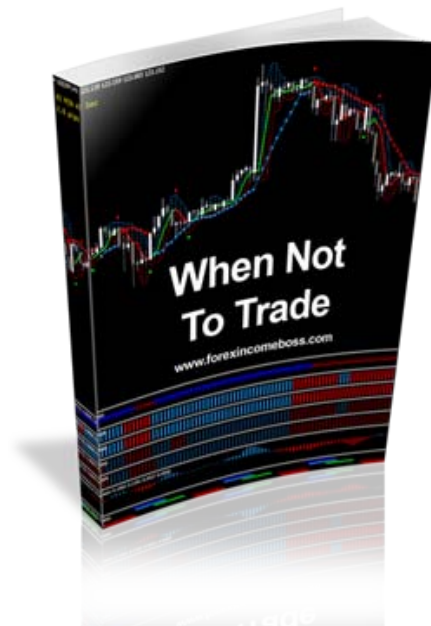


FOREX INCOME BOSS

Presents



When Not To Trade

By Russ Horn

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Advancement Gifts Roadmap

GOAL

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When not to trade

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WEEKS

START

1. When Not To Trade

There are several reasons you might not want to take a trade. I was going to discuss all of the different market conditions, and we will, but there is more to it than that.

If you are in distress in some form, these are just a good enough reason to not be taking trades.

Physical and emotional problems will prevent you from doing the right thing, and poor market conditions make the probability of a successful trade virtually random. It becomes an uneducated guess rather than a legitimate trade.

Bad market conditions, and there are several, are going to be responsible for a lot of your trading losses. Many people that show me a chart of a trade that didn't work out can be attributed to taking a trade in a condition that is not ideal for a high probability trade.

No matter how closely you follow the rules and no matter how strict you are with trade management, if you enter a trade in a choppy or flat or chaotic market, you will pay the price.

Some of these conditions will occur just as you are entering a trade, and unfortunately there is little to nothing we can do at that point. The best thing is to reassess your market and then decide to not place a second trade.

A lot of the time, the poor market condition is already underway and as you go to trade, you will see it very clearly.

I have a saying when it comes to poor market conditions:

"The market will continue to do what it's doing until it stops."

Yup, that sounds so simple that it's almost stupid... but most traders will disregard this and trade in a market that is totally untradeable. Taking a trade in an untradeable market presumes that you believe the trade you take is going to be the one that makes the market change, and you will find out that you are powerless over what the market is going to do.

2. Conditions To Not Trade

There are 2 kinds of general conditions we don't want to trade in:

1. Market conditions

We are going to look at several market environments that we would ideally stay away from.

1. Time Of Day.
2. News Releases.
3. Choppy.
4. Flat.
5. Unusual.
6. Large market moves.
7. Spikey candles.

2. Personal conditions

We'll take a look at several personal situations where you may want to consider not taking trades.

1. Emotional.
2. Physical pain.
3. Under the influence.
4. Stress.
5. Limited time.
6. Feeling Overwhelmed.

3. Market Conditions

1. Time Of Day.

When you are trading a 4 hour or a daily timeframe, the time of day isn't normally an issue. The full day market movement is absorbed by the few candles you are looking at. However, if you are trading a small timeframe like the 5 or 15 minute, the time of day becomes very important.

Essentially, **the period of time between the London close and the London open** is very slow and largely untradeable. During **the second half of the New York session**, the market comes to almost a dead stop, and any trade you take will just sit there.

The Asian session does start to move certain currency pairs, mainly the AUD and the JPY pairs, but for the most part, they won't move very much. **You must be aware of the currency pairs you are trading and the time of day you are trading them. Not all pairs will move the same at the same times.**



2. News Releases.

There are scheduled economic reports that come out at very specific times, (these schedules are made available to every trader through Economic Calendars).

Most of these news releases have no impact on the market, but a handful of them will make the market act in very strange ways. The market can take off like a rocket, and then on a dime, turn around and drop like a brick.

