Cyrus Mehta's Optimized Strategy

Or, how to turn $3,000 into an annual income of $300,000 or more within 3 years

with little or no risk

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Become thoroughly familiar with how to use a computer to trade forex. (*E.g.:* carefully study the tutorial at *http://www.babypips.com/school*.)

Open an account with OANDA. Use OANDA's "FxTrade" software for trading. Set trades only in the EUR/USD currency pair. Use leverage of 1:30. Use the ordinary "Candlestick" charts exclusively. Use the chart full-screen on your computer, so as to be able to see every little detail. In the "User Preferences" of the OANDA "FxTrade" software, under the "Chart" tab, set the "Daily Candle Start/End Time" to "00:00 New York". Also tick the box marked "Hide Empty Candles".

First of all, check the weekly chart and draw a channel showing resistance and support zones for the past six months at least, and preferably for a year. The resistance and support zones should each be between 50 to 75 pips wide (for it is to be noticed that these are *zones* and not *lines*).

Set all trades at midnight, New York time (or as close to midnight New York time as is convenient for you to do so, within about an hour of it).

There should be 5 trades in total.

The first trade of the day should be a "Market" trade, should have a 15 pip take-profit and a 75 pip stop-loss, and should be made with 90% of your leveraged NAV. The direction of this trade will depend on the conditions prevailing in the previous 12 hours, as is described below.

There should be two other trades, which should be "Entry" trades (*i.e.,* pending trades). They should be made with 90% of your leveraged NAV, and should both be set 90 pips away from where the price line is at midnight (*i.e.,* one of the trades should be 90 pips above, and the other 90 pips below, the price line). They should each have a take-profit of 15 pips and a stop-loss of 75 pips. They should be set to expire after one day.

Furthermore, two *additional* "Entry" trades should be set 170 pips above and below where the price line is at midnight. They should each have a 60 pip take-profit and a 75 pip stop-loss.

Of course, all the "Entry" trades above the price line should be "Entry Buy" trades, and the ones below should be "Entry Sell" trades.

Conditions According Which to Set the First Trade of the Day, Namely, the Market Trade

Add to your chart the EMA-4, EMA-8, and ATR-14 indicators, and open and widen the width of the candles to their maximum. (To widen the candles set the chart to "Advanced Chart View" in the "Chart Options" button, and repeatedly click on the "+" button at the bottom right corner of the chart until the candles can't widen any more).

Check the *daily* chart. If the ATR-14 on the daily chart is below 80 pips (which will be rare), lower the take-profit of the market trade from 15 pips to 10 pips. (Don't change the take-profit of the other trades, however.) If the ATR-14 is 80 pips or more, keep the take-profit of the first trade 15 pips. (*Note:* this criterion may change later depending upon further testing).

Check the *6-hour* candlestick chart. Generally speaking, if all, or the greater part, of the 6-hour candle (including the wicks) that closes at midnight is above the EMA-4 line, *and* if the slope of the EMA-4 line is more than 4 pips across the width of the candle, set a "Market Buy" trade; and vice versa.

If the slope of the EMA-4 line is 4 pips or less, set a market trade in the *opposite* direction of the *colour* of the candle. (*I.e.*, if the colour of the candle is red, set a "Market Buy" trade, while of the colour of the candle is green, set a "Market Sell" trade.)

If the 6-hour candle preceding midnight straddles the EMA-4 and EMA-8 lines approximately equally, set the market trade in the opposite direction to the colour of the candle, exactly as in the case of what you would do when the slope of the EMA-4 line is 4 pips or less.

If the colour of the 6-hour candle preceding midnight is not discernible, and if the candle (including its wicks) is mostly *above* the two EMA lines, set a "Market Sell" trade; while if the colour of the 6-hour candle preceding midnight is not discernible, and if the candle is mostly *below* the two EMA lines, set a "Market Buy" trade.

If one of the ends (including the wicks) of the *two* 6-hour candles preceding midnight is more than 90 pips above or below the midpoint (approximately) of the two EMA lines, set the market trade in favour of a retracement back towards the EMA lines. Or, preferably, use the Scatter Chart on the next page (use your common sense in interpreting the chart).

