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TRADE PREDATOR REPORT

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Introduction

Hi everyone!

Today we're going to discuss the importance of money management and a fun little tool that will help you with understanding Risk vs. Reward in relation to your stop loss and potential targets.

Money management is something that can be overlooked by many traders both new and old alike but it's one of the most important factors when it comes to success in this business. It separates the sheep from the goats so to speak.

Many traders will seek what is called the "Holy Grail" of trading systems. What this means is that we go on the hunt for the perfect system that never loses, 100% winners all the time, no matter what is going on in the market. Once traders start down that road, they tend to hop from system to system, EA to EA, only to find out that the system they started out with wasn't really that bad at all.

That's one side of the coin. The other side of the coin is that many traders will trade with either a huge stop loss or no stop at all. They will risk say 100 pips to make 10 or 20 pips. So let's use that as a starting point. Let's say we risked 100 pips on every trade and our goal was to make 10 every time. We could have a winning streak of 10 trades in a row and then lose one and give it all back. This is poor Risk/Reward. We'd be risking 10 times more than what we'd be trying to gain.

Let's take a look at this scenario in reverse. Let's say we risked 10 pips to gain 100. We could lose ten trades in a row and then if we won the next one, we'd win back everything we lost and then break even.

Now, this is where things get interesting. Some of the greatest traders in the world only won 40-50% of the time. Now, those don't sound like great odds but their gains far outweighed their losses and this is the key of money management. We want to tip the odds in our favor as much as possible. Now, a great system can win 70-75% of the time. Even if it only won 60% of the time, we can still be very profitable. That means we can win 60 out of 100 trades and still make money if our Risk/Reward is done right.

Let's take a look at some examples. Below are some Risk/Reward numbers that will put some things in perspective. Now, the first set is going to be the risk 100 pips to gain 10 pips set.

Let's say we had a good system that won 70% of the time but we had to risk 100 pips to make 50 pips. This is called a 2:1 Risk/Reward. This means that we're risking 2 times the amount we are trying to gain.

So out of 100 trades, it looks like this:

50 pips x 70 winning trades = 3500 pips. These are the winners.

100 pips x 30 losing trades = 3000 pips. These are the losers.

3500 pips (wins) - 3000 (losses) = + 500 pips profit.

So for all the trading we did, we've only got 500 pips in profit to show for it.

Now let's take a look at something a little different. Let's say we had another system that won 70% of the time. Our stop loss is 50 pips and our target is 100 pips. This is called a 1:2 Risk/Reward. Meaning, we risk 1 to gain twice as much.

Out of 100 trades it looks like this:

100 pips x 70 winning trades = 7,000 winning pips.

50 pips x 30 losing trades = 1,500 losing pips.

7,000 (winning pips) - 1,500 (losing pips) = 5,500 pips in profit!

So how do we actually go about doing this in our live trading?

Many traders will enter a position based on support and resistance areas and place their stop losses just beyond the swing high or swing low. Their targets then will be at previous areas where price has been found to accumulate. What we can do is measure the distance from our entry to our stop loss, then from our entry to the nearest support or resistance area. If the difference between our target and stop loss is double, we've got a good Risk/Reward. This means that if our stop loss for a sell trade is 50 pips and the nearest support is 100 pips or more away and our system wins 70% of the time, we've got a solid 70% chance that the trade will work out.

Now when I was in school, a 70% was barely passing. In trading though, it's a whole different ball game! Now, break even is barely passing and anything more than that is money in the bank.