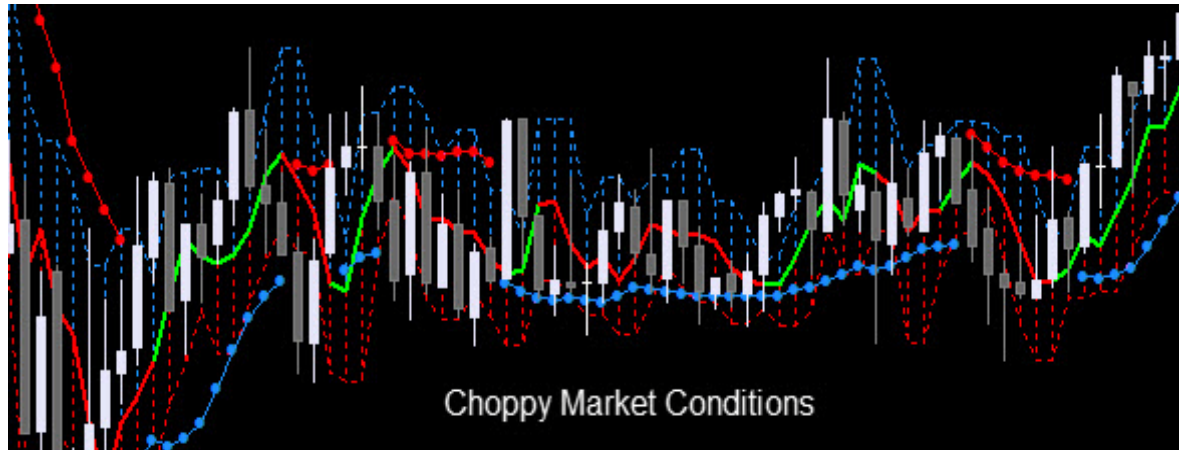
Trading these high-impact news releases sound tempting, but can be a nightmare. Your broker will often freeze their platform at the time of the release, the spreads on the currency pairs you are trading can jump to 10 times what they are normally, and you can't get in or out of a trade at the price you want.

The biggest news generally occurs during the beginning of the NY session, it's good to pay attention to news like the NFP report or the FOMC minutes.



3. Chippy.

There will be periods of time when the market is extremely chippy. This is when the market has no apparent direction and jumps up and down and never makes a considerable move in any one direction. Too many new traders are asking for an indicator that can identify these conditions, but they are best identified by our eye, it really is a visual event.

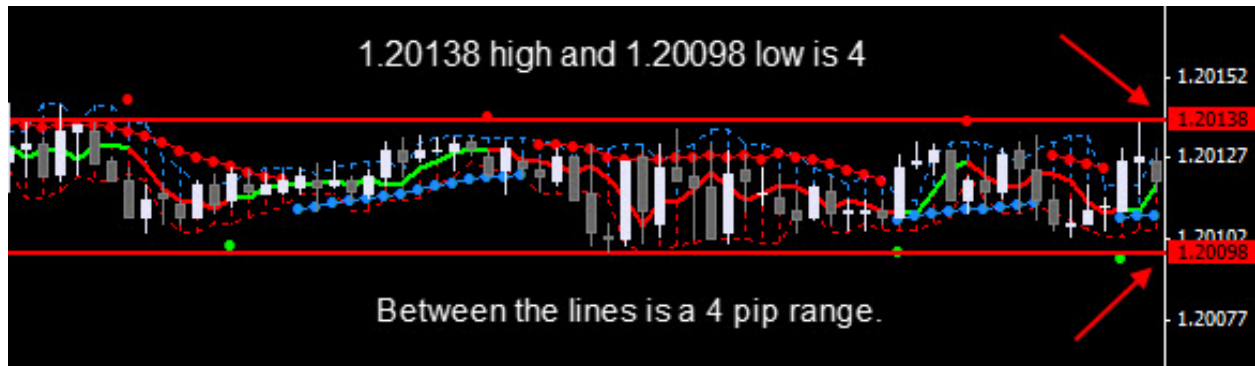


The market might look like it has some direction to it, but if there is no consistency on the types of candles, or the formations of the candles, these is a heads up to avoid taking trades.



4. Flat.

When the market has little or no volatility, it can be detrimental to try and trade. If over the last 20 candles the market hasn't moved more than 10 pips, taking a trade that aims for a 25 pip target is very unrealistic. The image below is of the EURCHF, it's stuck in a flat market moving no more than 4 pips. Taking a trade in that condition is a lost cause.



Flat conditions could be a result of many things:

1. The time of day.

Smaller timeframes like the 5 minute and 15 minute will show off the low volume sections of the market quite clearly.

2. Before large news events.

Traders can be waiting in the wings knowing the market is about to explode. They are afraid to take a position and be on the wrong side of the market.

3. After a large market move.

This fakes a lot of trades out, they expect a continuation of a big market move, but mostly what happens is the market just stops moving. It finds a place to relax and regroup and it just moves sideways.