If the price at midnight is within, or very close to, either the support or the resistance zone, and if the above-mentioned indicators show that the trade should be set so that the take-profit goes even further into or towards the resistance or support zone (as the case may be), don't set any market trade that day; or else use your discretion as to which way to set it. (However, do set all remaining trades, namely the "Entry" trades.)

After setting the 5 trades at midnight, do not set any further trades for the entire day. If after about 11:00 am any open trade begins to go in the direction of a loss, *at your discretion* close it early and if you so desire, set an opposing pending trade below the 15-minute or 30-minute trendline. And close all open trades at or around 9 pm, even if necessary, at a loss.

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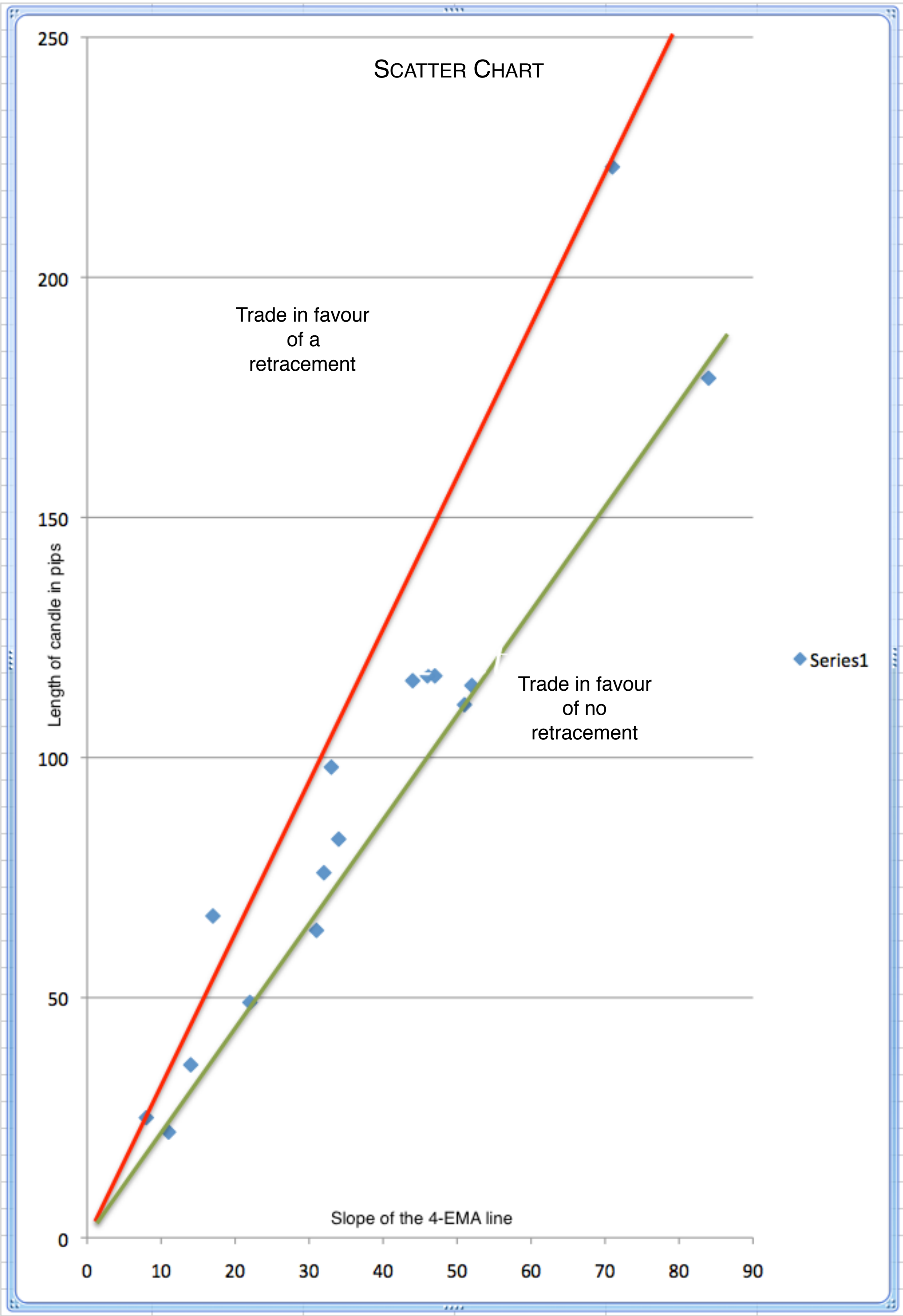
SCATTER CHART
Trade in favour of a retracement
Trade in favour of no retracement
Length of candle in pips
Slope of the 4-EMA line
Series1
0
50
100
150
200
250
0
10
20
30
40
50
60
70
80
90

