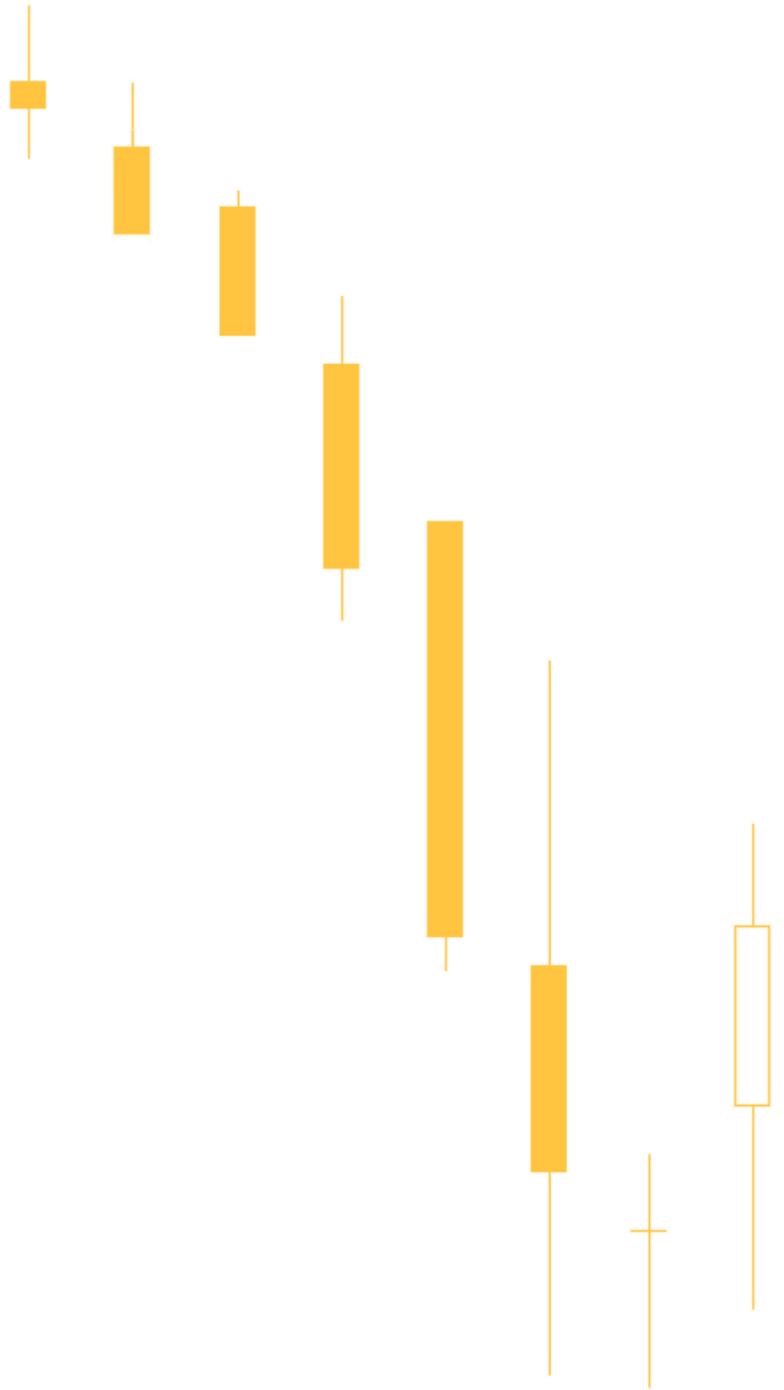


VanessaFX Advanced Systems

A full guide to the Vanessa FX
Systems package

By Vanessa FX & Nick B



VanessaFX advanced systems © 2006/2007

ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopier, a recording or otherwise without the prior written permission of the publisher and the author.

This publication may not be lent, hired out or otherwise disposed of by way of trade in any form of binding or cover other than that in which it is published, without prior permission of the publisher and the author.

This e-book is protected by a triple security system comprised of an access code to open the document, a unique invisible identification code written on 5 random pages of this book and a unique combination of letters that form a sentence which is unique to each separate copy of this book.

I check P2P file sharing programs, torrent programs and do general Google searches regularly. If this book is found hosted for illegal download I will identify who this copy was sold to and prosecute them to the fullest extent of the law.

First edition: December 2006

Disclaimer:

Forex trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the Forex market. Do not trade with money you cannot afford to lose. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed in this book. The past performance of any trading system or methodology is not necessarily indicative of future results.

Hi guys

I'm going to start with a little speech. My systems are easy to use and have a great track record over the past few years. They are easy to use but this doesn't mean you can quit your job, trade these systems and turn \$1,000 into \$1,000,000 in the next year. Forex takes patience and a long time to master.

These systems are technically based but a sound knowledge of fundamentals will improve your success rate exponentially. I could write a system that is 100% technical, a system that you follow without question. I didn't do that though because I do not believe that is what trading is about. Trading involves using your mind, gaining confidence and honing your instincts. There is nothing more powerful in this business than a calm, instinctive mind. There is only so much you can learn from reading what I write. Most of this trading will be up to you, your devotion, your will to succeed and how smart you are.

To use these systems to their maximum effectiveness you need instinct and that can only come with experience. A simple example was the cross on the 4hr system on Thursday, 12-21-06. That trade may look like a failed one but for me it was successful. I exited with +77 pips. I identified a strong point of support and set my stop in the right place. I almost took every pip possible out of that trade. Was setting that stop there that part of my system? No, my system only showed me when to enter. The rest was experience and instinct. I will go through how I made profit on that trade later.

I just want to go over some of the perks of purchasing this system that I haven't mentioned yet.

- We are going to open a **private** forum section in which me and Nick will answer questions, give advice and post alerts.
- The systems written here are only phase 2 and we plan on tweaking them further. We won't stop until they reach 100% success rate (which in theory is impossible but we will try). You will receive all the future tweaks and updates.