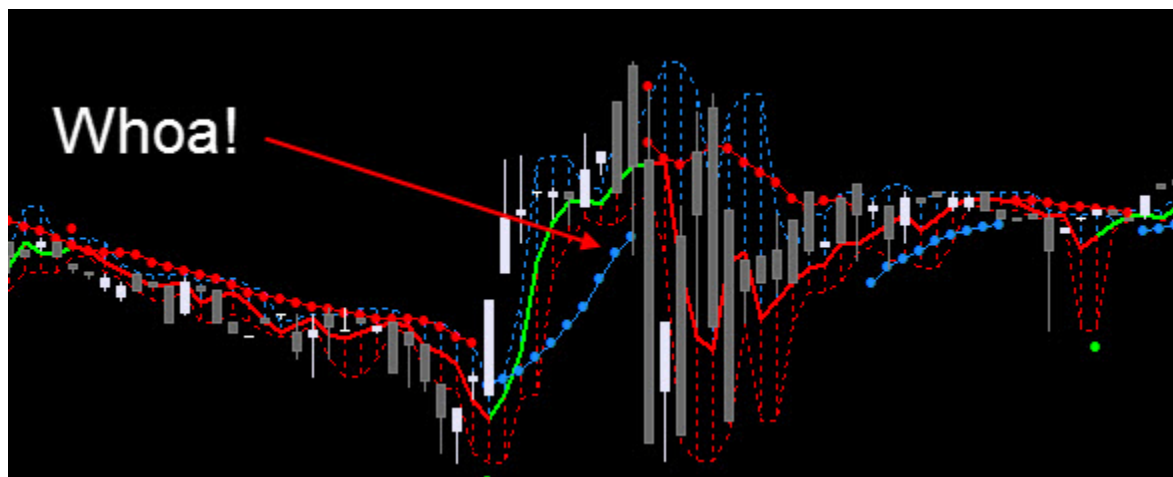
4. Holidays.

Times when a lot of traders are away on vacation can cause the market to settle as the volume gets really slow. No big business and no trading means no currency changes hands.

5. Unusual.

Sometimes the market acts in ways that is not normal. Generally, the market has a kind of flow to it that is somewhat predictable. It makes sense. When the market acts out of place, I want to stay away until it returns to a state that I am familiar with.

A state of generally erratic behavior can fall into this category as well. If it's insane looking, don't try to trade it.

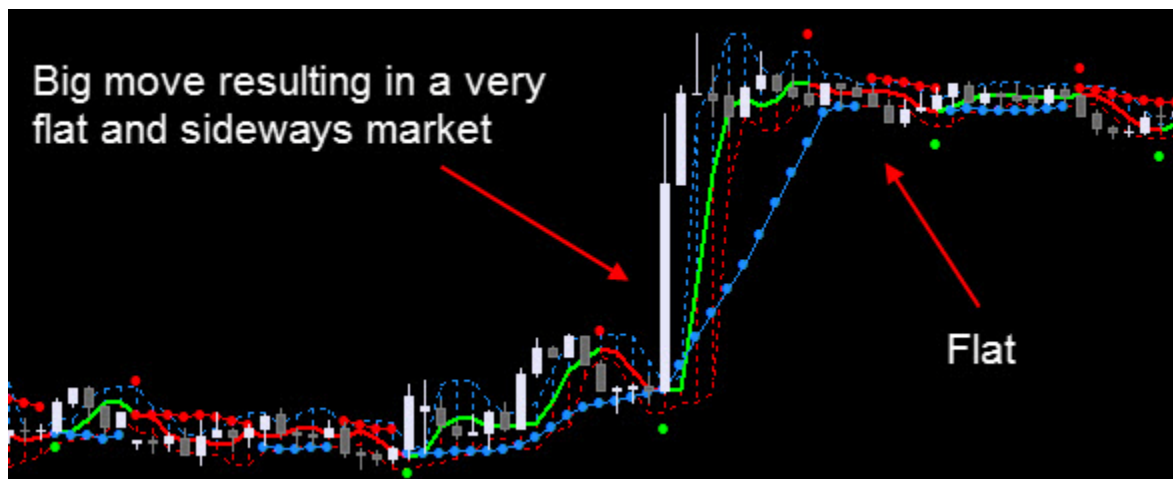


6. Large market moves.

Sometimes the market makes a run for it and moves a long way very quickly. After this kind of move, the market will often need to relax, so you will often see it moves very sideways.

You will see this mainly after something fundamental in nature, generally a high-impact economic report.

