

Index

A

Appel, George, 87
Arithmetic scaling, 155–157
Ascending triangle, 128,
130–131
Aspray, Thomas, 87
AUD/JPY pair, 37, 38–39
AUD/USD pair, 35, 36
Average Directional Index
(ADX)/Directional Movement
Index (DMI), 71–72

B

Bar charts, 41–43
Base currency, 7
Bear flags, 123–127
Bearish candles chart,
44
Bearish engulfing patterns,
45–46
Bid/ask spread, 8–10
Bollinger bands, 72–77
scalping to trend with,
172–173
trend detection/exhaustion
with, 162–164
trend trading with, 164–167,
170–172
volatility stop with, 167–170

Breakout patterns, in candlestick
charts, 45–46
Buffett, Warren, 35
Bull flags, 123–128
Bullish candle chart, 44
Bullish engulfing patterns,
45–46

C

CAD/JPY pair, 37
Candlestick charts, 43–58
breakout patterns, 45–46
indecision patterns, 46–49
reversal patterns, 50–56
Carry trades, 13–15
Central banks, as FX traders,
5–6
CHF/JPY pair, 39
Cohen, Steve, 158
Commodity Channel Index (CCI),
91–96
Commodity currencies, 35–36
Confidence, in trading, 184
Corporations, as FX traders,
5
Countercurrency, 7
Crosses, 37–38
Currencies:
commodity, 35–36
major, 32–35

D

Dark Cloud Cover pattern, 49–50
 Data display, 41–58
 bar charts, 41–43
 candlestick charts, 43–58
 line charts, 41, 42
 Dealer intervention, 9
 Decentralization, of FX markets, 6–7
 Demonstration trading accounts, evaluating of, 19–24
 Dennis, Richard, 153
 Descending triangle, 131–132
 Diamond patterns, 135–137
 Doji candles, 46–48
 Double top and double bottom patterns, 114–117. *See also* Triple top and bottom patterns
 Dragonfly doji candle, 48

E

Economic growth, as trading fundamental, 17
 Economic news, as trading fundamental, 15–19
 EUR/CHF pair, 37–39
 EUR/GBP pair, 37
 EUR/JPY pair, 37, 39
 EUR/USD pair, 32, 33–35
 Evening star/morning star candlestick, 53–54, 55
 Exponential moving average (EMA), 65–66

F

Falling wedge, 132, 133, 134

Fibonacci sequence, 99–112
 background, 99–102
 pros and cons of, 102–108
 trading with, 108–112
 Flag and pennant patterns, 123–128
 Foreign exchange markets, *see* FX markets
 FX markets. *See also* Trade management
 bid-ask spread and dealer-based market, 8–10
 decentralization and, 6–7
 demonstration trading accounts, 19–24
 fundamentals of trading and, 15–19
 leverage and, 10–15
 market structure and, 4–6
 quotation conventions, 7–8
 rules and regulations of, 3–4
 traders on, 5
 trading volume on, 1–2

G

Gallacher, William, 64
 Gartman, Dennis, 106, 153
 GBP/CHF pair, 39
 GBP/JPY pair, 37, 39
 GBP/USD pair, 32
 Geometric scaling, 156–157
 Ghost patterns, in CCI, 94–95
 Gravestone doji candle, 47

H

Hammer/hanging man candlestick, 51–53
 Harami candlestick, 50–51, 52

Head and shoulder patterns,
137–138

Hedge funds, as FX traders,
5

I

Indecision patterns, in
candlestick charts, 46–49

“Inside day,” 50

Interest on account, debits and
credits for, 15, 20

Interest rates:

carry trades and, 13–15

range trading and, 38–40

as trading fundamental,
17–18

J

Japan, regulation in, 3

K

Kovner, Bruce, 16

L

Lambert, Donald, 91

Lane, Dr. George C., 79–81

Leverage, 10–11

carry trades and, 13–15

margin calls and, 11–13

Line charts, 41, 42

Long-legged doji candle,
47

Lucas, Edouardo, 100

Lucas sequence, 100

Lukeman, John, 110, 112

M

Major currencies, 32–35

Margin, on stock trades,
10

Margin call, in FX market,
11–13

Market Maker’s Edge, The
(Lukeman), 110, 112

Market Wizards (Schwager), 16,
143

Morning star/evening star
candlestick, 53–54, 55

Moving average

convergence/divergence
(MACD), 87–91

in setup example,
173–176

Moving averages, 64–71

exponential moving average,
65–66

moving average crossover,
66–69

simple moving average (SMA),
64–65

three SMA filter, 69–71

N

National Futures Association
(NFA), 3–4

Nisson, Steve, 43

NZD/USD pair, 35

O

Observation, randomness theory
and, 25–27

Oscillators, 79–97

Commodity Channel Index
(CCI), 91–96

Oscillators (*Continued*)