When you finish this book it will not be the end of your education on these systems. The forum will always be open and we will always be there to help you along the way. Stock indicators work well with my systems but I always strive to make my systems more effective. So my next project will be the development of custom indicators that work more effectively with my systems. You will be kept up to date via the forum on any major updates.

My email in case you don't have it is vanessa@forexclarity.com and Nicks is nick@forexclarity.com, if you have any questions or comments email us and we will get back to you.

VanessaFX

The Basics

I am going to make the assumption that you have at least a little experience trading Forex. I do not want to waste my time or your time explaining leverage or risk/reward ratios. Time is precious and explaining simple things like this is a waste of it. I do want to touch on leverage very briefly though, trading these systems on anything higher than 100:1 is financial suicide. If you have anything higher I suggest you contact your broker and ask them to put your leverage down or find a new broker.

Simplifying

The backbone to being a successful trader is simplifying your trading. Most people choose to complicate their trading by using 10 different systems and 100 different charts. My systems are very simple to follow and they should provide you with more than enough pips to grow your account at a steady pace. So I do not want you to use any other systems. I do not care if you read some special method from a forum or if you paid \$10,000 for a super system. You **have to** simplify your trading and to do so you should only use these two systems. We will have four charts running and that is all you will ever need, so get ready to simplify your trading.

Step 1: Minimize this page.

Step 2: Open your charting platform and delete every single chart in there. That's right I want you to delete every chart, we are going to start fresh. When you have done that, read on.

All deleted? Good. We are going to put up some new charts now!

New Charts

I need you to open up six new charts, they are as follows:

- USD/CHF 30 min
- EUR/USD 30 min
- GBP/USD 4hr + GBP/USD Daily
- GBP/JPY 4hr + GBP/JPY Daily

These are all the charts you will ever need to trade with.

Support & Resistance Lines

The backbone of these systems is support & resistance lines. They help in deciding where to put stops/take profits and they help with entries and exits. Support & resistance lines are easy to plot and need very little maintenance. The 4 hour charts support & resistance lines will last for months but 30 minute charts should be updated ever 1 to 3 days. You cannot replace these lines with pivot points, I do not use pivots at all and my lines are a lot more effective. These simple lines can save you hundreds of pips per week. Here is a brief outline of how I plot my lines:

Each morning I open my charting platform, take a look at the charts and identify areas that have shown support or resistance over the past few days. This is a picture of the current 30 min GBP/USD chart (12/22/06, 10:28 am American E.S.T)



You can see here that the price has bounced away from the circled areas in the past few days. Just look for areas the price has bounced away from or has had a hard time breaking and place a line there. Here is an example of the same chart with support & resistance lines.



You can see the first thick pink line goes through two of the prices; I do this so I do not have to place two lines there. Instead of placing two lines within 10 pips of each other you might as well just place a line in the middle of those two points. The different color lines represent the strength of each point. I will leave this up to your discretion it is pretty easy. Obviously the highest and lowest points are the strongest. Just don't put 100 lines all over your chart, plot the main ones remember we are trying to keep things simple.

High & Low Zones

You should also plot the high/low zones:

- Yearly highs & lows for both this year and last year.
- Monthly highs & lows for both this month and month.
- Weekly highs & lows for both this week and last week.
- Daily's just for the previous day

You will find that a whole lot of these lines coincide. So even if it sounds like a lot of lines, it really ends up being a small amount. Plus they are pretty well spread out being yearly, monthly and weekly. For the daily's all you need is the previous day's high and low. Delete them when a new day starts.

According to most charting platforms a standard Forex day is from 12 midnight GMT to 12 midnight GMT. Your daily highs and lows should be based on this time frame. An important note for Meta Trader 4 users, MT4 candles are one hour off of GMT time so your 4 hour candle will close at a different time to mine. This might sometimes cause problems; however I do not think it is a major concern.

4hr System Specific Basics

120 & 300 SMA

All the followers of the old system will remember we used 100 & 200 SMA's as support resistance lines. These have now been changed to 120 & 300 SMA's after testing through 5 years of chart data on our Forex Simulator. The 120 & 300 SMA's are the most effective support & resistance lines. We will take a closer look at their uses later.

Daily Charts

Daily charts now play a much bigger role in the 4 hour system; they themselves have been changed however. The new settings for the daily charts are as follows:

- 20 SMA
- 50 SMA
- 100 SMA
- 200 SMA

Let's move on to the actual 4 hour system.

4hr System

What You Need

- 4 hour GBP/USD chart, 4 hour GBP/JPY chart
- Daily GBP/USD chart, Daily GBP/JPY chart
- MACD (12,26,9)
- Parabolic SAR (0.02, 0.2)
- 6 EMA
- 13 SMA
- 120 SMA
- 300 SMA

Long Entry

- 6EMA crosses above the 13SMA and MACD lines cross indicating an upwards trend.
- 6EMA crosses above the 13SMA and the Parabolic SAR dot is under the candle indicating an uptrend.
- 6EMA crosses above the 13SMA, MACD lines cross indicating an upwards trend and the Parabolic SAR dot is under the candle indicating an uptrend.

Short Entry

- 6 EMA crosses below the 13S MA and MACD lines cross indicating a downwards trend.

- 6 EMA crosses below the 13 SMA and the Parabolic SAR dot is above the candle indicating a downtrend.
- 6 EMA crosses below the 13 SMA and the Parabolic SAR, MACD lines cross indicating a downward trend and the Parabolic SAR dot is above the candle indicating a downtrend.

