

Illustrated Extreme Review on "Forex Trading Machine, 2007"

Contributed by Vision
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Illustrated Extreme Review on "Forex Trading Machine, 2007 edition" by T. Yeap.

1. Name of ebook: Forex Trading Machine, 2007 edition
2. Yeap's alternative names for eBook: (i) Price Driven Forex Trading Systems, (i) Short-term Momentum Trading Systems
3. Type of trading method: 90% Mechanical; 10% Technical; 0% Fundamental
4. eBook Coverage: (1) Basics of Forex, (2) Three trading methods
5. Total no. of pages: 180
6. Cost of eBook: \$97
7. Format & write-up of ebook: Semi-Pro
8. Domain name creation date: Sep 2006

Preface: About Reviewer

Yeap is a technical reviewer of various Forex/Stocks trading systems. He is very familiar with numerous technical analysis and fundamental analysis methods. Yeap's doctorate thesis is related to the forecasting of financial models and enjoys reviewing methods that aids financial forecasting, whether it is technical, fundamental, economic or simply mechanical based systems.

1.0. Review Introduction

Like most serious researchers, a literature review is conducted prior to the review of the selected system. The literature review attempts to identify other reviews that are done in order to avoid re-inventing of the wheel. The results of the literature review are documented at the end of the article. It was found that no review include any trading journals on the 3 strategies found in "Forex Trading Machine" (FTM) and as such, the need for an illustrated review that apply strategies mentioned in FTM. It helps that FTM is a mechanical-based system, which would enable a more objective assessment as to whether FTM works (or not).

While this is a rather detailed review (compared to those found in Appendix A), traders should purchase a full copy of Forex Trading Machine and study the details & exception handing of every step given in each strategy in order to fully appreciate and use FTM strategies.

1.1. eBook Chapters

1.1.1. Part [A] of eBook: Forex Basic

- o Chapter 1: Introduction to author and ebook (pg 5-12)
- o Chapter 2: How Forex works? (pg 13-30)
- o Chapter 3: Chart reading (pg 31-37)
- o Chapter 4: Introduction to Technical and Fundamental Analysis (pg 38-73)
- o Chapter 5: Forex psychology (pg 74-80)
- o Chapter 6: Money management (pg 81-90)
- o Chapter 8: Misc topics: Selecting a broker, Books, Websites, Disclosure & Terms of Use (pg 166-180)

Rating of Part [A]: . Note that you can get these knowledge publicly on the Internet and books for free. Certain sections such as money management and market psychology are well written. However, there are snippets which are not found else where and I like one such section under Chapter 4 (pg 40-41) - while most of us who monitor economic indicators may know of the importance of "Non-farm payroll", "Fed Open Market Committee interest rate change announcement", "Retail sales", etc. for the US market, most of us are less familiar with the economic indicators for the other countries, much less the degree of importance. Avi list (in order of importance) the economic indicators in UK, Japan and European Union - brilliant and for this alone.

1.1.2. Part [B] of eBook: Trading Strategies (entire Chapter 7)

- (i) Cash cow strategy (pg 91)
- (ii) Runner strategy (pg 127)
- (iii) Flip & Go strategy (pg 149)

Rating of Part [B]: . Essentially, this is what you will be paying for.

2.0. Review on the 3 FTM Strategies

2.1. Summary and Review on Cash Cow Strategy (CCS)

- o Avi considered CCS to be "very accurate, probably the most accurate strategy".
- o Avi mentioned that "this strategy is designed specially for people who don't really have time to monitor the market".
- o He considered that the CCS setup is only available "3-4 times per month".
- o Avi recommended "GBP/USD" for CCS because "it has the largest short term moves of all currency pairs"
- o Unlike "many market analysts/system designers/technicians" who believe that a good trading strategy is one that is applicable to all markets, Avi felt that each fx pair "has its own personality" and thus he believe in selecting the best pair(s) to suit his strategy.
- o He discussed about the significant of 140 pips range for GBP/USD
- o Basic CCS method can be summarised as:
 - Step 1. Identification of Setup: 140 pip
 - Step 2. The Entry: Taking into account 30 Pip Rule
 - Step 3. Explicit stop loss of 60 pips
 - Step 4. Explicit profit taking at (i) 100 pips OR (ii) 11:30 EST, the next day whichever occurs first.
- o Avi covered some non-obvious CCS setup which explained non-obvious counter trends.
- o Intermediate CCS (CCS2) = Basic CCS (CCS1) + 30 Pip Rule (previous day low/high)
- o CCS2 trading examples were provided: Examples #1 and #5 are easy to understand. Examples #2, #3, #4 deals with exceptions and how to effectively deal with those.
- o Gave two simple exercises to confirm reader's knowledge of CCS2
- o Cover advanced trading strategies (Advanced CCS or CCS3) on how to increase the effectiveness of CCS2 for the purposes of (A1) to "alert the trader when not to enter a trade"; and (A2) to "keep riding a trade beyond the standard 100 pip profit objective target".
- o One good CCS3 illustration was given for A1 and A2.
- o One wise note of caution from Avi: "if you are not an experienced trader you should stick to the conventional mechanical mode of the strategy", ie. avoid CCS3, stick to CCS2 alone.
- o "The best way to trade the CCS" strategies "is by using daily bars on a daily bar chart".