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Reason why this strategy works

The essence of a forex a strategy is to *find a pattern in forex and exploit it*. The following pattern is evident in the pair EUR/USD:

Between 5 pm and 3 am, New York time, there is almost no movement in the EUR/USD price level (It seems that this pair is of interest mainly to traders and banks operating in Europe and North America, and not so much to traders and banks operating in the far east.) At or around 3 am, New York time — which is at or around 8 am London (or UK) time — the traders and bankers working in the City of London come into their places of work, and start trading aggressively; and as a result, the price usually moves quickly in one direction or the other, with a fairly large "wobble". The "wobble" is usually so large that it can move in one direction for 15 pips and then reverse in the opposite direction for another 15 pips, all within minutes. That means that on many (though not necessarily most) days, it doesn't matter which way one sets one's first trade of the day; the 30 pip "wobble" which starts between 3 and 4 pm New York time will cause that trade to take profit.

However, the rules given above help make it *more likely than not* that the first trade of the day takes profit. We need five wins to make up for a single loss, but because of the rules, when having checked historically, going back till June 15, 2015 (that's almost 10 months now), there have been in fact something like 10 to 20 wins every month for every loss; and as a result, the net result over time is very much in favour of wins.

Then around 8 am, New York time, when Wall Street traders and banks also start trading, the price often moves sharply in the opposite direction; or else it moves even more rapidly in the same direction as during the London session. The daily range of movement is often more than 100-110 pips. As a result there are many days when the second trade of the day is also triggered and takes profit. Even when it is triggered and doesn't take a profit, its stop loss is almost never hit; so the ratio of wins to losses is again in favour of wins.

On very rare days the price moves *enormously* in one single direction, most likely due to some extraordinary news event; and on such days, even the trade set 170 pips away from the price line gets triggered. It may or may not hit its take-profit, which is 230 pips away from the price line, but the triggering of that trade normally happens during the day, when one is awake even if one lives in North America — and definitely so if one lives in Europe — and so one can monitor the trade; and it can be closed whenever it appears that it might start retracing towards the direction of a loss. This adds to the overall wins.

Expected results of this strategy

In this strategy, every pip is worth a tad less than 0.12% of one's account. Therefore, each 15-pip win is worth a tad over 1.7% of one's account, while each 75-pip loss is 8.77% of one's account.

Therefore, considering only the first trade of the day, even at the pessimistic long-term rate of 10 wins for every loss on the average — which approximately amounts to two losses in a month on the average — the first trade of the day alone would result in a net win of more than 0.8% per trading day, averaged out over many months. (There are however "good" months and "bad" months every year, and so there may be one or two months in a year which may show a loss; but they will be counterbalanced by many others which will show a considerable win.)

In addition, back-testing shows that the secondary or "Entry" trades also show some profit, ranging from 0.4% to 0.8% per trading day.

This results in a net win rate of anything between 1% and 2% per trading day every month, depending on whether it's been a "good" month or a "bad" month.

Now, because of the power of compounding, even at the pessimistically low figure of 0.75% per trading day, an account starting with just $3,000 would grow over to $5 million within 4 years! And an account of $5 million would yield, at 0.75% per trading day (there are approximately 250 trading days in a year), an incredible annual income of over $9 million (before taxes).

In fact, within just two-and-a-half years one's $3,000 account would reach well over $200,000, which at 0.75% per trading day would yield an annual income of over $300,000 before taxes: more than enough for a family to live on *very* comfortably, even after paying the (no doubt huge) taxes that would be owed.

And remember, the maximum amount of money you would have risked is your initial $3,000 investment! In fact, if you manage to double your account to $6,000 within the first two to four months (which is entirely possible), you can withdraw your initial $3,000 investment, and subsequently trade only with the remaining $3,000 … which means you would have achieved this very comfortable level of income *entirely risk-free.*