Stops

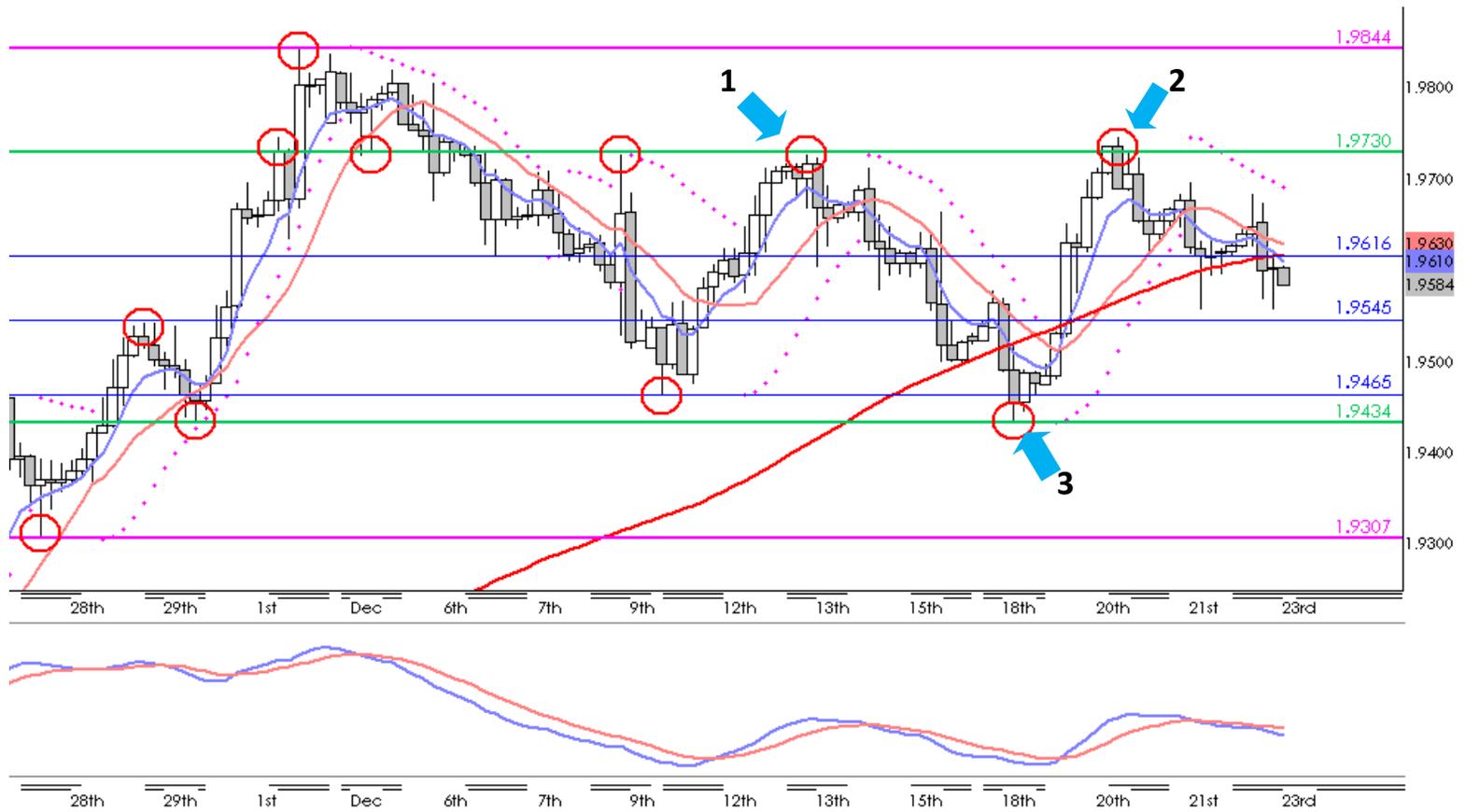
Initial GBP/USD stop loss = 100 pips

Initial GBP/JPY stop loss = 150 pips

Putting It All Together

You will probably realize this system has become a little more in depth now we have 3 indicators and only 2 out of the 3 need to line up for an entry signal. This will get you in earlier a lot of the time. Daily charts now also play a bigger role as do support and resistance levels. I am going to take you through a few trades that show the use of all of these in detail.

Support & Resistance levels



Look at that top green line; it was touched three times shown by the first three red circles and it showed some nice support & resistance. So I place a line there and what do you know! The next two times it finds some resistance there also.

(1) The first time it found resistance it saved me 50-60 pips. If I didn't have that line there I would have gotten out way later, where the MA's crossed again probably. Thanks to the line though, as soon as I saw it found resistance there I closed half my position. Then when I saw the candle begging to drop lower and lower I exited the second half.

(2) The next time when the line was hit and the price tuned away instantly so I exited saving another 60-70 pips.