2.2. Summary and Review on Runner Strategy (RS)

- o Avi considered RS to be "a day trading system" for "EUR/USD pair" and he saw "good results" for "USD/CHF and GBP/USD as well".
- o The primary reason why he felt that EUR/USD suits RS very well is because (i) "EUR/USD is the most liquid pair in the forex market", and (ii) "many brokers today provide a 2 pip spread in the market".
- o RS is meant to be traded on a 5-min chart and can be "traded anytime within the 24 hour trading session".
- o No indicator is necessary for RS.
- o Reasoning for RS is to "spot an intraday price movement in any direction and jump on board for a quick profit."
- o FS uses (i) "price element", and (ii) "time element"
- o Steps involved in FS:

- Step 1. Spotting the 30 pips setup
- Step 2. The Entry
- Step 3. The Stop Loss (trailing 20 pips) and Profit Objective (40 pips)

- o 3 sub-examples and 1 long elaborate example
- o Avi mentioned that RS can also be used in "USD/CHF and GBP/USD (particularly with the GBP/USD pair. This pair is very volatile and with that come many opportunities)."
- o He further mentioned that the volatility in "USD/CHF and GBP/USD" implies "more losses but also more winners" - suitable for aggressive traders.

2.3. Summary and Review on Flip & Go Strategy (FGS)

- o Avi strongly felt that most trading indicators are worthless and re-emphasize that his three trading strategies are based on price and time only.
- o Avi discussed about the interesting pattern he observed on EUR/USD (i) "early in European session) and (ii) "sometimes still in the late Asian session" and termed it as "fake 15 pip move".
- o RS is meant to be traded on a 5-min chart and also 1-min chart
- o Steps involved in FGS

- Step 1. Spotting the 15 pips setup
- Step 2. The Entry: Opposite entry
- Step 3. Stop Loss (trailing 15 pips) and Profit Objective (40 pips)

- o Avi mentioned that "I choose 40 pips because it can provide a good number of winners and a steady line over time."
- o However, he also mentioned that "I have seen very good results with a 15-20 pip profit objective."

3.0 Trading tests on "Forex Trading Machine"

Trading has been initiated on 26th April 2007 and the above will be updated on an ad-hoc basis. The initial fund in this account is \$1,000,000. Readers who are interested in interim results prior to actual update may want to leave comments in this blog entry at the end of this review.

4.0. Conclusion & Results

Forex Trading Machine includes 3 novel trading strategies based on momentum and my next step would be to quantitatively test out the three methods to measure the effectiveness of each of them.

I take this opportunity to thank Avi for trusting me with a copy of his ebook for review purposes.

Summary of Cash Cow Strategy (CCS)

- Novelty of Method:
- Ease of Understanding:
- Ease of implementation:
- Frequency of Occurances (per week):
- Effectiveness of System: Testing in progress...
- Yeap's alternative names for CCS: Two-day Price Swing Strategy, Big Pips Momentum Strategy, Momentum Swing Trading Strategy.

Summary of Runner Strategy (RS)

- Novelty of Method:
- Ease of Understanding:
- Ease of implementation:
- Frequency of Occurances (per week):
- Effectiveness of System: Testing in progress...
- Yeap's alternative names for RS: Small Pips Momentum Strategy, Momentum Day trading Strategy

Summary of Flip & Go Strategy (FGS)

- Novelty of Method:
- Ease of Understanding:
- Ease of implementation:
- Frequency of Occurances (per week):
- Effectiveness of System: Testing in progress...
- Yeap's alternative names for FGS: 15-pip move Strategy, EuroAsia Timezone Trading Strategy

4.1 Results

I encountered mixed results, ie. both profitable and non-profitable trades. While I could spend more time to test the system, I felt that it is rather tedious due to its manual process. While it is possible to do a backtest on the three methods, one needs patient and time to do it.

Moving forward, I will test forex robots, which can be more quantitative, both in terms of backtesting (via Metatrader) and also forward trading - by leaving the computer on for 24 hours a day.

Best wishes and take care.

Appendix A. Existing reviews of FTM by other users

Forex Trading Machine Book Review: Trading Like A Robot (3 star)

<http://ezinearticles.com/?Forex-Trading-Machine-Book-Review:-Trading-Like-A-Robot&id=463836>

Avi Frister - Forex Trading Machine Review

<http://www.margin-strategies.info/avi-frister.html>

How Anyone With Half A Brain And a Computer Can Generate \$Thousands A Year By Trading The Stock Market...

http://www.onlinebusinessrevenue.com/forex_trading_machine.htm

Forex Trading: High Profit Without The High Stress? (4 stars)

<http://searchwarp.com/swa108396.htm>

Commentary in Trade2win Forums (some comments are sales comments by distributors of the system)

<http://www.trade2win.com/boards/archive/index.php/t-21434.html>

Review of Forex Trading Machine by Avi Frister. Real or Scam?

<http://www.financial-spread-betting.com/Frister-forex-trading-machine.html>

Users comments on FTM in ForexBastards.com (3.5 stars)

<http://www.forexbastards.com/public/review/www.forex-trading-machine.com>

Forex Trading Machine Book Review: Surviving The Dreaded Drawdown (3.5 stars)

<http://ezinearticles.com/?Forex-Trading-Machine-Book-Review:-Surviving-The-Dreaded-Drawdown&id=464230>

Users comments on FTM in Goforex.net Forum

<http://www.goforex.net/forum/showthread.php?t=269>

The Forex Trading Strategies I Use Every Day to Make Consistent Profits

<http://www.forexboost.com/my-trading-strategies.html>

A Revolutionary and New Strategy to Trade Currencies Profitable - by Avi Frister

<http://www.aboutcurrency.com/content/view/72/52/>

Forum comments on "Trading Machine" by Avi Frister (70% negative, with pdf extract)

<http://www.forex-tds.com/documentation/6905-trading-machine-avi-frister.html>

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