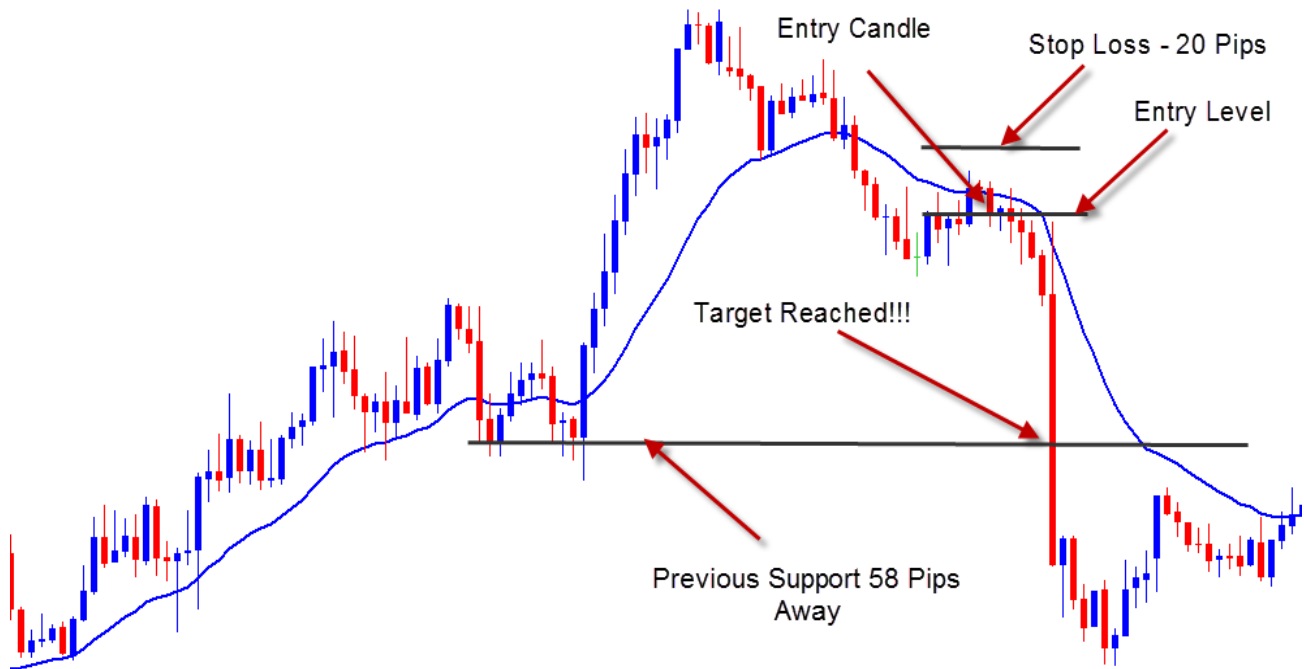
Now, when trading for 1:2 risk rewards, we only need to win approximately 34% of the time to break even, or we could lose approximately 66% of the time. This means that if out of 100 trades we only won 34 of those and we were risking 50 pips to make 100 we would not have lost anything. Here's a little math that might make things simpler...

50 pips x 66 losing trades = 3300 losing pips.

100 pips x 34 winning trades = 3400 pips

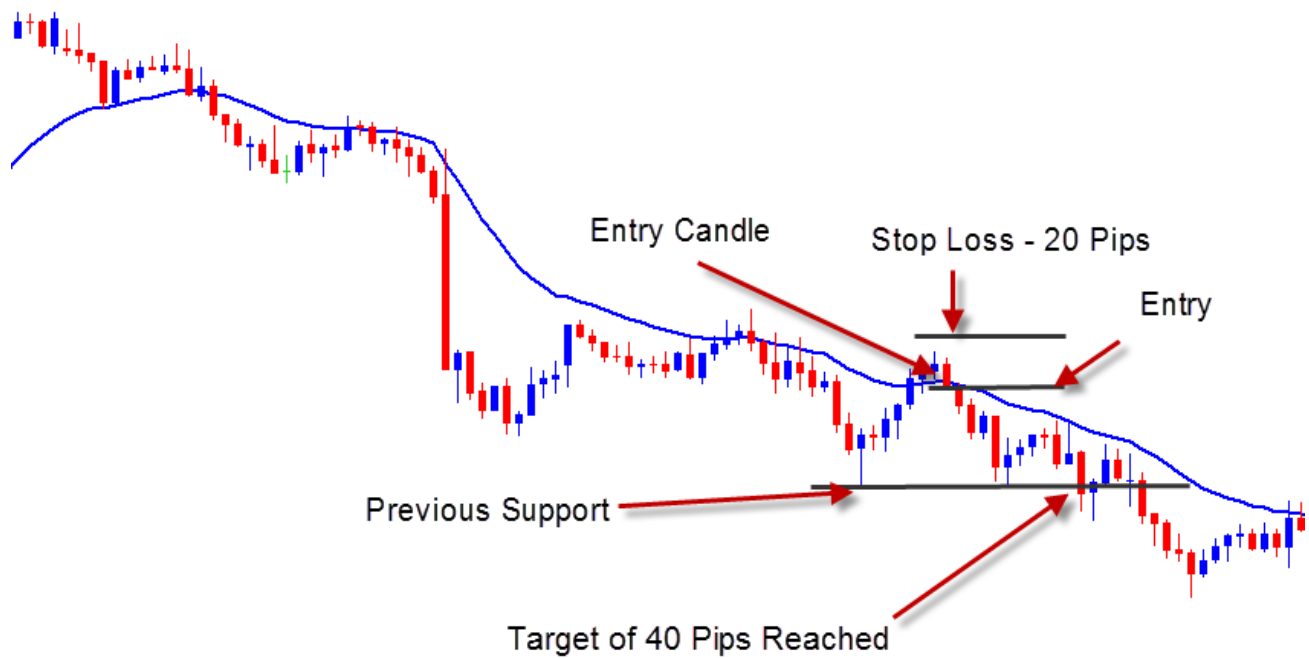
As you can see, trading for a 1:2 Risk Reward is definitely the way to go. You don't have to be Warren Buffet to make money in Forex. All you need to do is make sure your winners are twice as big as your losers are more than 34% of the time. Even if half your trades went bad and the other half we solid, you'd still make a killing.