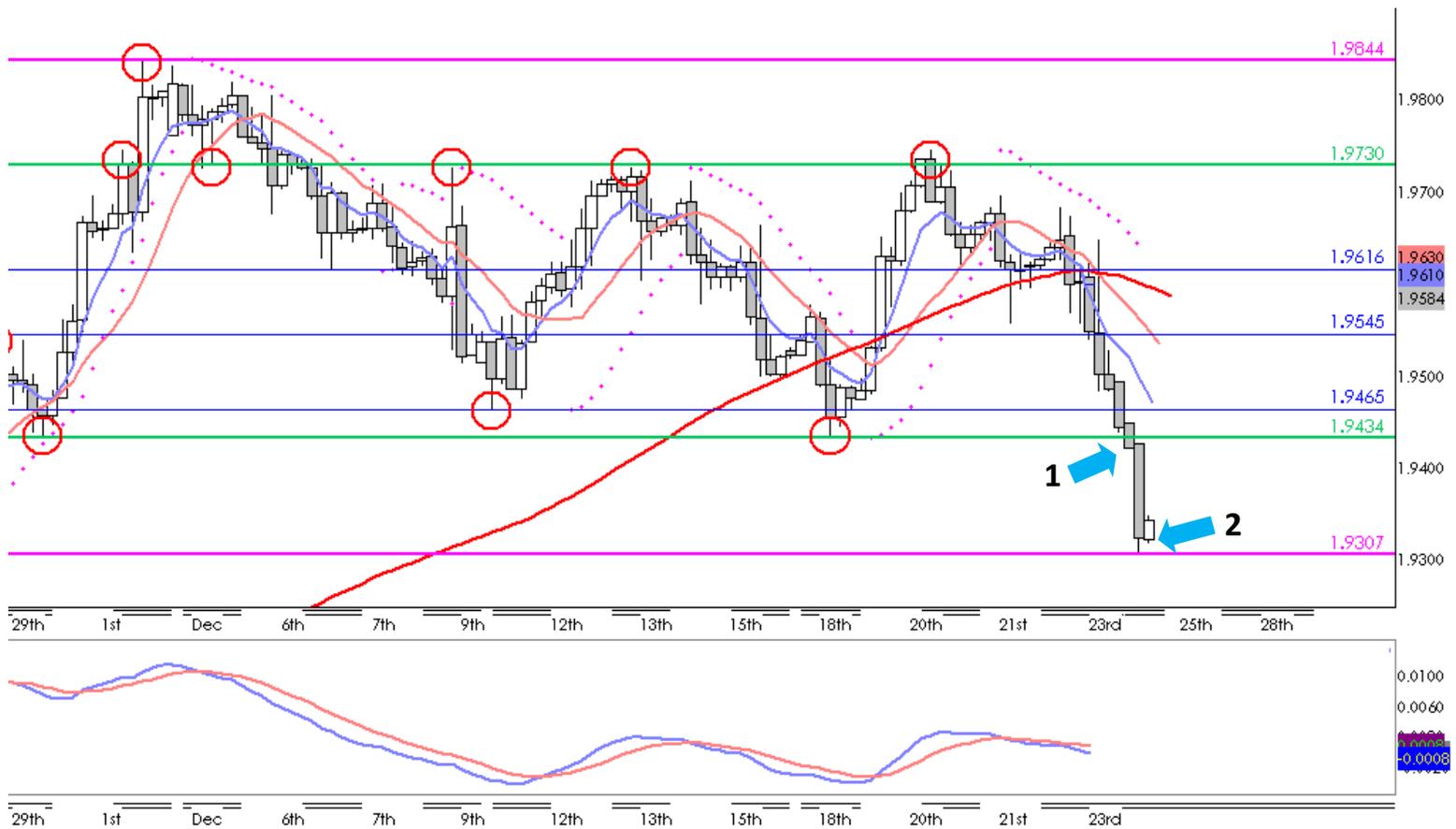
(3) This time the price barely touched the line and it turned and ran away. The next candle was a bullish one so that was a clear indication to get out. Saved 50 or so pips on that trade.

There you have it 150 + pips saved on 3 trades.

Generally if the line is being tested by the candles I will only exit half my position. If however it touches it and turns around entirely by the next candle I will exit the whole trade. This is where it pays to be aware of candle stick patterns. If you see a Doji followed by an engulfing candle it is a pretty clear turnaround signal.

Another important point is those pink lines. As well as being support and resistance lines, they are both previous month highs & lows, and the top pink line is also a yearly high.

Like I said at the start, a lot of trading is instinct based and until you develop that instinct you will never be truly successful. I will advise you about exits in the private forum area and explain why I am exiting. That way by seeing what I do day to day you can start to develop a better understanding of this business.