- moving average
 - convergence/divergence (MACD), 87–91, 173–176
- Relative Strength Index (RSI), 82–86, 176–179
- stochastics, 79–81

P

- Patterns and antipatterns, 113–141
 - diamonds, 135–137
 - double tops and double bottoms, 114–117
 - flags and pennants, 123–128
 - head and shoulders, 137–138
 - reverse head and shoulders, 138–141
 - triangles, 128–132
 - triple tops and bottoms and the antipattern, 117–123
 - wedges, 132–135
- %D, 80
- %K, 80
- Percentage in point (pip), 7–8
- “Phi,” 100, 102. *See also* Fibonacci sequence
- Pickers, 9
- Pip (percentage in point), 7–8
- Political stability, as trading fundamental, 18–19
- Pressing the trade, 152–155
- Price channels, trend lines and, 60–63
- Price data, randomness of, 25–27

Q

- Quotation conventions, 7–8

R

- Randomness, 25–27
- Range trading, 30–32, 79–97
 - Commodity Channel Index (CCI), 91–96
 - crosses and, 37–38
 - interest rates and, 38–40
 - moving average
 - convergence/divergence (MACD), 87–91, 173–176
 - Relative Strength Index (RSI), 82–86, 176–179
 - stochastics, 79–81
- Relative Strength Index (RSI), 82–86
 - in setup example, 176–179
- Reversal patterns, in candlestick charts, 50–56
- Reverse head and shoulders patterns, 138–141
- Rising wedge, 133–135
- Rosen, Adam, 83

S

- Sarnoff, Tom, 183
- Scaling, 155–157
- Scalping, 9
- Scalping to trend, in setup example, 172–173
- Schwager, Jack D., 16, 143, 158
- Science Askew* (Simanek), 100–102
- Self-knowledge evaluation, 143–150
- Setup examples, 161–184
 - MACD turn, 173–176
 - Relative Strength Index, 176–179

scalping to trend,
172–173

trading pure trend with
Bollinger bands, 170–172

trend detection/exhaustion
with Bollinger bands,
162–164

trend detection with three
simple moving averages,
180–181, 182

trend trading with Bollinger
bands, 164–167

volatility stop, 167–170

Shooting star/reverse hammer
candlestick, 51–53

Simanek, Donald, 100–102

Simple moving average (SMA),
64–65. *See also* Three
simple moving average
(SMA) filter

STC Capital, 158

Stochastics, 79–81

Stock Market Wizards
(Schwager), 158

Swiss franc, 32, 33

Symmetrical triangle,
128–129

T

10 percent solution,
157–159

Three Advancing White
Soldiers candlestick,
54–56

Three Black Crows candlestick,
54–56, 57

Three simple moving average
(SMA) filter, 33–35, 69–71
in setup example, 180–181, 182

Trade balance, as trading
fundamental, 18

Trade management, 143–160. *See
also* FX markets; Setup
examples

arithmetic scaling,
155–157

pressing the trade,
152–155

self-knowledge and,
143–150

success factors and,
181–184

10 percent solution,
157–159

2:1 reward/risk ratio,
150–152

Trading houses, as FX traders,
5

Trend line break patterns, in CCI,
95

Trend trading, 29–30, 59–78

Average Directional
Index/Directional
Movement Index,
71–72

basic questions of, 74–76

Bollinger bands, 72–77

Bollinger bands, in setup
examples, 164–167,
170–172

currencies for, 32–36

moving averages, 64–71

trend lines, 60–64

Triangle patterns, 128–132

Triple top and bottom patterns,
117–123

2:1 reward/risk ratio, 150–152

U

United Kingdom:
pound of, 32–33
regulation in, 3

United States, regulation
in, 3
USD/CAD pair, 35, 36
USD/CHF pair, 32
USD/JPY pair, 32, 39

V

Volatility stop, in
setup example,
167–170

W

Wedge patterns, 132–135
Wilder, J. Welles, 71, 82
Winner Take All (Gallacher), 64
Wood, Ken, 91, 93–95

Z

Zero line reject patterns, in CCI,
95–96