the point where it is obvious that the large trend has reversed (also indicated on this chart by the crossing S.E.X. lines).

DAY RUNNING SCALP

This isn't really so much of a technique but rather a concept for you to use from time to time.

As you (should) already understand, if you are trading with small risk-to-reward ratios like 1:1 then you need a higher percentage of trades that you are right about vs. being wrong. Alternately if you engage in trades that have better ratios then you can even be wrong most of the time yet still remain profitable. Because of the fact that as a scalper you engage in tiny trades, and because everyday the Forex market moves multiple times the size of your scalp stop, you can regularly capture trades that yield super risk-to-reward rations most days.

If you look at your charts you'll see that every week more or less looks the same in that there are some days that are pretty dead (no significant trending, just sideways movement), we'll call them "flat days", and some days trend nicely (whether small trend of say 50 pips, or a big trend of 200 pips). Some weeks are more impressive than others, but generally speaking there are usually some slow flat days and some big-move days every week.

The following chart shows you 15 minute candles (so you can see more detail) over 10 days (two weeks) of EUR/USD. Notice how there are days that appear "flat" (just oscillating up & down), some days move nicely either up or down, and even a few days that trend a lot. Regardless of the type of day each day presents scalping opportunities, however the days that move present a great opportunity for a "Day Running Scalp".

I should clarify here that though sometimes the market does move significantly outside of market overlap times I am not talking about those instances, but rather just what happens during the Asian/European and European/American overlap times.

The concept of a "Day Running Scalp" is really simple. Near the beginning of a market overlap time watch for a trend development (resulting from any "opportunity" mentioned earlier in this eBook). Get on board in the appropriate direction with a scalp and then quickly secure a stop locking in 10+ pips, or at the very least (in a slow moving market) a breakeven. After you've managed to secure your position then just let the trade "run".

Regularly doing this will yield some rather nice results. Some days you'll simply get stopped out (for a profit as you should have attempted to secure even a meager amount), but some days you'll score a nice "Run" of 50, 100, 150 and sometimes even more pips. Catching say 100 pips is a 1:10 ratio, which one nice trade such as this can compensate for some losses (not every scalp ends profitably), and will result for some nice gains.

With such a scalp started early in the session you can still do other trades throughout the session while that one is "Running".

There are three things to watch for with a Day Running Scalp.

1. Watch out for Fundamentals that might burn you.
2. Watch for a mid-day reversal so you might want to exit the trade early.
3. Plan to exit the trade using a "Noon-Time" exit strategy (getting out by the end of the overlap time) as if you hit on a successful "Day Run" then this is the time to take your profits.

Keep in mind that you can be scalping for small pips, and it's good to do under favorable circumstances, however if you can leverage a scalp into a larger trade by letting your scalp "Run" then go for it, as that is how you'll score a significant amount of your net profits.

CREATIVE COMBINATIONS

In this eBook I didn't exhaust all possible variations of how to use these scalping techniques, which would result in an impossibly large book. I pretty much covered the most common and significant techniques but encourage you to expand upon what I've shown you by developing your own variations.

Generally speaking, you can pretty much take ANY Forex technical trading technique and adapt a scalping approach to it. The core idea is to utilize a tiny scalp entry to get into larger positions based on those other techniques.

Can you incorporate "scalping" into such things as "Elliot Waves", Gartleys, Fibonacci, Gann, Pivot Points, or Candle Stick Trading? If you use some kinds of indicators (i.e. MACD or Stochastics) and some strategy for entry/exit based upon it then can you include scalping principles to razor sharpen your trade? The answer to all the above is YES. The bottom line is that just about ANY style of technical analysis can somehow assimilate scalping principles.

Feel free to start imagining how you can combine scalping with your favorite trading styles. Go ahead and be creative. By intentionally being a creative thinker you'll become more innovative, and that can only help you to improve as a trader.

Think about it – ALL "technical analysis" and trading techniques were initially conceived in someone's mind through observation and trial and error. Don't underestimate the potential of your own ingenuity.

Keep in mind that when you come up with a new strategy that it is a good idea to first practice it with either a demo account or with just a small real money trade (depending upon your confidence).