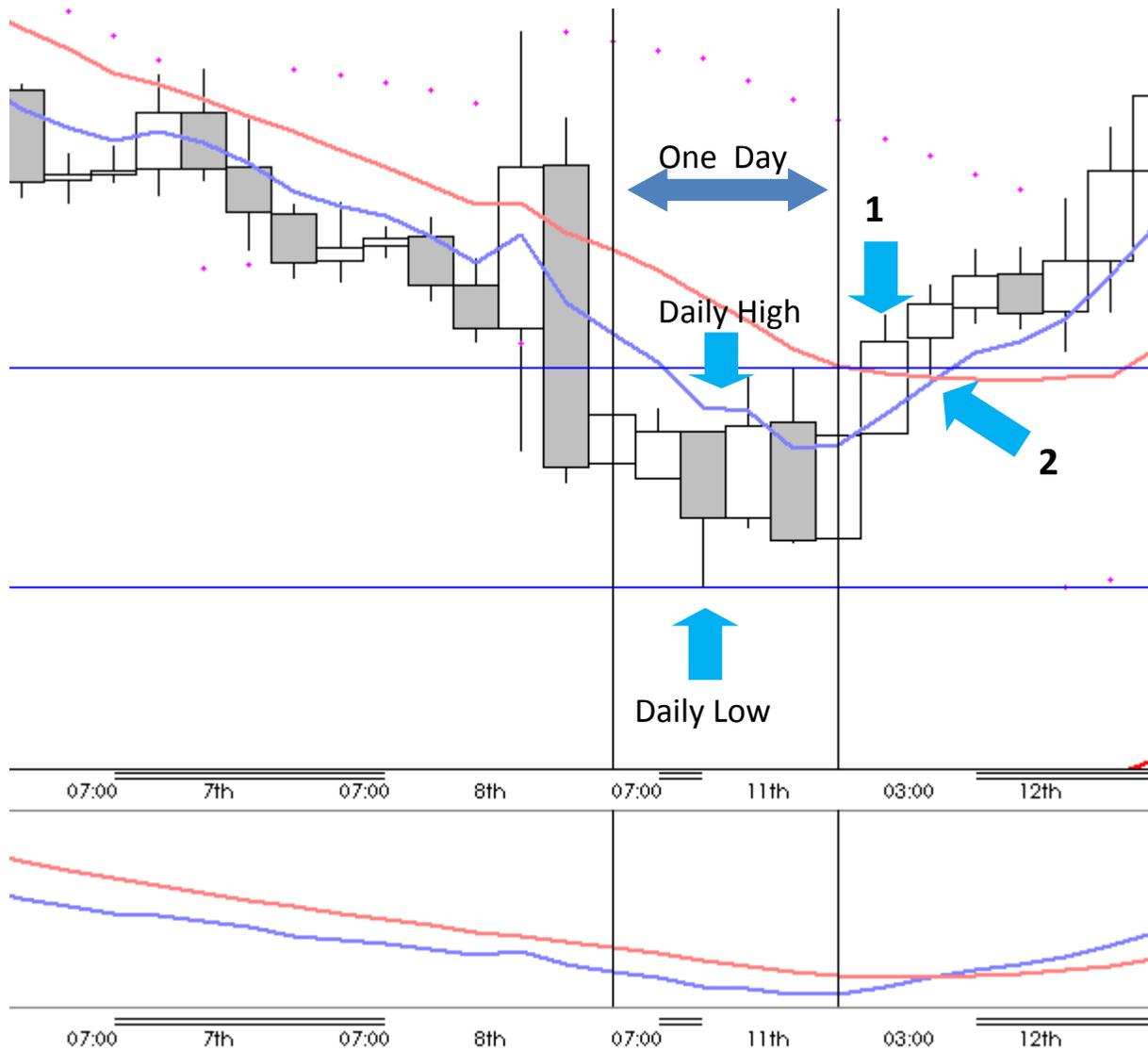


(1) This time the price that held two times previously was broken. I saw this as a strong point so on break when I noticed it was still pushing down I entered another half position. I placed a stop for that half position just above the line risking 30 pips and I held my original position.

(2) I let it drop to the pink line (monthly low) and when I saw it bounce away and make a new bullish candle I exited.

So I knew there was a downtrend because of the original signal from my system and a strong support was broken and I was already + 130 pips. It was a safe trade even if I lost 30 pips I would still have made a fair bit of profit and considering that line had not been broken this entire month I entered.

One more example but this time we are going to zoom in a little:



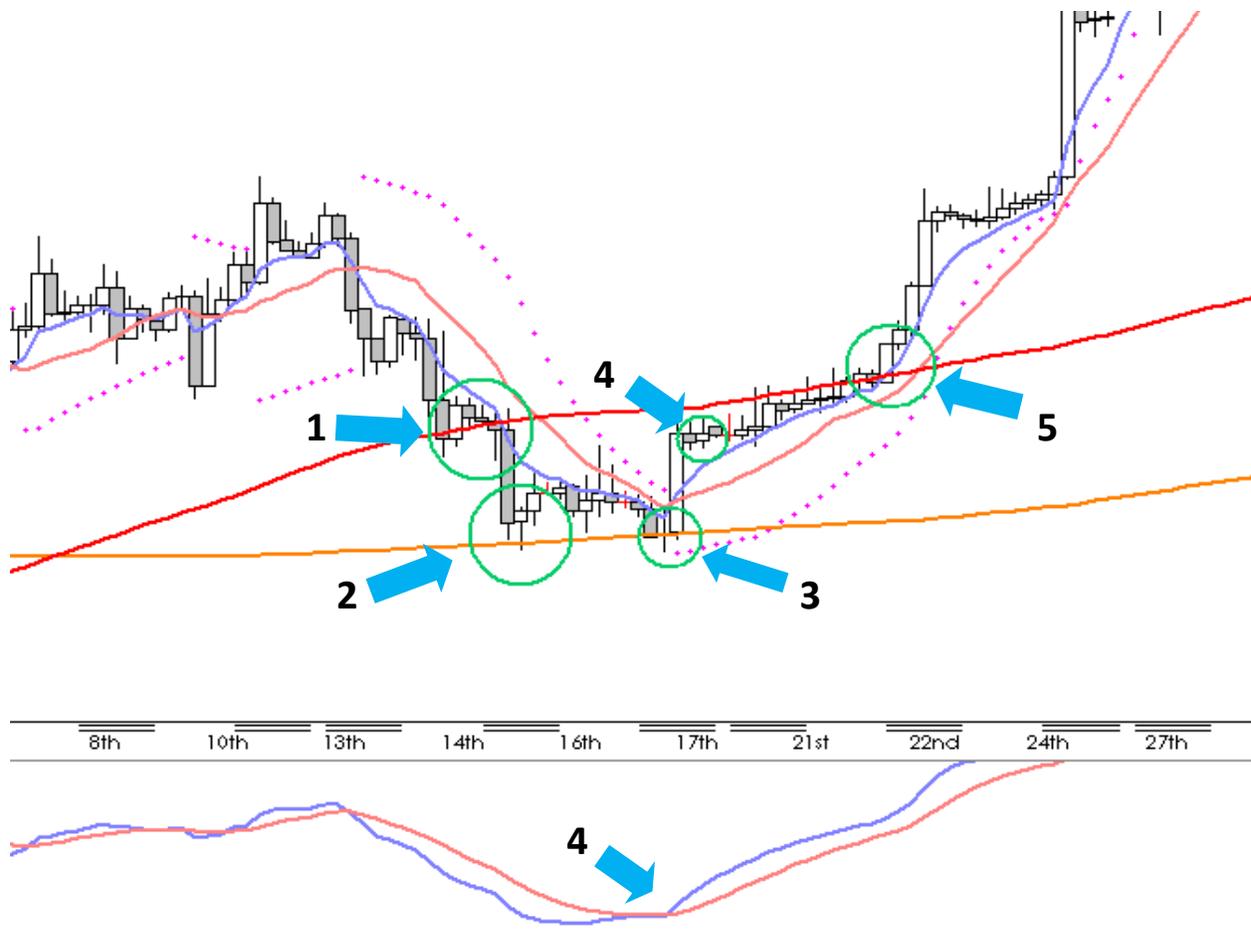
Here is an example of how I use daily highs & lows.