Let's have a look and see how 1:2 trading works in action. Remember, in our last report, we used the 21 exponential moving average for trend direction and pull backs. Let's continue with that idea and take a look at some examples.



This was a great trade! Price was in a previous up trend and came to a peak, pulled back to the 21 EMA and broke below it after stalling for a bit. It then fell and came back to retest the 21 EMA and then pushed away from it nicely. Now, this trade happened to be nearly 1:3 Risk Reward and often, we can find trades like this when the market is trending. This happened to be at the start of a new trend.

Let's have a look at another example of a 1:2 trade.



This trade happened a little while later and we were able to get another 40 pips. When trading with the 21 EMA, we can catch some nice trades as price pulls back to it and fires off in the direction of the trend.

The Trade Predator

Here's a fun little indicator that I call the Trade Predator. What this little gem does once it is placed on your chart is, it allows you to see what your Risk Reward is even before you place the trade. It's like a pre-emptive strike against getting into a trade that has bad potential reward factor.

On the chart below, you can see "TradePredator" and the smiley face. This means the tool is working fine. You can download and install the Trade Predator from the website and watch the instructional video on how to install and use this brilliant tool.



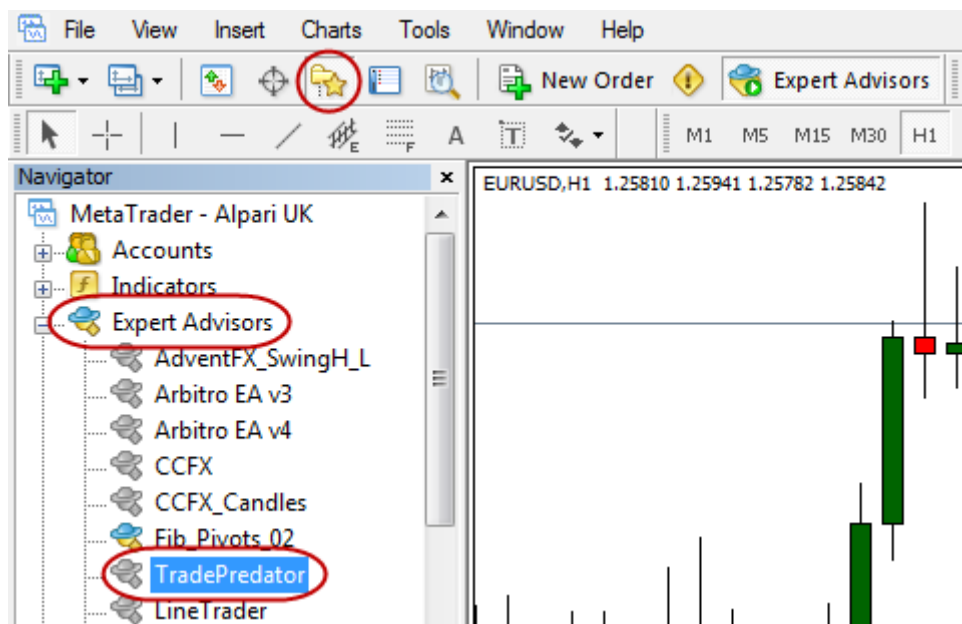
The blue horizontal line represents the take profit. So, if you will enter a trade, the trade will be a buy trade because the blue line is above the current price, and the take profit is set automatically to that level. The red horizontal line represents the stop loss level, and if you would enter a trade, that stop loss level will automatically be set. As price moves, the take profit and stop loss lines also move along with it so that you know where these levels will be set if you enter a trade.