This eBook only shares a small portion of some of the strategies I've learned or developed. I don't have the time to write a complete brain-dump of everything in my mind (I don't aspire to write an encyclopedia), nor do I believe sharing *everything* would be beneficial to you either (in fact it would probably confuse or even overwhelm you). Over time, as you grow in your experience, you'll see correlations and perceive a depth that I don't even know how to explain to you. Perhaps the best way to describe it is that there is an almost intuitive understanding of how everything works – not meaning to sound mystical or anything but there is a kind of Zen quality to it. I hope for you to one day get to experience this, which I think can only come from much observation of your charts.

SCALE SHIFTING

Here is an opportunity for you to try your hand at "creative combinations". Explore how you might use the "scalping" concepts you've learned in this eBook on hourly charts rather than one minute charts. You can also play with other time increments such as 15 minute candles or 3 hour candle. Remember that I've stated that the characteristics of the market on different scales behaves similarly. As I keep saying, "the macrocosm reflects the microcosm and vice versa".

It is not the scope of this eBook to expand upon this topic in any depth but I will give you a few tips to consider:

- Your required stop will have to be proportionally larger to accommodate the larger time frame.
- The duration of your trades will usually take longer to run its course. This might be good for those of you who have a day job to spread out your attention around your other commitments.
- The behavior you've learned to identify on one minute charts is similar to the behavior you'll see on the larger charts.
- Look for "scalping" types of opportunities on the larger charts, but can you enter on that bigger trade by using a regular small scalp to reduce your required stop?

As I've said in the previous section, keep your mind open to innovate ingenious combinations of two or more standard concepts. After you have integrated the skills you have learned (from me or any other Forex "guru" you might study) then don't be satisfied with just those techniques alone. Feel free to play around and good luck to you.

SUNDAY TRADING

Sunday evening is a time that frequently produces wonderful trading opportunities. I say "Sunday evening" because that is the time for me, in North America, when the markets reopen from the weekend (so adjust the time for wherever in the world you are). The markets reopen on Sunday here because it is already Monday morning out in Asia, and so that market is open for business as usual. I'll just call it the "Sunday Trading" time.

When the markets reopen on Sunday there is usually some nice trading opportunities. Though the markets have been closed during the weekend the world continues changing, and so the sentiment over the value of currencies does change over the weekend. Once the market reopens then the market price adjusts itself to reflect the new value.

I remember a couple years ago when the US caught Saddam Hussein on a Saturday the market reopened about 100 pips (or was it 200, I don't remember) against the trend on USD cross pairs. The market soon after resumed the previous trend. This is a more extreme example of how world news affects currencies over the weekend.

Generally speaking the description of how the market reopens is what typically happens on Sunday. Realize of course that I'm describing the general characteristics of the reopen, but on any particular week it will appear different.

The market reopens at about the same price that it closed at on Friday. It is usually a flat line for a while as it isn't being traded that much. The market remains in what appears as a stagnation for a while, bouncing around a few pips, then it often goes for a "big bounce" (as I call it). Often (but not always) the market will return back to close to the original price from the initial "big bounce". Then some kind of stagnation often happens before some kind of a trend develops. The following chart shows an example of what I just described.

Here is another weekend open that also looks like the description given earlier. I've shown it as 5 minute candles so you can have a clearer look.

Here is yet another example. Notice that in this one the “big bounce” didn’t come all the way back before the stagnation, and this time the market formed a trend in the opposite direction.

The following chart didn’t have a “big bounce”, but notice the nice consolidation and breakout. Certainly a nice opportunity for some pips. Furthermore the chart formed a consolidation (top right) that led to another great breakout at the start of Asian/European overlap time (not shown).

Spend some time looking at the weekend reopens on your own charts and you will see that it consistently gives some nice trading opportunities.

Additional tip: For many of you reading this eBook I realize that you may still have a "day job". If Sunday evening is one of the only times you can scalp then go for it. Have some fun and make some profits!

QUICK TRENDS

In my eBook "Forex Sailing" I discuss in detail the fractal-like nature of trends, and how to work with them. I'd recommend you read what I wrote on this subject there as it has valuable application to scalping.