I am +180 pips on a short taken 2 days earlier. I can see that the MACD and MA's are close to crossing. (1) All of a sudden a bullish candle rallies upwards and breaks the previous day's high. Knowing the MACD and MA are about to cross and that the trade will probably come to an end soon I exit with +140.

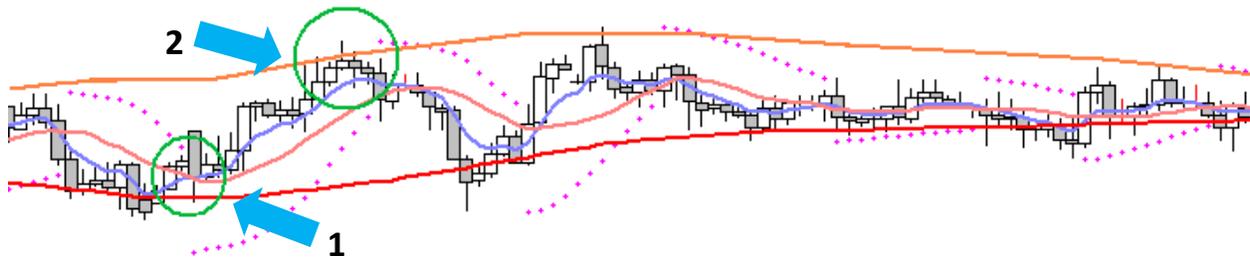
(2) The MACD and the MA's then cross signaling a reversal but I saved myself 40 pips by getting out on break of the daily high.

Generally if a daily high is broken the price will continue to rise and if a daily low is broken the price will continue to drop. Little things like this can save you hundreds of pips a month and hundreds of pips can equal thousands of dollars.

120 & 300 SMA's



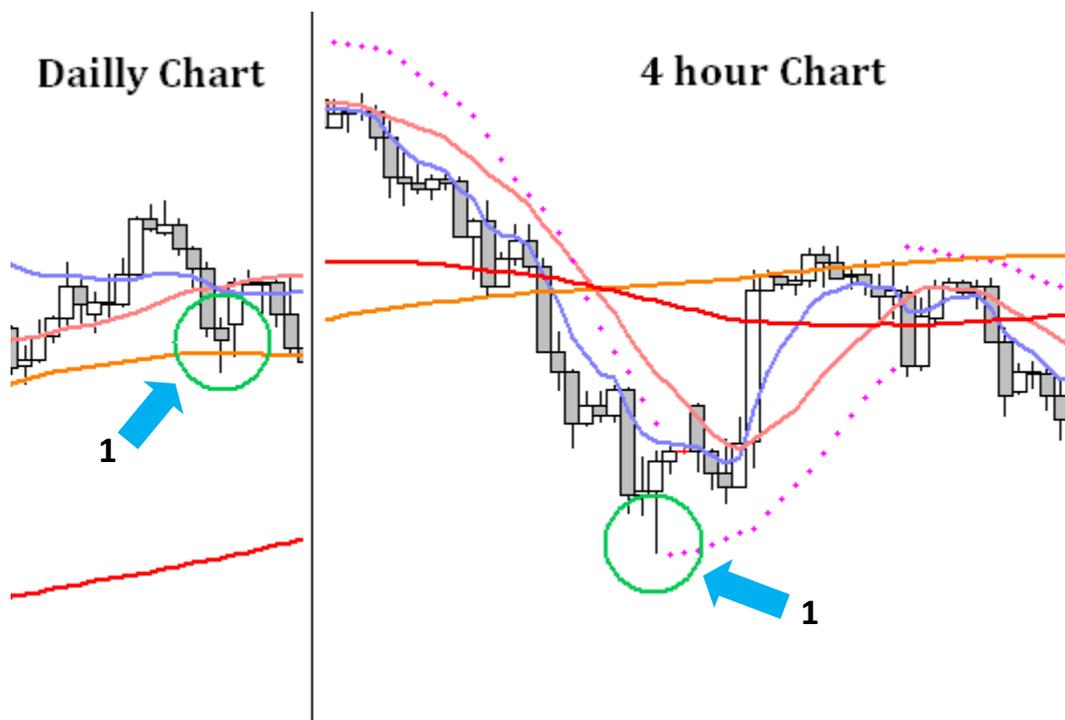
The red line is the 120 SMA and the orange is the 300 SMA. (1) I am in a short from the earlier cross and up about 100 pips. The price touched the line and rushes away. This makes me a little wary and I am on the lookout for an exit. However the next candle doesn't seem to rise much and it closes lower so I stay in. The candle after that closes lower again so I stay in. Finally the fourth candle opens and closes below the 120 line so I stay in and wait. As you can see after the 120 was broken we got a downwards rally and I was sitting on +200 pips. (2) I see a bounce from the 300 SMA closing in a hammer so I keep a close eye on the next candle. When it opens it rallies up. This to me was a possible reversal sign so I exited with +190 pips. It was a good move because I would likely have been taken out by my trailing stop when the price spiked upwards a few candles later. (3) The 300 line held strong and eventually repelled the price. (4) We got an entry signal here but so close to the 120 line I thought it best to sit this one out at least until a break of the line. (5) It did finally break and I entered in 60 pips late, it's better to be safe than sorry though and this trade resulted in +700 pips anyway.



This is an example of a ranging period when the price is stuck between the 120 and 300 SMA. I call this no man's land and in these situations trading is risky. Sometimes I do not trade at all when the price is in this area. I wait to see a significant break from the area before I start trading. However sometimes you get a nice opportunity but remember to always lower your target and tighten your stop.