On the lower right corner of the chart, you can see the details of the Trade Predator. Right now, you see BUY Order, which means, if you place a trade, it will be a buy trade. The Status is showing OK, which means that the EA is working. Then you also see the TP and SL levels in pips and in USD value. This makes it easy for you to know exactly how much you are risking, and how much you could earn if you win the trade. The

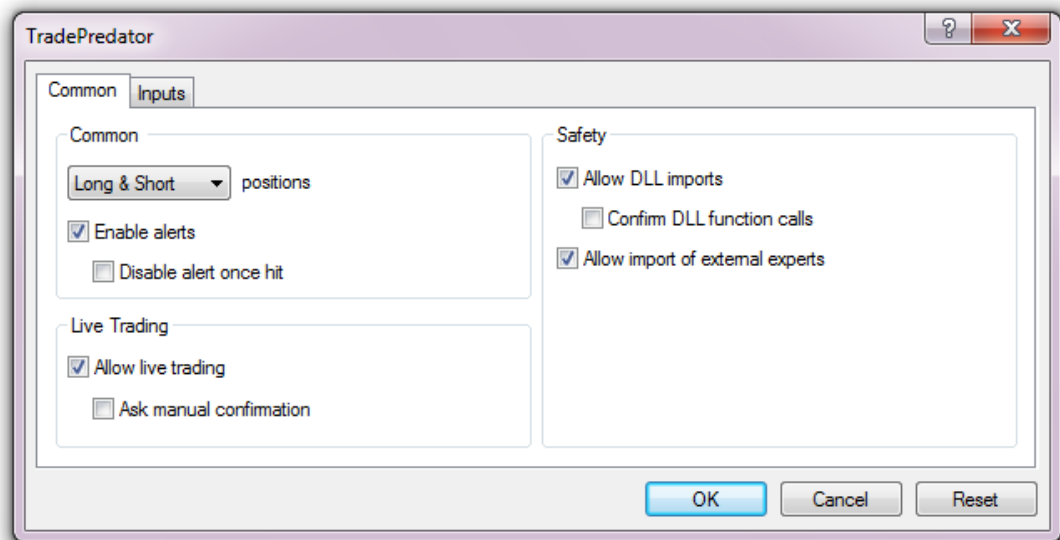
RFact is already set to 1, which means your Risk:Reward is 1:1. The lot size is 0.25. All the levels you see are already set by default, but you can change the parameters as you please.