Here I'd like to briefly discuss the value of paying attention to very short term trends that you'll see on your 1 minute charts. Again, read what I wrote on this related subject in "Forex Sailing" for a more in depth look at this topic.

Each price increment on this 1 minute chart is 10 pips.

Earlier in this eBook I discussed looking at the trend of "petit trends", of just a little wave on your 1 minute charts (that might last only several minutes). What I'm discussing here is a little bigger than that perspective; kind of moving into the turf of what I'd call "micro trends" (as defined in "Forex Surfing").

In "Forex Sailing" I elaborate upon the importance of trend following, and so here point out to you to draw your trendlines on your 1 minute charts. You'll find that in this small scale your trends will typically hold for a relatively short time (say 30 minutes to maybe a few hours). Nonetheless, when you are scalping "petit trends", or just going for relatively short pip distances then you want to be well aware of when a microtrend has ended for two reasons: (1) To get out of your existing trades ASAP to lock in most of the profits. (2) To get in on a potentially new trend.

Realize that reversals of this tiny trends is often just a retracement (Fibonacci) and may return continuing in the original direction, but as a scalper you'll be able to catch it on it's return journey (as it breaks that trend), thus often being able to catch pips three times through the same price range! (as seen on the right side of the above chart)

As a scalper remember this concept: The trades you engage in are virtually identical to the types of trades you might engage in on larger scale perspectives. The only difference is that the duration of your trades will be much quicker (lasting typically minutes to maybe a couple of hours) and the amount of pips captured will be proportional (but because you'll be able to trade more lots the profits will often be comparable to the profits you'd catch in other scale strategies).

Follow the trends even in this tiny perspective and you'll typically do well. So go nuts & draw countless trendlines on your 1 minute chart and trade accordingly.

Tip – It is usually a good idea to wait until you have a reversal confirmation at the break of a trendline, such as taking out the previous bounce high/low, and sometimes you might want to wait for a tiny wave to happen in the new direction. Pay attention to the concepts of trading a "petit trend" earlier in this eBook.

The common trader's saying is that "*the trend is your friend until it ends*". I disagree; sure it's your friend while the trend progresses, but when it ends it is just the start of another "friend". Considering how easy this is I'm surprised more people haven't caught onto this, especially considering how profitable this can be! It's like stealing candy from a baby!

Final thought about this – of course it is nice when you have a day that keeps trending strongly throughout the trading session (market overlap time), but even on a wimpy day when the markets are just consolidated then you'll be able to have fun scalping the trends.

Remember to practice this method for a while in a demo account so that you can familiarize yourself with the nuances of trading in this manner.

FA CONSIDERATIONS

When trading it is always important to be aware of when Fundamental Announcements are to be released, however this is most critical when scalping.

If you are engaged in a large trade with a stop set say 100 pips away then a minor glitch from a Fundamental might not affect you significantly. However if you are highly leveraged in a trade through scalping then even a small Fundamental can have a huge impact to you.

When scalping ALWAYS KNOW WHEN A FUNDAMENTAL WILL HAPPEN. If it is a big Fundamental then either get out of the trade before the time it occurs or be sure to use the broker I suggest in the eBook "Forex

Sailing". Always be wary of the NFP on the first Friday of each month.

Generally what I do when I'm in a profitable trade but see a minor Fundamental coming up is that I tighten my stop a few minutes before the FA is to be released. This way if the market moves against my trade in reaction to the FA then I'll quickly get stopped out, securing most of my profits. Sometimes (more than roughly 50% of the time) the FA will move the markets in the direction I've been trading, and when this happens you simply gain some more profits.

Most of the time most Fundamentals are "duds" and you'll barely notice any effect from them. Despite the fact that most of them will not do much you should still protect your active trades before expected Fundamentals because you never really can know which one might behave more dramatically.

WINE & CHEESE

In this section let's discuss grievances. Actually I just want to share some of my "whining" with you to assure you that when you experience these kinds of things that you are not alone. This is to help you to keep your perspective; your sanity.