(1) I have my initial stop loss on GBP/USD at 100 pips. In this situation I got an entry but I placed my stop 20 pips below the 300 SMA line. This was only 60 pips away from entry. If it broke below that line it is unlikely it would come back up so I made it my stop. Also the fact that I am not expecting much more than 100 pips from this trade influenced my decision to place a stop loss 60 pips away. I like risk/reward ratio to be at least 1:2 so 60 pips is a nice stop for this trade. (2) The price went up 140 pips and hit the 120 SMA. It formed an inverted hammer candle followed by a bullish candle, so I exited with +130. Had I waited for an EMA cross to exit I would have only made 100 pips.

Daily Charts



(1) If you saw this kind of bounce on a 4 hour chart you probably would not be sure what caused it. Everything was fine. The price was heading down then BAM! It turns around. If you switched over to a daily chart you would have seen that the 100 SMA was hit. As soon as the SMA was hit and it closed as a Doji on the 4 hour chart I got ready to exit. The next candle opened and pushed down but got repelled instantly so I exited. The price did eventually go back down a little but only 30 pips below my exit.

When a line like the 200SMA or the 100SMA is broken and the candle closes past the break you can be pretty certain you will see a rally. The rally depends on which line is broken, if the 200SMA is broken you will see a very strong rally and if a 100SMA is broken you will see a shorter rally 100-300 pips.

200SMA breaks can result in a few thousand pips profit over the period of a few weeks. However this cannot be your primary system as breaks of the 100-200SMA do not happen often enough to be truly profitable. However if you're in a short trade already and the price is reaching the 200 SMA it is likely to find support there so be careful. If it breaks it you might want to short another position. These lines are not hit very often but when it comes close it is best to be careful. More often than not the price is repelled from these lines so most of the time I am ready to exit and re-enter for a reversal.

Stops

I am going to tell you how I used my stops but in the end it's up to you. The use of stops is highly instinctive and sometimes I just widen mine because I think it will retrace a little and come back. There can be no 100% set rules for stops. I will give you a basic overview but at the end of the day it's up to you. In the forum I will tell you where my stops are and when I change them.

For GBP/USD I initially put my stop at 100 pips and for GBP/JPY 150 pips. When I am up 100 pips on GBP/USD or 150 pips on GBP/JPY I will move my stop to break even. After that point I just move it up as it goes up. If I am up 200 pips I will put my stop at 100 pips ensuring I take in 100 pips.

Make sure your stops are always on odd numbers but not 9's or 1's so let's say you want to set a stop in the 1.9550 area set it at 53, 55, 57. Also if the price is below a resistance line and you are going short make sure you set your stop above the line. If it is above a support and you want to go long make sure the stop is below the support. Also make sure you allow it some breathing space do not put it 1 pip above the line give it at the very least 5 pips.

Intra-day System

What you need

- 30 min USD/CHF chart
- 30 min EUR/USD chart
- Awesome oscillator (no settings on my platform for this indicator)
- Parabolic SAR (0.02, 0.2)

Long Entry

- The parabolic SAR moves to the bottom of the candle and the Awesome Oscillator is green indicating an uptrend.

Short Entry

- The parabolic SAR moves to the top of the candle and the Awesome Oscillator is red indicating a downtrend.