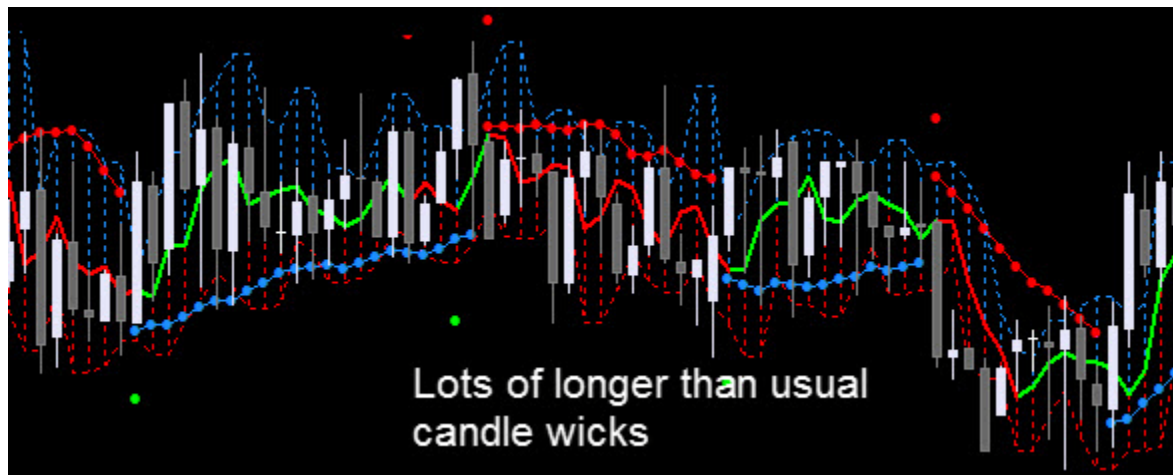
Once the market makes an aggressive move, the market becomes quite unpredictable afterwards. There is the chance it could continue to move or that it will make a sever pullback or simple sit there and move sideways.



7. Spikey Candles.

Candles often have an upper and lower wick on them, but when you see a series of candles that have abnormally long looking upper and lower wicks, there is a huge tug of war going on between the bulls and the bears. Trying to trade this is like stepping in the middle of a dog fight, you are going to get bit!

There is generally no winner in a fight like this, it's dirty and anything goes!



I have a saying,

"The market will continue to do what it's doing until it stops"

This simply means that if you are in an uncertain market, don't assume the trade you take is going to be the trade that makes the market change its behaviour. I want to wait for the market to show me that it has changed before I start to trade it.

4. Personal Conditions

1. Emotional.

Traders are aware of emotional issues that will prevent you from trading, but in this instance, we want to take note of the emotions that should keep us from trading.

These will be emotional factors that emerge from outside of the trading arena. When a trader is emotionally compromised or distracted, trading is not a good idea.

- Being sad from the loss of a pet.
- Being angry at being in a fender bender.
- Being frustrated at something not going your way.
- Being worried about your kids not being home at night when they should be.
- Being upset over having a tiff with your significant other.

When you are emotionally distracted, you can't focus on your trading the way you need to.

2. Physical pain.

Having physical pain will distract you from performing your best. This can include an injury but it can also include the uncomfortable distraction of having the flu or some other illness. If you are sick or in pain, your attention will be on your physical being and not on your charts.

3. Under the Influence.

This includes what it sounds like, but it includes other things as well. You don't want to trade while you have been drinking any kind of alcohol, or anything that will alter your ability to focus or be rational. No trading when you are on strong medication, when you are on any kind of drug or consuming alcohol.

Once I traded while I was on pain killers and I thought I was doing a good job... it wasn't until the next day when I reviewed my trades that I wondered what the heck I was thinking! The trades I took were abominations, although they seemed to make perfect sense when I took them.

4. Stress.

There are a lot of stressful situations that will affect your ability to trade well. Feeling stressed at the spouse yelling at you over something, feeling stress over the past-due bill you got in the mail and so on. Feeling stressed will make you trade badly and you can't focus as you need to.

5. Limited time.

If you don't have the time to watch for and sit through a trade, don't even try. Your trades will be rushed and you will make poor decisions in an effort to hurry things along. Your entries may be hurried and you get into the market without the proper signals. Finding trades that don't exist because you need to get in the market right away will hurt your account.

6. Feeling Overwhelmed.

Sometimes we will experience a sense of too much information. This will cause something referred to as "Analysis Paralysis." We should not be trading when we are confused or overwhelmed by the charts in front of us. We will make rash decisions and never make the right trade calls. Take a break, turn the charts off, go for a walk and clear your head. Once you are in a better state of mind, you can return to your trading, but not until you can think clearly.

5. Conclusion

Sometimes the best trades are the trades we don't take!

Knowing when to stay out of a trade can be as important as knowing when to trade.

We are not in the habit of gambling with our money, nor are we going to make assumptions that the trade we take is the one that will make the market move the way we want it to.

No system in the world is going to make the Forex market change its behaviour. The market can't see your system and it doesn't know it has produced a signal.

Once the market is acting oddly, it reduces the odds of a successful trade, and this is not what we are in it for. We want to cherry pick our trades, and having chaotic and unusual market conditions will no longer allow us to do that.

Allow the market to return to a more predictable state before you risk your hard earned money once again.

May all your dreams come true!

Russ Horn