Sometimes your technical analysis will all point you in a particular direction. From everything you see you think that the market *"should"* behave in a certain way, but contrary to all your expectations the market does the opposite. I swear that I question the sanity of thousands of other traders world wide when they make the market move in ways opposing my assessment. "What the heck are they thinking?!?!" It happens – I forgive them – I move on.

Sometimes I get a series of unsuccessful trades. Sometimes when I lose a few trades, in a row, I go after the market with a vengeance. Bad idea… I lose even more. For me it's not about the money that I lost but rather the fact that I was wrong and made successive losses that gets to me. I go through a mental tailspin second guessing my abilities as a trader and feeling sorry for myself. When this happens I've found the best thing to do is to walk away from the computer for at least a day, or more, until my head and my emotions have recovered. You need to keep a calm and rational mind when trading. Some folks are better at keeping their emotions under control than others (I'm not an android) – you need to know how you are and know when to stop trading to remain reasonable.

Sometimes I break my own trading rules. Occasionally (as I actually did today) I set my stop loss order too close to the current market price, get stopped out then watch as I missed over a hundred pips that I should have captured. You'd think that I should know better (after all I "wrote the book"). Getting stopped out isn't the problem (it's the best way to exit a trade when done properly), it's when you set a stop incorrectly (allowing greed or fear to dictate where you set it rather than appropriate judgment) that irks me. I forgive myself for the irrational actions I've done, "learn from it", and move on remembering that "tomorrow is another trading day". Usually fatigue is the leading contributor to this scenario for me (as I stay up all night trading).

I have shared the above common examples of my own follies to let you know that I am human too. When you inevitably experience these kinds of things yourself realize that you are normal, and don't allow any negative emotions to get to you.

Trading involves patience; patience in timing the markets and patience with yourself. If you are new to trading then realize that you will make "rookie mistakes", so allow yourself to grow from them. Even when you are an experienced and accomplished trader you'll still encounter "learning opportunities". It is all "part of the game".

EXTRA EXAMPLES

In this section I've just tossed in a few chart pictures for you to look at, with a little commentary. This is supplementary information for you to just show off a few more examples of the stuff that you've learned about in this eBook.

What I want for you to realize is that the kinds of "opportunities" I've discussed in this eBook isn't something that happens just once in a while, but almost every day!

EUR/USD - Notice the tight consolidation lasting for many hours? This provided some nice small within range trading opportunities (10 to 20 pip ranges). Notice the shooting breakout that happened around 10:00 EST? It was about 100 pips in just one hour (easily scalpable). Then there was a triple-top stagnation after which the market continued up about 50 pips more. Do you think that maybe you could have had some profitable fun that day?

EUR/USD – This is what happened the very next day. The horizontal line is the breakout line I used on that consolidation. As you can see the market went upwards over 150 pips over the following hours.

THE BEGINNING

Well congratulations for making it to the end of this eBook! This isn't "the end" but rather just the beginning for you. Now is the time to get started applying and integrating what you have just learned. Keep your eyes on your charts, demo trade, practice, practice, practice, and practice some more. Just reading this eBook won't instantly transform you into a proficient trader; you'll have to work at it.

I love trading, and hope that you too pick up a passion for it. The practice "work" suggested above shouldn't be a drag, but rather a fun adventure for you.

I have really enjoyed writing this eBook, and I hope you've found it as much a pleasure to read as it is informative.

I would love to hear from you about your successes and would ask that you share with me your encouraging trading stories and any pleasant comments you would like to express. You can send them to me through the testimonial portal. Though I don't have the time to respond to everyone I do eventually read them (especially when I am in need of a little "pick-me-up"), and my heart smiles when I read some of the delightful comments people send. Some messages even touch me deeply. So if you feel so inclined then please do share how my eBooks have affected you – it's the only way I can know that my passion for Forex is somehow appreciated by others (which I deeply appreciate knowing).

I wish for you, sincerely, that you find the success your heart desires through Forex. May your journey with it be fun, profitable, and prompt you to grow in many areas of your life. Good luck and good trading!

Blessings,
Robert Borowski

"Forex Scalping" eBook version 1.00