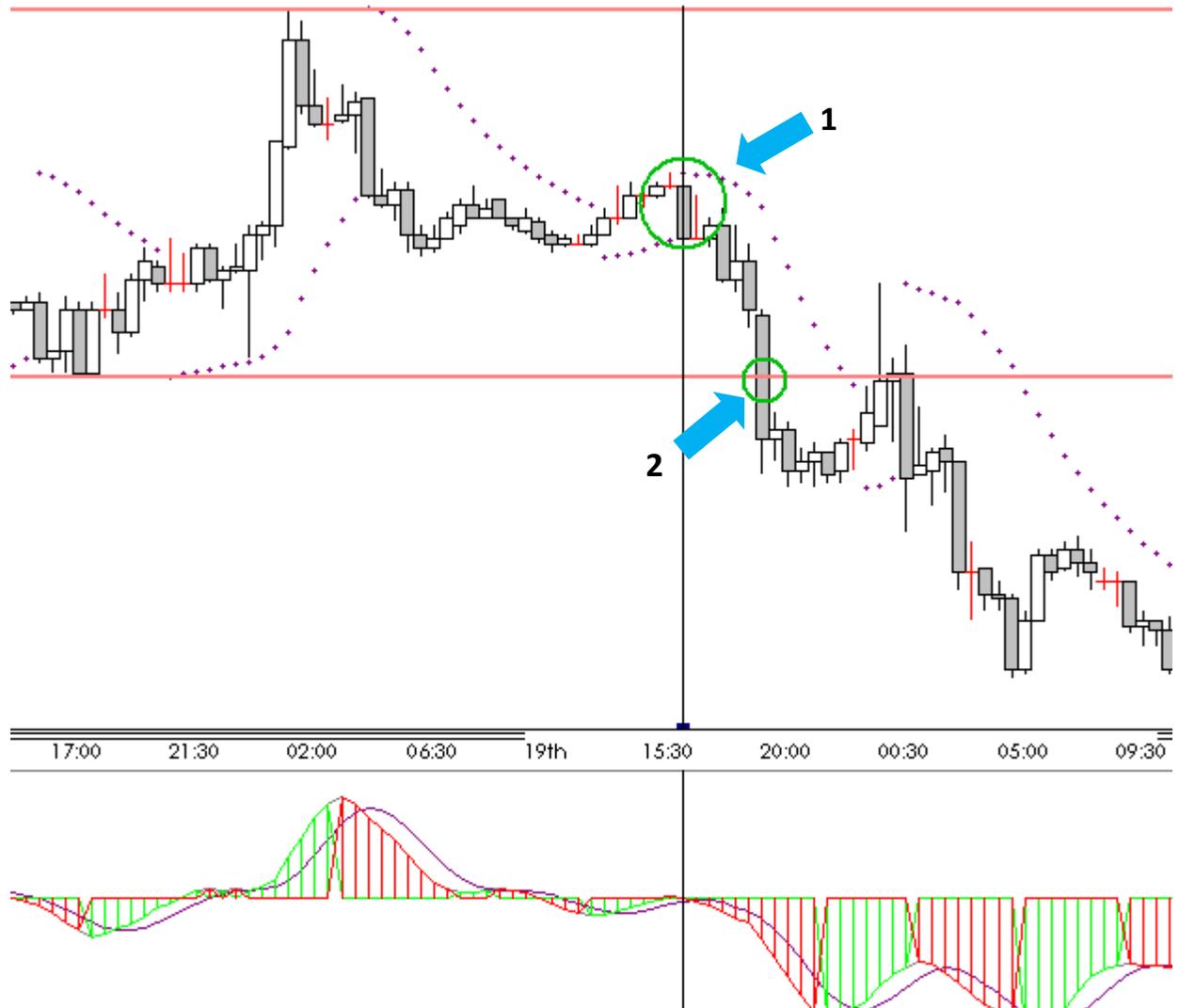
Stop Loss & Take Profit

USD/CHF = SL: 25 pips TP: 30

EUR/USD = SL: 30 pips TP: 40

Putting It All Together

Ask traders how many pips they aim for per day and most of them will say 30-40. I had that in mind when I developed this system; I designed it to be able to take 30-40 pips out of the market per day. There are many ways to use this system and it works on most pairs but testing it with 5 years worth of data on my Forex Simulator has proven that USD/CHF and EUR/USD offer the best results. If you are willing to take bigger risks this system can make you well over 100 pips per day. I think aiming for something like that is silly and in the long run you will be a loser rather than a winner. So I am teaching you the way I use it the way that makes me 40-50 pips a day on most days.



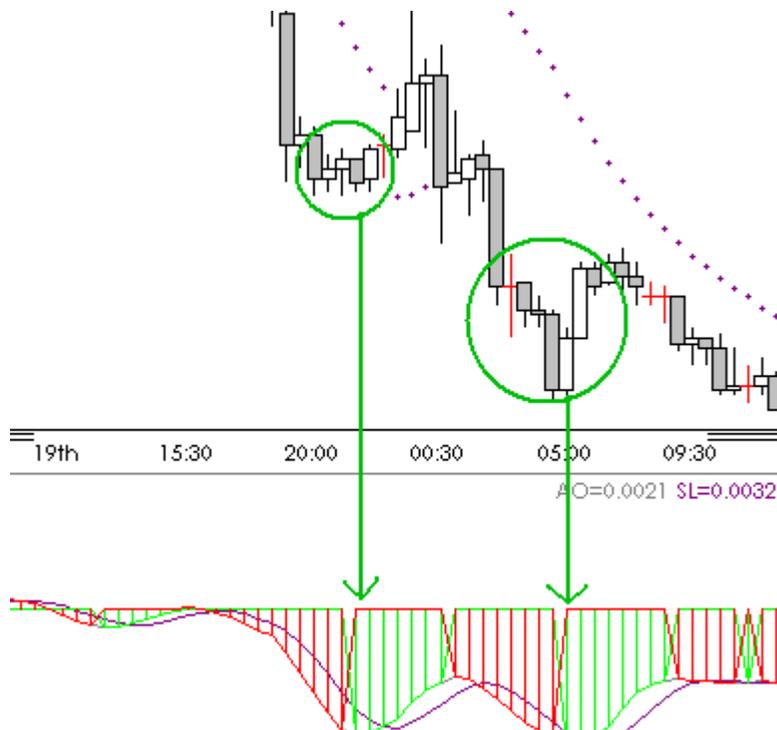
(1) You can see there I got an entry at about 1.2227. My aim is 30 pips. I reached that goal pretty easily 5 candles after I entered. Now usually I would exit at this point but the price is only 15 pips from the previous days low and the signal is still active. So I close half my position and I stay in. (2) The candle pushed down breaks the previous day's low and rallies down. I exit with an additional 32 pips profit.

Usually when the price breaks daily high or low it will continue to move in the direction of the break. It is something to keep an eye on because it happens often and it allows you to make some extra pips.

Support and resistance lines are also important in this system. You use them in the same way you used them in 4 hour charts. If one is broken you expect a rally otherwise you keep your eyes open for a reversal.

Exits

Exits are based on a few things and like a lot of this stuff you need to use your own discretion



If you see the candles get smaller and you see some Dojis, shooting stars and/or hammers you should keep your eyes open for a reversal. If the Awesome oscillator then changes color and indicates a reversal you might want to get out. If the Parabolic SAR changes direction along with the Awesome oscillator you definitely get out.

This is a very simple system and it is great for scalping 30-60 pips a day and honestly that is all you will ever need. Most traders would kill for 60 pips per day.

Fundamentals

Knowledge of fundamentals plays a very important role in Forex trading. You can never be 100% technical you need to have some knowledge of fundamentals to succeed.

There are many books out there on fundamental analysis and in the near future we will be releasing a fundamental analysis news letter for a small monthly fee. You will get commentary from a news analyst on what is happening economically with the Forex market. The team of news analysts will take a look at all the factors affecting the currency markets and summarize it all into a daily newsletter. More than that you get a news letter with ideas from an expert news trader on how to trade news reports. This is not Spike trading, the idea is to enter a few minutes after release of a report and capitalize on movement.

So if you want fundamental analysis minus all the hard work checkout our newsletter coming February.

If you rather do it yourself checkout these books on economics:

Naked Economics by Charles Wheelan

Free Lunch by David Smith

The End

I hope everybody enjoyed reading this book and I hope all of you have taken something valuable from it. I wish you the best of luck in your future trading.