How To Apply On Your Charts

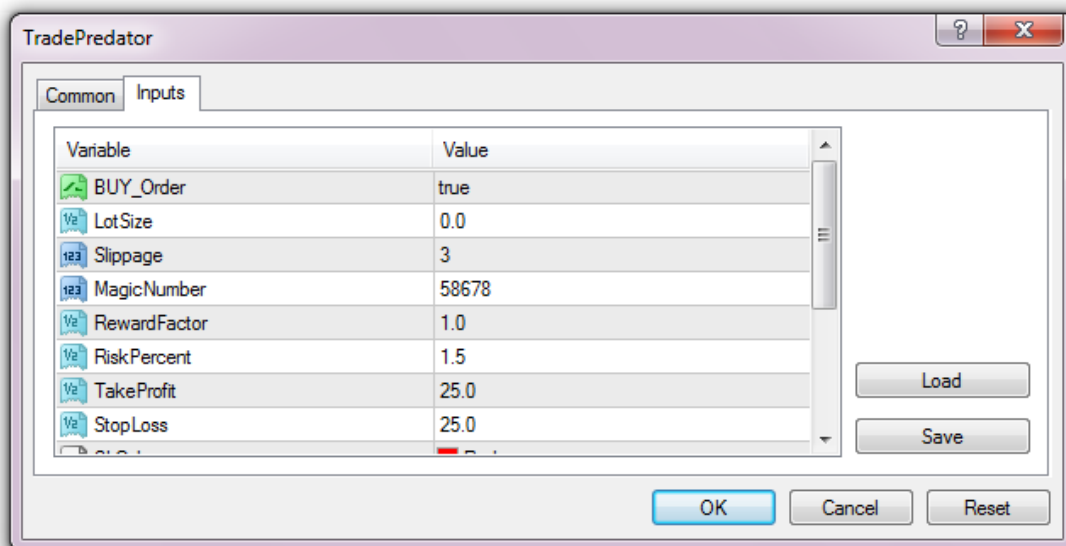
Once you have downloaded and installed the Trade Predator, open your MetaTrader4 platform (restart it if it was open during installation). Then open the Navigator window by clicking on the quick reference icon (or click on Ctrl and N). Under the Expert Advisors list, double click on the “TradePredator”.




















This window will pop up. Under the Common tab, just make sure you have the 4 main options checked.



If you click on OK, the default settings will be used for the Trade Predator, but if you want to make some changes, go to the Inputs tab first.



Here are the complete default settings:

Variable	Value
 BUY_Order	true
 LotSize	0.0
 Slippage	3
 MagicNumber	58678
 RewardFactor	1.0
 RiskPercent	1.5
 TakeProfit	25.0
 StopLoss	25.0
 SLColor	 Red
 TPColor	 Blue
 TextColor	 Goldenrod
 CustomStyles	false
 SLStyle	1
 TPStyle	1

BUY_Order = true

true – the Trade Predator is set to open buy trades

false – it is set to open sell trades

LotSize = 0.0

By default, the lot size to enter a trade is dynamic, which means it is based on the percentage that you want to risk in your account. If you want to enter trades using a fixed lot size, set your preferred lot size here.

Slippage = 3

If the difference between the current price and the price that your trade will be entered is 3 pips, then the Trade Predator will be placed at your command.

MagicNumber = 58678

This allows your EA to monitor and update the trades it placed. If you are using the Trade Predator on different charts, make sure you change the magic number for each one.

RewardFactor = 1.0

This is the ratio of your reward compared to your risk. (Reward / Risk = Reward Factor)
For example, if your reward factor is 2, this means that your potential gain is twice as much as your risk. (Reward 2 / Risk 1 = Reward Factor 2).

RiskPercent = 1.5

This is the percentage of your account that you are risking for every trade if you are entering trades using a dynamic lot size, and not a fixed lot size value.

TakeProfit = 25.0

This is the take profit in pips to be set once a trade is entered.

StopLoss = 25.0

This is the stop loss in pips to be set once a trade is entered.

SLColor = Red

The stop loss line is red in color, but you can change this according to your preferences.

TPColor = Blue

The take profit line is blue in color, but you can change this according to your preferences

TextColor = Goldenrod

The text of the Trade Predator on the chart is goldenrod in color, but you can change this according to your preferences

CustomStyles = false

This allows you to set the line style, all you need to do is set it to true and change the settings for SLStyle and TPStyle.

SLStyle = 1

Once CustomStyles is enabled, you can select the type of line to use for your stop loss.

TPStyle = 1

Once CustomStyles is enabled, you can select the type of line to use for your stop loss.

Commands

As I've previously mentioned, you can place and manage your trades by just clicking on a button. Below, you can see the commands that can be used:

W

To change the stop loss and take profit, click "W" on your keyboard and move the red stop loss line or blue take profit line to your desired levels.

D

Change the direction of the trade by clicking "D" on your keyboard.

X

Clicking "X" opens the order.

C

This key closes the order.

Make sure you watch the installation instruction video on the website. That's it for this report! You've now got a great price action tool that can really nail some pips!

Best of luck,

Piet Swart

P.S. If you have any question, please don't hesitate to email me here:
support@forexincomemap.com